



MEMORANDUM

PAC/RESO/695

To: All Members, Passenger Agency Conference
Accredited Representatives

From: Director, FDS Operations, GDC

Date: **2 July 2020**

Subject: **MAIL VOTE (A334)**
PAC2 (Mail A334)
Changes to Local Financial Criteria – Russian Federation

Background Information

On request of LCAG RU emergent review of current Local Financial Criteria (LFC) by APJC was requested in order to support the industry and BSP RU operations during COVID-19 crisis and in preparations to NGLSS implementation in Russia.

- During MAR – APR 2020 year due to travel restrictions imposed by Governments because of COVID-19 pandemic declared by WHO and consequent cancellation of majority of flights, BSP RU sales fall down up to 99% in comparison with same period of 2019,
- LCAG RU in MAR took quick and appropriate decision to mitigate risk of Agent's defaults and support Agents in their intentions to decrease BGs volumes,
- 30% of IATA Accredited Agents in Russia had minimum Bank Guarantees USD 50K as a result of 2019 year sales,
- Due to very high risks in the travel industry Banks are refusing to provide Guarantees to Agents,
- Implementation of Resolution 812 in Russia is being planned in Q4 2020 after IATA Easy Pay is active in the country.

As there is quarantine in Russia APJC discussed and voted by Mail Vote. In order to answer possible questions/concerns from APJC Members web call was organized 21 MAY 2020 for all APJC delegates.

As result of MV no one objection was received from APJC Members. Airlines' Delegates 8 members - full support. Agents Delegates 8 members - full support. Draft of LFC proposed by LCAG and approved by APJC is passed for PAConf MV.

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 the 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.

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

Juan Antonio Rodriguez
Director – FDS Operations, GDC

RUSSIAN FEDERATION

(Effective ~~1 March 2019 – PAC/41~~ September 2020 – MV/334)

1. GENERAL RULE

~~1.1 This rule is applicable to both new and existing Agents. The business entity and/or the owners and managers of all IATA Accredited Agencies and Agents applying for IATA accreditation must meet all applicable requirements as prescribed by the law in the Russian Federation.~~

~~1.2 New applicants must have been in operation for 12 months as an Air Travel Agent before applying for IATA Accreditation.~~

~~1.3~~ 1.2 For the Financial Review the new applicant or Agent regardless of the form of taxation must submit Audited Accounts which must consist of:

- Balance Sheet (Форма по ОКУД 0710001),
- Report on Financial Results (Форма по ОКУД 0710002),
- Auditor's Conclusion,
- Any other documents related to the finances of the Agent required to calculate the financial ratios used in

the Financial Review of the Agent.

~~1.4~~ 1.3 Audited Accounts must be for a period of at least 12 months:

- (i) Covering previous financial year already closed - for annual review or new applicants;
- (ii) Covering previous 12 months of operations - for all other types of review.

2. CRITERIA FOR EVALUATION OF AGENTS' ACCOUNTS

~~2.1. In order for~~ For the Financial ~~Review~~ Assessment result to be considered ~~satisfactory~~ as PASS the following criteria (financial tests) must be met:

- Net Equity must be positive,
- The Net Equity must be greater than the sum of Long Term Debt and other Long Term Liabilities,
- Adjusted Current Assets must exceed Current Liabilities,
- The accounts must indicate that there is a net profit, at least in one of the two last financial years.

3. ANNUAL FINANCIAL REVIEWS

Agents accredited for two years or less

~~3.1. All agents must provide Audited Accounts according to the Section 1 of these criteria no later than 4 months after each financial year end for the purposes of evaluation against the financial tests in Section 2 of these criteria.~~

~~—Agents accredited for more than two years~~

~~3.2. All Agents must provide Audited Accounts according to the Section 1 of these criteria no later than 4 months after each financial year end for the purposes of evaluation against the financial tests in Section 2 of these criteria.~~

~~3.3. If an Agent passes all the financial tests in Section 2 and satisfies all the points below, the Agent must provide IATA with a Financial Security according to Section 4.4 of these criteria.~~

~~3.4. The Agent has not had any of the following:~~

- ~~i. A default (including defaults resulting from an accumulation of irregularities) and removal from the Agency List in the last 12 months;~~
- ~~ii. A Change of Ownership subject to the conditions in Section 6.~~

~~3.5. If an Agent fails to pass any of the financial tests, the Agent must provide a Financial Security in accordance with Section 4.5 of these criteria.~~

4. 3. FINANCIAL SECURITY FOR AGENTS HOLDING STANDARD ACCREDITATION WITH CASH FACILITY

~~4.1.3.1. An Agent will not be accredited or will not continue to be accredited until Bank Guarantee Financial Security required to be provided to IATA has been received by IATA and confirmed to IATA by way of written confirmation. If the Financial Security is a Bank Guarantee, such confirmation must be received through the SWIFT channel directly from the Bank which issued this Bank Guarantee indicating that the Bank Guarantee was issued by the Bank and is valid.~~

~~4.2. For the purposes of calculating the amount of a Bank Guarantee the following definitions apply:~~

~~4.2.1. '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, plus a margin of up to 5 days.~~

~~4.2.2. 'Amount at Risk' is calculated by dividing the Days' Sales at Risk by 365 days, and applying that portion to the amount of cash turnover the Agent made in the previous 12 months' period as applicable:~~

$$\text{Amount at Risk} = \frac{12 \text{ months' BSP cash turnover} \times \text{Days' Sales at Risk}}{365 \times \text{Average RUB/USD Central Bank RF rate of exchange}}$$

