

RESOLUTION 850p

FINANCIAL SECURITIES

- △ PAC(58)850p/(Mail A595)(except USA) Expiry: Indefinite
Type: B

"WHEREAS certain Sales Agency Rules provide that an Agent may meet the Local Financial Criteria by the provision of a Financial Security;

WHEREAS the Passenger Agency Conference (hereafter referred to as "the Conference") wishes to make a wide range of Financial Securities available to Agents; and

WHEREAS non-payment of a claim against a provider of such Financial Security will result in financial loss to Members and Airlines;

It is hereby RESOLVED that,

1. DEFINITIONS

1.1 The definitions of terms and expressions used in this Resolution are contained in [Resolution 866](#).

1.2 "BANK" means a financial institution, with a minimum credit rating of B recognised by credit Agencies such as Moody's Investor Service, Standard & Poor's (S&P) or Fitch Rating or their equivalent, and which is authorised to provide banking services in the jurisdiction in which that bank will guarantee the payment to Members or Airlines through any acceptable Financial Security set out in [section 2.1](#) in the event of default by an Agent.

1.3 "FINANCIAL SECURITY PROVIDER" (hereafter referred to as "Provider") means an independent third party entity other than a bank that guarantees payment to Members or Airlines through any acceptable Financial Security set out in [section 2.2](#) in the event of default by an Agent.

2. ACCEPTABLE FINANCIAL SECURITY TYPES

2.1 The following individual financial security types provided by a Bank:

2.1.1 Bank Guarantee

2.1.2 Standby Letter of Credit

2.1.3 Letter of Credit

2.2 The following individual financial security types provided by a Provider:

2.2.1 Insurance bond

2.2.2 Surety bond

2.3 Default Insurance Programme

2.4 Global Default Insurance

2.5 Cash Deposit

2.6 Any Provider of the acceptable financial security types in 2.2–2.3 is required to meet the criteria as referred to in [section 3 of Resolution 850p](#).

2.7 Any Provider of the acceptable financial security type under 2.4 is required to meet the criteria referred to in [section 4 of Resolution 850p](#).

3. EVALUATION OF PROVIDERS AND THEIR PRODUCTS

3.1 IATA will establish criteria for the consistent evaluation and approval of Providers and Provider products, and will make such criteria available to all interested parties. The criteria will be subject to review and amendment by IATA annually, or more frequently as may be necessary due to changes in the Financial Security and/or insurance markets;

3.1.1 No Provider or Provider product will be accepted for the purposes of an Agent meeting the Local Financial Criteria by the provision of additional Financial Security where permitted by the applicable Sales Agency Rules unless such Provider or Provider product has been approved by IATA in accordance with this Resolution.

3.2 IATA will conduct, at a minimum, an annual review of all Providers and Provider products previously approved by IATA. After such review(s), IATA will determine whether such Provider or Provider product meets criteria in effect at that time;

△ 3.3 The result of the initial evaluation shall be reported to the APJC as appropriate. Their views shall be relayed to IATA, who will decide whether to accept Financial Security instruments from the Provider;

3.4 The result of the evaluation will be advised to the Provider, LCAGP and APJC as applicable.

4. EVALUATION OF THE GLOBAL DEFAULT INSURANCE AND PROVIDERS

4.1 IATA will establish criteria for the evaluation of the Global Default Insurance and Providers. The criteria will be subject to review and amendment by IATA annually or more frequently as may be necessary due to changes in the insurance market or the Providers.

4.2 IATA will assess the performance of the Global Default Insurance and Providers considering the annual renewal process.

4.3 The results of the annual evaluation will be reported to the Passenger Agency Conference Steering Group and subsequently to the Passenger Agency Programme Global Joint Council.

5. EVALUATION OF FINANCIAL SECURITIES PROVIDED BY A BANK

5.1 Financial Security types under 2.1:

- (a) are subject to a minimum notice of termination period on the part of the Financial Security Provider of ninety (90) days;
- (b) must be valid for at least one year;
- (c) must be drawn as per IATA published specimen.

5.2 If a bank has refused to honor an encashment request without a valid legal reason, or in the opinion of IATA has unreasonably refused or delayed encashment and thereby placed into doubt the ability to timely encash future Bank Guarantees, IATA may refuse to accept any Bank Guarantees issued by this bank. Agents that have provided IATA with a Financial Security issued by this bank will be requested to provide IATA with an alternative form of Financial Security in accordance to the timeframes as established under Resolution 812 5.5.3 or Resolution 818g section 2.2.1.3, whichever is applicable.

△ 5.3 The Agency Administrator will from time to time, determine in a specific market if inter-banking channels such as SWIFT are available which would allow Banks to provide IATA with a confirmation that a Financial Security has been issued. The Agency Administrator may thereafter take the following actions:

- △ (a) No longer accept paper Bank Guarantees from Banks in such market;
- △ (b) Request Agents to replace all paper Bank Guarantee provided to IATA, with Financial Securities notified via such secure digital means in accordance to the timeframes as established under Resolution 812 5.5.3 or Resolution 818g section 2.2.1.3, whichever is applicable. For markets under [Resolution 800](#), Agents need to replace their paper Bank Guarantee within 30 days of the IATA notification pursuant to this subsection.

6. EXCEPTIONS

6.1 NEW ZEALAND ONLY—TRAVEL AGENCY ASSOCIATION OF NEW ZEALAND (TAANZ)—AGENT BONDING AGREEMENT. Whereas IATA has entered into an agreement with TAANZ to provide a Financial Security, it is hereby RESOLVED that the aforesaid agreement is excepted from the provisions of this [Resolution 850p](#) insofar as TAANZ is accepted as a Provider and the bonding scheme provided by TAANZ is accepted as a Financial Security notwithstanding the provisions of [Section 2](#) above.

6.2 INDIA ONLY: Travel Agents' Association of India (TAAI) and Travel Agents' Federation of India (TAFI) and/or any National Association of Accredited Agents' in India (Association)—JOINT BANK GUARANTEE AGREEMENT. Whereas IATA may enter into an Agreement with the Associations to provide a Financial Security subject to all participating Airlines' agreement on terms and conditions of the Scheme. It is hereby RESOLVED that the aforesaid Agreement is excepted from the provisions of this [Resolution 850p](#) insofar as the Association/s is/are accepted as a Provider/s and the Joint Bank Guarantee Scheme/s provided by the Association/s is/are accepted as Financial Security notwithstanding the provisions of [Section 2](#) above.
