



MEMORANDUM

PAC/RESO/699

To: All Members, Passenger Agency Conference
Accredited Representatives

From: Director, FDS Operations, GDC

Date: **2 July 2020**

Subject: **MAIL VOTE (A338)**
PAC (Mail A338)
Amendments to Resolution 850p

Background Information

PSG has been following the impact that the development of COVID-19 has posed to the Passenger Agency Programme, and meeting on a weekly basis since 16 March 2020 to review and approve any exceptional measures on behalf of the Conference in the meantime. The steering group has been made aware throughout its weekly conference calls, that several insurance providers including Default Insurance Providers (DIP), independent insurance bond and surety bond providers that offer Financial Security coverage to Agents in local markets, as well as the Global Default Insurance provider (GDI), have either served IATA with their termination notices indicating that they will no longer insure some IATA Accredited Agents upon the expiration of existing policies, or that they have decided to lower the guaranteed amount leaving Agents with the challenge to seek alternative Financial Securities during a very difficult time.

PSG agreed earlier that during this period IATA could accept Cash Deposits from Agents that have difficulty obtaining Financial Securities during the COVID-19 pandemic due to institutions not being open or restrictions of movement not allowing for Agents to go out and seek such securities. It was agreed that this be a temporary solution to help relieve the stress for Agents during this period whilst ensuring that any financial risk for Airlines be mitigated at the same time.

When the market recovers from the current crisis, it is anticipated that the pre-existing complexities that Agents had experienced to be compliant with the requirements to provide with a financial security accepted by Resolution 850p would be more difficult to overcome than pre-crisis in the sense that financial institutions may take longer to approve and provide Financial Securities, and at the same time, the approval of Financial Security requests from IATA Accredited Agents may become more difficult.

It has been reinforced that this option will not be available globally, it will depend on the local legislation and banking infrastructure. With the understanding that Cash Deposits may not be acceptable legally in all jurisdictions due to financial regulations that limit or restrict IATA from holding cash deposits, it is proposed to include the concept of cash deposits as an acceptable type of Financial Security within the Passenger Agency Programme wherever acceptable by law, by amending Resolution 850p and adding a definition for Cash Deposits under Resolution 866 as found in Attachment 'A'.

The discussed advantages briefly are:

For Agents this will provide an easier alternative as:

1. Cash deposits are free of charge to facilitate, hence being cost efficient

2. The time required to establish a cash deposit is short and this will help Agents comply with the timeframe stipulated in Resolutions, in providing Financial Security to IATA

For Airlines:

1. In case of a defaulted Agent, there will be a quick disbursement of funds for airlines
2. Reduce the risk of fraudulent Bank Guarantees
3. Protection against bankruptcy of the Financial Security provider
4. IATA could enable automation in the administration of such Financial Securities through existing systems, without incurring additional development costs to Airlines to set up the infrastructure

Effective Date

The proposed effective date of these changes is 1 September 2020.

Proposed Action

Conference to adopt the changes to Resolution 850p and 866, as shown in 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.



Juan Antonio Rodriguez
Director – FDS Operations, GDC

It is proposed to amend the following Resolutions:

Amend Resolution 850p:

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

Amend Resolution 866 to include a definition for Cash Deposit:

CASH DEPOSIT means, where permitted by Applicable Law, monies deposited into a designated bank account held by IATA, for the purpose of recovering unpaid monies owed by the Agent to BSP Airlines.