



MEMORANDUM

PAC/Reso/766

To: All Members, Passenger Agency Conference
Accredited Representatives

From: Director, FDS Operations, GDC

Date: **30 April 2021**

Subject: **MAIL VOTE (A405)**
PAC2 (Mail A405)
Temporary Changes to the Local Financial Criteria - Malta

Background Information

Following the COVID-19 crisis, the Passenger Steering Group encouraged APJCs to form a Local Financial 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 Malta Members during their APJC Meeting on 3 March 2021, decided to review the proposed temporary LFC changes, in order to reflect the Malta market conditions and impact of Covid-19 outbreak to the Travel agents' accounts. During the APJC Meeting on 3 March with a quorum APJC Members unanimously agreed and voted in favour of the below temporary changes to Local Financial Criteria due to COVID19 Impact.

TEMPORARY AMENDMENTS TO LOCAL FINANCIAL CRITERIA

The following amendments are applicable from 01 June 2021 until all annual reviews pertaining to 2020 financial year end for Agents in Malta are completed.

This measure will apply to operating travel agents (after two years of accreditation) and will not apply to new applicants to who financial criteria mentioned in Section 1 and 2 will apply as normal

- 1) IATA will not perform the evaluation of the 2020 Audited Accounts. For financial reviews to be carried out during the temporary period of application, the results of the 2019 financial evaluation will be used
- 2) Notwithstanding point 1 of this section, all Agents will be required to provide to IATA with Audited Accounts for their most recent financial year within 10 months of the most recent financial year-end, as per the regular Local Financial Criteria
- 3) Agents can voluntarily request their 2020 Audited Certified Accounts for evaluation against the financial tests in section 2 of the Local Financial Criteria.
- 4) Any further extension of these temporary Local Financial Criteria changes will be subject to review by APJC Malta
- 5) The regular Local Financial Criteria will become applicable once the temporary period of application expires

Effective Date

The proposed effective date of these changes is 1 June 2021

Proposed Action

Conference to adopt the temporary changes to the Local Financial Criteria as shown in Attachment 'A'.

The timetable for this Mail Vote is as follows:

Voting Period: 30 April - 14 May 2021

Filing Period: 17 May - 31 May 2021

Effectiveness: 1 June 2021

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

<https://www.surveymonkey.com/r/A399-426>

Please note that no other form of voting will be accepted. Voting will conclude at close of business MAD time on **Friday, 14 May 2021**. 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. Rodriguez', with a large, sweeping flourish extending upwards and to the right.

Juan Antonio Rodriguez
Director, FDS Operations, GDC

MALTA

~~(Effective 1 May 2020 – MV/323)~~

(Effective 1 June 2021 – 31 December 2021 – MV/405)

1. GENERAL RULE

1.1 Applicants

a) A full set of Audited Accounts must be presented for the most recent financial year and must not be more than 10 months old at the time of submission to become an Agent for the purposes of evaluation against the financial tests in section 2.

Companies with less than one year's trading record must submit a copy of a certified opening Balance Sheet.

Where an applicant is the subsidiary of a parent organization, then a copy of the audited accounts for the parent organization must also be submitted.

b) A copy of the license is required by a new applicant and proof of its renewal to be presented annually thereafter.

1.2 Accredited Agents

a) Accredited Agents must submit a full set of Audited Accounts within 10 months of the end of their most recent financial year. All financial statements must be prepared in accordance with the requirements of the EU International Accounting Standards.

2. CRITERIA FOR THE EVALUATION OF AGENTS ACCOUNTS

2.1 The following financial tests apply to the evaluation of an Agents' Audited Accounts:

1. There must be positive Net Equity.
2. Net Equity divided by long-term debt and other long-term liabilities must be greater than 0.5.
3. EBITDA (Earnings Before Interest, Taxation, Depreciation, Amortization) must be positive.
4. EBITDA must exceed the Interest Expense by a factor of two.
5. Adjusted Current Assets must exceed Current Liabilities.

2.2 An Agent will obtain a satisfactory result on the financial review when all provisions in section 2.1 of these criteria have been met.

3. ANNUAL FINANCIAL REVIEWS

3.1 Applicants

During the first two (2) years as an IATA Accredited Agent, all Agents must provide a Financial Security with a minimum value of EUR 10,000 if their remittance frequency is twice per month.

3.2 Accredited Agents

For the purpose of calculating the amount of a Financial Security for an Agent accredited for more than two (2) years, the following will apply:

3.2.1 Agents with Risk Status A

For Agents with Risk Status A, no Financial Security will be required.

3.2.2 Agents with Risk Status B

3.2.2.1 Twice per month Remittance Frequency

The amount of the Financial Security required must cover at a minimum eight per cent (8%) of the Agent's latest 12 months BSP cash turnover or EUR 10,000, whichever is higher.

3.2.3 Agents with Risk Status C

Agents with Risk Status C must provide a Financial Security with a minimum amount of EUR 10,000.

Should Bank Guarantee be the opted form of Financial Security, it must be issued strictly in accordance with the template provided.

4. TEMPORARY AMENDMENTS TO ANNUAL FINANCIAL REVIEWS

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5. DEFINITIONS OF TERMS USED

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 favor of IATA.

Audited Accounts:

Audited Accounts means the Agent's financial and accounting records and procedures that have been reviewed and certified by an auditor recognized as competent by the regulatory authority in that country to perform an audit that are provided to IATA and which includes the auditor's opinion of those accounts.

Net Equity or Shareholders'/Owners' Funds—consists

- 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 financial period.

Long Term Liabilities:

All liabilities where repayment is due more than twelve months after the end of the financial period.