



# MEMORANDUM

## PAC/RESO/716

To: All Members, Passenger Agency Conference  
Accredited Representatives

From: Director, FDS Operations, GDC

Date: **15 September 2020**

Subject: **MAIL VOTE (A355)**  
**PAC2 (Mail A355)**  
**Changes to Local Financial Criteria – Saudi Arabia**

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### Background Information

SA APJC met on 22 July 2020 to discuss the proposed changes for the LFC of BSP Saudi Arabia

The changes focused on alignment with Resolution 812 as BSP SA had migrated to NGISS in November 2019.

A quorum was present (8 Airlines and 6 Agents). The composition of this council consists of 9 Airlines and 9 Agents.

The APJC voted unanimously to recommend the changes to Conference.

### Effective Date

The proposed effective date of these changes is 01 July 2021.

### Proposed Action

Conference to adopt the changes to the Local Financial Criteria in Saudi Arabia 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](mailto:pac-gov@iata.org).

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

Juan Antonio Rodriguez  
Director – FDS Operations, GDC

# SAUDI ARABIA

(Effective ~~1 April 2016~~ 1 July 2021 – ~~Mail Vote/A268~~ MV/355)

## 1. General Rules

### 1.1 All Applicants and Agents must:

~~1.1.1 Hold a valid license to trade from the Saudi Commission of Tourism and National Heritage, in accordance with their resolution.~~

~~1.1.2 Hold a valid Commercial Registration (CR), covering travel agent activity at the location.~~

~~1.1.3 Provide an attested copy of their Articles of Association for all types of partnership companies.~~

## 2. Criteria for Evaluation of Agents' Accounts

The following financial tests apply to the evaluation of an Agent's Audited accounts:

~~2.1 There must be a positive Net Profit~~

~~2.2 Liquidity ratio: Current Assets/ Current Liabilities must not be less than 1:1~~

~~2.3 Agent must show a collection period of Accounts receivable, of not more than an average of 21 days.~~

## 3. Financial Views

~~3.1 All Agents must provide Audited Financial Documents (balance sheet, ageing statement of accounts receivable and accounts payable, cash flow statement, profit/loss, and the audit report), no later than 6 months after each financial year end, or as required by legislation, of that agent for the purposes of evaluating against the financial tests in section 2 of this criteria.~~

~~3.2 If an Agent has been in business for less than 12 months at the time of application, a certified opening balance sheet must be provided instead~~

~~3.3 Financial Statement must be provided in either English or Arabic language and duly audited and signed by a certified chartered public accountant.~~

## 4. Financial Security

~~4.1 The financial Security required must cover at a minimum the "Amount at Risk" calculated as below using the BSP net cash sales, amount equal to the average annual net cash sales. If the 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~~

~~"Days Sales at Risk" X (Annual net cash sales/365)~~

~~4.2 New applicants that only provide opening balance sheet must provide an auto-renewable Financial Security of SAR 500,000.00 for the first year of accreditation.~~

~~4.3 New applicants that provided annual Audited Accounts and who obtain a satisfactory evaluation must provide a Financial Security for an amount equals to the Agent's amount at risk, as described in 4.1. If such applicant obtains an unsatisfactory evaluation, they must provide an auto-renewable Financial Security equals to the Agent's amount at risk as described in 4.1 subject to a minimum of SAR 500,000.00~~

~~4.4 Agents that obtain an unsatisfactory evaluation must provide a Financial Security for an amount equal to the Amount at Risk, as described in 4.1.~~

~~4.5 Agents that obtain a satisfactory evaluation must provide a Financial Security for an amount equals to the Amount at Risk, as described in 4.1, less the amount of net current assets. If the Amount at Risk increases or decreases in subsequent satisfactory evaluations, they will be liable to increase or eligible for decrease in the Financial Security provided accordingly. However, if their Net Current Assets is greater than their Amount at Risk, they will be eligible for release of the Financial Security provided:~~

~~4.5.1 The Agent has been approved for at least two years.~~

~~4.5.2 The Agent has not had a default (including defaults resulting from an accumulation of irregularities) and removal from the agency list in the last 12 months.~~

~~4.5.3 The Agent also passed all of the financial tests under Section 2 based on the audited accounts provided for the previous two years~~

## **1. GENERAL RULE**

1.1 An Agent must provide Audited Accounts to IATA. Audited Accounts means accounts reviewed by an auditor recognized as competent by a regulatory authority in the country to perform an audit.

## **2. CRITERIA FOR THE EVALUATION OF AGENTS ACCOUNTS**

2.1 All financial information used in the financial review will be extracted from the Agent's Audited Accounts.

2.2 The following financial tests apply to the evaluation of an Agent's Audited accounts:

2.3 There must be a positive Net Equity

2.4 There must be a positive net profit

2.5 Net Equity divided by Long Term Debt and other Long-Term Liabilities must be greater than 0.5

2.6 EBITDA (Earnings before Interest, Taxation, Depreciation, Amortization and extraordinary items) must be positive

2.7 The EBITDA must exceed the Interest Payable by a factor of a minimum of two

2.8 There must be a positive net worth

2.9 The liquidity ratio must be greater than 1.1

2.10 The collection period of accounts receivable must not exceed an average of 21 days.

2.11 The Current Assets must be in excess of the Risk Amount

## **3. ANNUAL FINANCIAL REVIEWS**

3.1 All Applicants must provide Audited Accounts not more than 12 months old at the time of accreditation application to become an Agent to be assessed in accordance with section 2 of these criteria.

3.2 If an Agent has been in business for less than 12 months at the time of accreditation application, an audited opening balance sheet must be provided.

3.3 All Agents must provide an Audited Accounts for the last financial year, no later than 6 months, or as required by legislation, of that Agent for the purposes of evaluation against the financial tests in Section 2 of this criteria.

## **4. FINANCIAL SECURITY**

4.1 An agent will not be accredited or will not continue to be accredited until IATA receives the financial security issued by the organization, a validation by written confirmation of the authenticity of the said financial security issued.

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 For the purposes of calculating the amount of a Financial Security the following definitions apply:

4.3.1 "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:

– Four times a month: 21 Days

4.3.2 Amount at Risk is calculated as following:

"Amount at Risk" = ("Days Sales at Risk" X highest 3 months net cash sales in the last 12 months)/90

4.4 All Financial Securities must be provided per the format provided by IATA.

4.5 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.

4.6 Agents Accredited for less than 2 years:

Agents are required for the first two years to provide a Financial Security covering 100% of their Amount at Risk as per section 4.3.2, subject to a minimum amount of SAR 500,000.00/-

4.7 Agents Accredited for more than 2 years:

4.7.1 Agents with Risk Status A:

Agents are required to provide a Financial Security covering 50% of their Amount at Risk calculated as per Section 4.3.2, subject to a minimum of SAR 500,000.00/- whichever is higher.

4.7.2 Agents with Risk Status B:

Agents are required to provide a Financial Security covering 80% of their Amount at Risk calculated as per Section 4.3.2, subject to a minimum of SAR 500,000.00/- whichever is higher.

4.7.3 Agents with Risk Status C:

Financial Security will be equal to the Remittance Holding Capacity and must be not lower than SAR 500,000.00

## **5. DEFINITIONS OF TERMS USED IN THESE CRITERIA**

**EBITDA** - Earnings before Interest, Taxation, Depreciation and Amortisation.

**Financial Review** means a review of an Agent's financial position or the calculation of the amount of Financial Security required in accordance with this local Financial Criteria.

**Net Equity or Shareholders'/owners' Funds-Consists of:**

- Share capital

- Share Premium

- Retained earnings

- Other distributive 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.