



MEMORANDUM

PAC/RESO/705

To: All Members, Passenger Agency Conference
Accredited Representatives

From: Director, FDS Operations, GDC

Date: **15 September 2020**

Subject: **MAIL VOTE (A344)**
PAC (Mail A344)
Changes to Multi-Country Assessment Framework

Background Information

Based on the learnings from the Go-Global pilots, including the experience from Thomas Cook's ceasing of operations, which was part of the pilot agents, PSG/114 decided to review if there were any areas within the Multi-Country Financial Criteria, which needed consideration.

Along these lines, during PSG/115 and 116, delegates were briefed on the progress achieved by IATA and its Global Financial Assessor in relation to the to the different sections (i.e. historical financial data, forecasted financial data, operational review, etc.) of the Multi-Country Financial Criteria and the assessment framework, as established in Resolution 812 Attachment 'E', that could be potentially enhanced or revamped to better identify Agents which may be in a cash distress situation.

In summary the following enhancements and their rationale, were introduced and presented:

1. Multi-Country Framework	2. Changes / New Ratios
3. General	a) Move to a Pass/Fail result from a scoring system where the agent needs to obtain a minimum 70 points (max 100). b) Assign priority to the financial situation (historical and forecast): <ul style="list-style-type: none"> ▪ Certain ratios would be key. Any of them failing would result in a Fail to the entire section ▪ Other ratios would be standard. When 3 of them fail in the same section, the whole section would fail
4. Historical Financial Data	a) Net Equity b) Net Sales (Last 12 months N, vs Last 12 months N-1) c) Net Cash Position d) Net Income (Last 12 Months) e) Net Income (Quarterly, 3M)
5. Operational review	a) Disaster Management b) Cybersecurity c) Data privacy regulation compliance
6. Global Risk Controls	a) Stock Market Price decrease (Last 12 Months N) – if applicable b) Stock Market Price decrease (12 Months N-1) - if applicable c) Stock Market Price decrease (Quarterly, 3M) - if applicable d) Stock Market Price decrease (Quarterly Q-1, 3M) - if applicable
7. Trend Analysis	a) Trend - Cash ratio 12 months (Last 12 months N-1, vs Last 12 months N-2) b) Quick ratio (Cash and Cash equivalent + AR / Current liabilities) (Last 12 months N-1, vs Last 12 months N-2) c) Trend - CFO 12 months (Last 12 months N-1, vs Last 12 months N-2)

In order to achieve the desired results, it was agreed to pursue the following consultation process in respect of the proposed Multi-Country Assessment Framework:

- 1) Joint review with selected Piloted Agents
- 2) Impact assessment
- 3) Legal review
- 4) Final Multi-Country Assessment Framework submission

Effective Date

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

Proposed Action

Conference to adopt the changes to the Resolution 812 Attachment 'E', as shown in Attachment 'A'.
The timetable for this Mail Vote is as follows:

Voting Period: 15 – 30 September 2020
Filing Period: 1 – 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.



Juan Antonio Rodriguez
Director – FDS Operations, GDC

It is proposed to amend Resolution 812 Attachment 'E' as follows:

2. FINANCIAL EVALUATION

Annual Assessment

- ~~2.3~~ The Global Financial Assessor (GFA) will assess ~~the documentation provided to determine whether each criterion on the Assessment Framework is met~~ the financial standing of the Agent in accordance with the criteria established under each of the different sections in Appendix A.
- ~~2.4~~ If a criterion is met, the Agent will be allocated the applicable number of points shown under ~~Maximum Score of the Assessment Framework. If a criterion is not met, no points will be scored.~~
- ~~2.54~~ If the Agent is unable to provide the necessary documentation or evidence to enable the process for the GFA to sufficiently assess a criterion, the provisions and consequences set out in section 5.4.5 will apply.
- ~~2.65~~ Where the Agent is a publicly traded company or is otherwise unable to disclose specific information to the GFA, the GFA may propose an alternative measurement. In any case, the Agent may request IATA and/or GFA to be a party to a non-disclosure agreement.
- ~~2.76~~ With the agreement of the Agent, the GFA may arrange an on-site visit to gather any additional information or assess the documentation provided. Any costs incurred for the GFA to conduct such visit will be assumed by the Agent.
- ~~2.87~~ To pass the annual assessment, the Agent must obtain a minimum Risk Score of 70 points. The Agent's Financial Assessment is based on a "pass" or "fail" result. Some ratios are considered "key" (for the list of key ratios refer to appendix A) and failing any single key ratio results in a "fail" for the corresponding section. Other ratios are "standard" and failing 3 or more standard ratios within a single section, results in a "fail" for the corresponding section. To pass the annual Financial Assessment, the Agent must pass all sections.
- ~~2.98~~ If the Agents obtains a Risk Score lower than 70, the Agent will be determined to have failed the Financial Assessment, and will be required to provide a Financial Security per section 3 below. When GFA determines that an Agent failed the Financial Assessment, IATA shall inform immediately the Agent in writing of conditions as are deemed appropriate to be complied by the Agent by a specified date including the provision of a Financial Security per section 3 below.