~~4.2.3. If the Agent is in operations less than 365 days, actual number of calendar days in operations and appropriate cash turnover will be taken into consideration for calculation of Amount at Risk.~~

~~Agents accredited for two years or less~~

~~4.3. A Bank Guarantee is required to cover 100% of Amount at Risk, generated by the Agent but cannot be less than USD 50,000.~~

~~Agents accredited for more than two years~~

~~4.4. All Agents who have completed 2 years of trading as an Agent without a default in the previous 12 months, change of ownership subject to the conditions in Section 6 and whose annual Financial Review is established as satisfactory must submit a Bank Guarantee according to the following scale:~~

Agent's 19 days' amount at risk turnover (USD)	Required BG coverage (USD)
Below or equal to \$100,000	100% but not less than \$50,000
More than \$100,000, below or equal to \$500,000	85% but not less than \$85,000
More than \$500,000, below or equal to \$1,000,000	75% but not less than \$425,000
More than \$1,000,000, below or equal to \$2,000,000	60% but not less than \$750,000
More than \$2,000,000, below or equal to \$5,000,000	45% but not less than \$1,000,000
More than \$5,000,000	35% but not less than \$2,250,000

~~4.5. A Bank Guarantee which covers 100% of Amount at Risk must be submitted by the following Agents:~~

- ~~Agents whose annual Financial Review was not satisfactory,~~
- ~~Agents reinstated after default for the following 12 months,~~
- ~~Agent who was subject to a change of ownership, involving more than 30% of the shares movement within 12-month period which resulted in change of control. 100% coverage of Amount at Risk should be maintained during 24 months following change registration in IATA.~~

~~4.6.3.2. Agents who opt to provide their Financial Security in the form of a Bank Guarantee, must provide Bank Guarantees issued by a bank holding a license of the Central Bank of Russian Federation with a minimum international credit rating that is equal or higher than of B- or B3 or Russian agencies' credit rating from agencies Export RA equal or higher than ruA- or/and National Rating Agency equal or higher than /A+. In case of significant reducing of the country's sovereign rating, or for any other reasons, due to which international rating agencies are not applicable for Russian banks, Russian rating agencies ratings will be taken as the basis.~~

~~4.7. 3.2.1. The wording used for the Bank Guarantee provided must comply with IATA requirements.~~

~~4.8. If Bank Guarantee review results in increase of the Bank Guarantee for the sum above or equal to 5% from existing Guarantee but not less than USD 5,000, an amendment to the Bank Guarantee must be provided to IATA.~~

~~4.9.3.2.2. In the event that the Financial Institution that has provided the Bank Guarantee on behalf of the Accredited Agent, have a change in status whereby its license suspended by the Central Bank of Russian Federation, or its credit rating downgraded below the established for acceptance, the Accredited Agent shall provide IATA with a new Bank Guarantee from a Financial Institution which holds a valid license and required credit rating. For the transitional period, the agent must provide alternative security covering the applicable to Agent amount at risk.~~

~~4.10.3.2.3. In case of renewal of Bank Guarantee its original hard copy and confirmation from the issuing bank must be provided to IATA office 19 days before expiry date of the previous Guarantee.~~

3.3.Level of Financial Security

3.3.1. All Agents must provide a Financial Security with a minimum amount of USD 10,000.

3.3.2. Agents with Risk Status A and B must at all times provide a Financial Security which will equal their assigned Remittance Holding Capacity.

3.3.3. Agent may at any time request to reduce or increase the Financial Security amount provided and Remittance Holding Capacity will be adjusted accordingly.

5. INTERIM FINANCIAL REVIEWS

~~5.1. For any Financial Review conducted for cause at a time other than in respect of an Agent's financial year end, IATA may conduct a Financial Review in accordance with Section 3 of these criteria, as applicable to that Agent by reviewing the internal quarterly management accounts of the Agent showing the results for each quarter since the last annual review, the cumulative results to date and the latest balance sheet.~~

6. CHANGES IN OWNERSHIP

~~6.1. If any agent is subject to a change of ownership, involving more than 30% of the shares movement within 12-month period, which resulted in change of control, the Agent's Bank Guarantee level will be recalculated in accordance with Paragraph 4.3 of these Criteria.~~

7. SIGNIFICANT CHANGE IN NET BSP SALES

~~7.1. A significant change means any change in the business of the Agent, which results in a change in its net BSP sales of more than 20% as compared to the previous 12 months. A change can be an increase or a decrease in net BSP sales.~~

~~7.2. An Agent must notify IATA of any significant change as soon as the Agent becomes aware of it.~~

~~7.3. An interim Financial Review may also be initiated by IATA where IATA becomes aware of a significant change in net BSP sales in accordance with Section 5.~~

4. DEFINITIONS OF TERMS USED IN THESE CRITERIA

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

- Stocks and work in progress,
- Deposits given to third parties other than IATA,
- Loans to Directors, Associate Companies, (including any subsidiary, associate or company under common ownership),
- Doubtful debtors,
- Blocked funds, except for funds held in favour of IATA.

Current Liabilities - are defined as Current Liabilities as in the Balance Sheet of the Accounts.

Net Equity consists of:

- Share capital,
- Share premium,
- Retained earnings,
- Other distributable 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.

Long Term Liabilities – all liabilities where repayment is due more than twelve months after the end of the financial period.

Net profit – profit after all costs and taxes are deducted.

Remittance Holding Capacity – according to regulations stipulated in Section 5 Resolution 812.

Risk Status A and B - according to regulations stipulated in Section 5 Resolution 812.
