



MEMORANDUM

PAC/Reso/917

To: All Members, Passenger Agency Conference
Accredited Representatives

From: Director, FDS Operations, GDC

Date: **13 April 2022**

Subject: **MAIL VOTE (A553)**
PAC2 (Mail A553)
Changes to Local Financial Criteria - Hungary

Background Information

Following January's 2022 PAConf Mail Vote it has been noticed that there was a misalignment in the permanent and temporary Local Financial Criteria in Hungary. The correct days in reporting period are 7 days instead 8.

These amendments were taken to the APJC Hungary and were voted in favour and shall take effect on the 1 June 2022.

The result of the mail vote to submit to PAConf MV for approval was voted in favour, all the agents and airlines voted in favour except one airline that abstained.

Effective Date

The proposed effective date of these changes is 1 June 2022

Proposed Action

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

The timetable for this Mail Vote is as follows:

Voting Period: 13 April - 27 April 2022

Filing Period: 28 April - 31 May 2022

Effectiveness: 1 June 2022

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

<https://forms.office.com/r/mzQjYmfYDw>

Please note that no other form of voting will be accepted. Voting will conclude at close of business MAD time on **Wednesday, 27 April 2022**. 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', written in a cursive style.

Juan Antonio Rodriguez
Director, FDS Operations, GDC

HUNGARY

(Effective ~~1 March 2022~~ 1 June 2022 - MV/553)

1. GENERAL RULE - (Accounts / Documents to be provided)

- 1.1 The definitions of terms and expressions used in this document adopt the definitions in Resolution 866. The use of words and expressions in the singular will, where the context so permits, be taken to include their use in the plural and vice-versa. Paragraph headings are for ease of reference only and do not form part of this document.
- 1.2 Audited Accounts means accounts reviewed by an auditor recognized as competent by the regulatory authority in Hungary to perform an audit that are provided to IATA.
- 1.3 Remittance frequency – four times per month is mandatory for all accredited agents.

2. CRITERIA FOR THE EVALUATION OF AGENTS' ACCOUNTS

- 2.1** All financial information used in the financial criteria will be extracted from the Agent's Audited Accounts. Certified accounts will be applicable only in case the Hungarian law, i.e. the Accounting Law (2000/No 100) requires so. In all instances the established accounting rules will apply.
- 2.2** All agents accounts submitted to IATA must be used in calculating the financial tests set in sections 2.3.1. – 2.3.5. below.
- 2.3** The following financial tests apply to the evaluation of an Agent's Accounts:
- 2.3.1** There must be positive Net Equity
- 2.3.2** Net Equity divided by long-term debt and other long-term liabilities must be greater than 0.5.
- 2.3.3** EBITDA must be positive save in all circumstances.
- 2.3.4** The EBITDA must exceed the Interest Payable.
- 2.3.5** Liquid index II: Money (bank and cash) + short-term debits + securities/short-term liabilities must exceed 0.5.

3. ANNUAL FINANCIAL REVIEWS

Accredited Agents

- 3.1 All Agents must provide Audited Accounts no later than 6 months after each financial year end, or as required by legislation of that Agent for the purposes of evaluation against the financial tests in section 2 of this document.
- 3.2 An Agent will pass the Financial Review if all the financial tests set out in sections 2.3.1. – 2.3.5. are met.

4. FINANCIAL SECURITY

- 4.1** An Agent will not be accredited or will not continue to be accredited until any Financial Security required to be provided to IATA has been received by IATA.
- 4.2** Financial Securities will be subject to a minimum notice period 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.** The Financial Security will be calculated as follows:
Financial Security = (BSP Cash sales in 3 highest months within last 12 months / 90) x 20
- Days in reporting period is currently 87.**

The number of days till remittance is 7.

Applicants

4.4 All Agents must provide a Financial Security with a minimum amount of HUF 10,000,000 during the first two (2) years as IATA accredited agents

4.4.1. After the first three months of accreditation and after the first 12 months of accreditation, the amount of the Financial Security required must cover at a minimum the higher of:

4.4.1.1. The Amount at Risk calculated as per section 4.3 using **the 3 highest months' sales in the last 12 months' period.**

4.4.1.2. HUF 10,000,000.

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.

4.5 Accredited agents

4.5.1. Agents with Risk Status A

For Agents with Risk status A no financial Security is required

4.5.2. Agents with Risk Status B

For Agents with Risk status B the amount of the Financial Security required must cover at a minimum of the Amount at Risk calculated as per section 4.3 or HUF 10,000,000 whichever is higher, using the BSP cash turnover as applicable. 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.

4.5.3. Agents with Risk Status C

For Agents with Risk status C the amount of the Financial Security required must cover at a minimum of the Amount at Risk calculated as per section 4.3 or HUF 10,000,000 whichever is higher, using the BSP cash turnover as applicable. 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.

5. CHANGES IN FINANCIAL YEAR END

5.1 All Agents must notify IATA immediately of a change in its financial year-end.

5.2 The Agent must provide both:

5.2.1 Accounts within 60 days after the change is made and IATA will conduct the Financial Review applicable to the Agent under this document.

5.2.2 Accounts for the financial year end that would have applied to the Agent before the Agent changed its financial year end. These must be provided to IATA within 60 days of the former financial year end.

6. SIGNIFICANT CHANGE IN GROSS BSP SALES

6.1 A significant change means any change in the business of the Agent which results in a change in 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.

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

DEFINITIONS OF TERMS USED IN THESE GUIDELINES
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EBITDA – Earnings before Interest, Taxation, Depreciation and Amortization, Extraordinary items

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 document, or both.

Net Equity or Shareholders'/Owners' Funds – 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.

Liquid index II: Money {cash and bank} **PLUS short term debits** {in accordance with the Hungarian Accounting Law, trade debtors, short-term receivables from affiliated and independent partners and any other short-term receivables} **PLUS securities / short term liabilities** {correspondently with Hungarian Accounting Law, bank and other short-term loans, advances from customers, accounts payables, short-term liabilities to affiliated and independent partners and other short-term liabilities})

Money: cash and bank

Short-term debits: in accordance with the Hungarian Accounting Law, trade debtors, short-term receivables from affiliated and independent partners and any other short-term receivables.

Short-term liabilities in accordance with Hungarian Accounting Law, bank and other short-term loans, advances from customers, accounts payables, short-term liabilities to affiliated and independent partners and other short-term liabilities.

Review means any assessment or evaluation of an Agent's continuing compliance with the Passenger Sales Agency Rules.

HUNGARY

(Effective 1 ~~March~~ June 2022 – 31 July 2022, MV/529 & MV/553)

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4.5 Accredited agents.

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4.5.2. Agents with Risk Status B

For Agents with Risk status B the amount of the Financial Security required must cover at a minimum of the Amount at Risk calculated as per section 4.3.2 or HUF 10,000,000 whichever is higher, using the BSP cash turnover as applicable. 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.

4.5.3. Agents with Risk Status C

For Agents with Risk status C the amount of the Financial Security required must cover at a minimum of the Amount at Risk calculated as per section 4.3.2 or HUF 10,000,000 whichever is higher, using the BSP cash turnover as applicable. 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.

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7. TEMPORARY CHANGES IN FINANCIAL REVIEW OF THE YEAR OF 2021

7.1 Temporary for the period 20 MAR 2022 and 31 JUL 2022 the following rule will apply : An Agent will pass the Financial Review if the Agent passes both criteria's 2.3.1 and 2.3.5 and one additional criteria out of the following three: 2.3.2-2.3.4. This will apply only till the date 31st of July 2022 for the financial evaluation of 2021 financial statements after the above date, this point is not valid anymore.