Quarterly Assessment

- ~~2.99~~ For the remaining three quarters of the year, the Agents financial standing will be reassessed by the GFA.
- ~~2.11~~~~10~~To undergo the quarterly assessment, the Agent must submit quarterly financial statements and any other documentation required to conduct the assessment. The quarterly financial statements provided must be audited and compliant with globally accepted accounting standards, or in an otherwise acceptable format to the GFA.
- ~~2.12~~~~11~~ The GFA will assess the finance statements under the Assessment Framework and ~~recalculate the Maximum Risk Score of the Agent~~ determine whether the Agent passes or fails the assessment.
- ~~2.13~~~~12~~ The Agent must validate the assessment result by:
- a) Verifying that the data on the Assessment Result is accurate and complete.
 - b) Providing written confirmation signed by Senior Management that there has been no change to the Agent's internal processes so as to materially impact any criteria under the Assessment Framework.
- ~~2.14~~~~13~~ If the Result is inaccurate or there has been a change to the Agent's internal processes, the Agent must provide the necessary information and/or documentation for the GFA to review any criteria affected and re-assess the Agent's Risk Score grade

~~2.15~~14 To pass the quarterly assessment, the Agent must ~~obtain a minimum Risk Score of 70 points~~ pass the assessment as per Attachment 'E', section 2.7 of this Resolution.

~~2.16~~15 ~~If the Agents obtains a Risk Score lower than 70, the Agent will be determined to have failed the Quarterly Financial Assessment, and will be required to provide a Financial Security per section 3 below. An Agent failing the Financial Assessment, will be required to provide a Financial Security per section 3 below.~~

Assessment of new Applicants and Changes of Accreditation Type from Standard to Multi-Country Accreditation

~~2.17~~16 The Applicant for Multi-Country Accreditation must provide the necessary financial documentation, including audited financial statements, to complete an annual assessment under the Assessment Framework (Appendix A) as defined in section 2 prior to approval under the Multi-Country Accreditation.

~~2.18~~17 The audited financial statements must cover a period ending not more than four months prior to the date of submission of the statements by the Applicant.

Multi-Country Assessment Framework

Appendix 'A' to the Multi-Country Financial Criteria

*Note that unless indicated with "Key", all other ratios are categorized as "Standard" ratios.

Criteria #	Criteria name	Criteria description	Target	Result	Pass/ Fail	
1 IATA Specific controls						
0.1	Risk Events	Agent incurred a risk event during the year?	No	-		Key
			Pass/Fail			
2 Historical financial data						
2.01	EBITDA (Last 12 months)	EBITDA (rolling Last 12 Months)	x>0			Key
2.02	EBITDA (quarterly)	EBITDA (Quarterly, 3M)	x>0			
2.03	Cash ratio	Cash ratio (Cash and Cash equivalent / Current liabilities)	x≥30%			
2.04	Quick ratio	Quick ratio (Cash and Cash equivalent + AR / Current liabilities)	x≥50%			
2.05	Free cash flow	Free cash flows as per latest publication (Last 12 months)	x>0			
2.06	Free cash flow / Net Debt	Free cash flow / Total net Debt	x≥20%			
2.07	Net Equity >0	Net Equity	x>0			Key
2.08	Decrease in net sales ≥0	Net Sales (Last 12 months N, vs Last 12 months N-1)	x≥-20%			
2.09	Net Cash Position >0	Net Cash Position	x>0			
2.10	Net Income 12 months	Net Income (rolling last 12 Months)	x>0			Key
2.11	Net Income 3 months	Net Income (Quarterly, 3M)	x<>0			
2.12	Qualification and reserves from auditors	Is there any qualification / emphasis of matters reflecting ongoing concerns from the auditors on the latest audited financial statements (including half year)?	No			
			Pass/Fail: Key ratio (1 Fail = Total Fail) Standard ratio (4 Fails = Total Fail)			
3 Forecasted financial process						
3.01	Effective Business Forecast	Is there any Business Forecast process in place (providing at least 1-year visibility) ?	Yes			Key
3.02	Effective CF Forecast	Is there any CF Forecast process in place (at least 1 year)?	Yes			Key
			Pass/Fail			
4 Operational review						
4.01	Effective Disaster Management	Is there any process in place to apply operational countermeasures in case of extraordinary disaster (with no major exception) (Certification ISO22301)	Yes			Key
4.02 Effective Cybersecurity Management						
4.02a	<i>Have you appointed a Chief Information Security Officer or similar in your organisation?</i>		Yes			Key
4.02b	<i>Do you have an information security strategy/roadmap, aligned with the IT and business strategies?</i>		Yes			
4.02c	<i>Have you formalised and enforced an information security policy?</i>		Yes			Key
4.02d	<i>Have you performed an information security risk assessment for your organisation (e.g. evaluation of information security risks based on identified threats)</i>		Yes			Key
4.02e	<i>Have you implemented information security controls and measures to adequately mitigate your organisation's risks?</i>		Yes			Key

4.02f	Do you train your employees on a regular basis regarding information security risks and good practices (e.g. through yearly e-learning)?		Yes			Key
4.02g	Are information security incidents managed (e.g. incident management and monitoring procedures, data breach reported to impacted individuals)?		Yes			Key
4.02h	Do you perform regular vulnerability scans and penetration tests?		Yes			Key
4.02i	Do you implement security patches on your information systems on a regular basis (e.g. at least every 3 months)?		Yes			Key
4.02j	Do you involve information security stakeholders at the earliest stage during project implementations?		Yes			
4.02k	When engaging with services providers, do you perform an information security due diligence?		Yes			
4.02l	Have you implemented specific measures to ensure the continuity of your information systems following a cyberattack?		Yes			Key
4.03	Effective Applicable Data Protection Requirements Compliance Management					
4.03a	Have you appointed a Data Protection Officer or a similar role in your organisation?		Yes			Key
4.03b	Have you formalised and enforced a data protection policy?		Yes			Key
4.03c	Have you formalised and enforced an information classification policy?		Yes			Key
4.03d	Do you have a documented register of your personal data processing activities, including the identification of the lawful grounds for processing personal data?		Yes			Key
4.03e	Are data protection notices adequately document to notify individuals about the processing of their personal data?		Yes			Key
4.03f	Are Data Protection Impact Assessments conducted whenever processing activities induce a high risk for the rights and freedom of individuals to whom personal data belong?		Yes			Key
4.03g	Do you train your employees on a regular basis regarding data protection risks and good practices (e.g. through yearly e-learning)?		Yes			
4.03h	Have you developed procedures to handle and respond to individuals' exercising their data protection rights (e.g. right to access, right to be forgotten, right to object, etc.)?		Yes			Key
4.03i	Are Data Protection by Design and by Defaults concepts implemented in your organisation's project methodology?		Yes			Key
			Pass/Fail: Key ratio (1 Fail = Total Fail) Standard ratio (3 Fails = Total Fail)			
5	Global risks controls		(5.01 - 5.02 assessed only if applicable)			
5.01a	Stock Market Price decrease (Last 12 Months N)	Stock Market Price decrease (Last 12 Months N)	x≥-20%			
5.01b	Stock Market Price decrease (Last 12 Months N)	Variation of the stock compared to the Index is higher than 30%	x≥-30%			
5.01c	Stock Market Price decrease (12 Months N-1)	Stock Market Price decrease (12 Months N-1)	x≥-20%			
5.01	Stock market development 12 month (2 periods negative trends = Fail)					
5.02a	Stock Market Price decrease (Quarterly, 3M)	Stock Market Price decrease (Quarterly, 3M)	x≥-20%			
5.02b	Stock Market Price decrease (Quarterly Q-1, 3M)	Stock Market Price decrease (Quarterly N-1, 3M)	x≥-20%			
5.02	Stock market development 3 months (2 periods negative trends = Fail)					

5.03	Analyst consensus 12 months forward EBITDA	Analyst consensus 12 months forward EBITDA	EBIDTA > 0		
			Pass/Fail Standard ratio (3 Fails = Total Fail)		

6 Trends analysis (Not applicable if CFO is positive)

6.01	Trend - Cash ratio 12 months (Last 12 months N, vs Last 12 months N-1)	Cash ratio (Cash and Cash equivalent / Current liabilities) (Last 12 months N, vs Last 12 months N-1)	x≥0%		
6.02	Trend - Cash ratio 12 months (Last 12 months N-1, vs Last 12 months N-2)	Trend - Cash ratio 12 months (Last 12 months N-1, vs Last 12 months N-2)	x≥0%		
6.03	Quick ratio (Cash and Cash equivalent + AR / Current liabilities) (Last 12 months N, vs Last 12 months N-1)	Quick ratio (Cash and Cash equivalent + AR / Current liabilities) (Last 12 months N, vs Last 12 months N-1)	x≥0%		
6.04	Quick ratio (Cash and Cash equivalent + AR / Current liabilities) (Last 12 months N-1, vs Last 12 months N-2)	Quick ratio (Cash and Cash equivalent + AR / Current liabilities) (Last 12 months N-1, vs Last 12 months N-2)	x≥0%		
6.05	Trend - CFO 12 months (Last 12 months N, vs Last 12 months N-1)	Cash Flow from Operating activities (CFO) as per latest publication (Last 12 months N, vs Last 12 months N-1)	x≥0%		
6.06	Trend - CFO 12 months (Last 12 months N-1, vs Last 12 months N-2)	Trend - CFO 12 months (Last 12 months N-1, vs Last 12 months N-2)	x≥0%		

Pass/Fail Standard ratio (3 Fails = Total Fail)

General Result:	Result assessment
Any fail to any of the above sections results in a failed assessment	