



MEMORANDUM

PAC/Reso/764

To: All Members, Passenger Agency Conference
Accredited Representatives

From: Director, FDS Operations, GDC

Date: **30 April 2021**

Subject: **MAIL VOTE (A403)**
PAC2 (Mail A403)
Temporary Changes to the Local Financial Criteria - Israel

Background Information

APJC Israel that took place on the 8 March 2021 and unanimously voted for a temporary amendment of the Local Financial Criteria to be recommended to the Conference.

It is proposed that PACConf adopts the below temporary amendment to Local Financial Criteria applicable to Israel until 31 December 2021.

Temporary amendment:

The 2020 annual financial review of Agents in Israel will be based on the 2019 financial statements which were already submitted for IATA's review.

Agents will still be required to provide their 2020 audited financial statements to IATA, no later than 30 September 2021. Those reports will not serve as basis for evaluating their financial stability.

Effective Date

The proposed effective date of these changes is 1 June 2021

Proposed Action

Conference to adopt the changes to the temporary Local Financial Criteria applicable for Israel 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', written in a cursive style.

Juan Antonio Rodriguez
Director, FDS Operations, GDC

ISRAEL

(Effective 1 June 2021 – 31 December 2021 – MV/403)

New Applicants

An Agent applying for IATA accreditation must be in operation as a travel agency for at least 3 months.

New applicants shall be required to submit a full original set of audited financial statements as well as a bank guarantee of minimum USD 250,000 valid for three years. New applicants that are wholly owned branch of an established accredited IATA, that per the provisions hereunder shall not have to submit a bank guarantee, shall be required to submit a bank guarantee of USD 125,000. Major changes of ownership of Accredited IATA Agents (i.e.: movement of 30% or more of ownership and /or controlling rights within a period of less than 3 years) shall be processed as new applicants.

IATA Accredited Agents — Documentation Required

All IATA Accredited Agents (including non-incorporated privately-owned agencies): are required to submit each year, but not later than 6 months from the beginning of the new financial year, full original set of audited annual financial statements (Balance Sheet, Cash Flow and Profit & Loss Accounts) for the past financial year prepared and approved according to local accepted accounting standards and duly certified by certified external Auditor. When the accredited agent is a subsidiary then a copy of the audited financial statements of the parent company / organization must also be submitted.

An Agent who shall fail to submit financial statements in due time shall automatically be required to submit a bank guarantee that shall cover 150% of its average monthly sales during the preceding financial year.

Financial Evaluation

The Audited Financial Statements of all Agents shall be reviewed in accordance with the following guidelines.

Temporary amendment for 2021:

The 2020 annual financial review of Agents in Israel will be based on the 2019 financial statements which were already submitted for IATA's review.

Agents will still be required to provide their 2020 audited financial statements to IATA, no later than 30 September 2021. Those reports will not serve as basis for evaluating their financial stability.

Level of guarantee (if required) shall be set in direct relation to the score of reviewed Agent and the amount of its average monthly sales.

Reviewed Criterion and Score

There are three main elements that are reviewed:

- a) Current Ratio
- b) Capital over total assets
- c) Profitability

a) Current Ratio:

**[Current assets
Current liabilities]**

Ratio	Score
-------	-------

1.2 or more	4 points
1.0 or more	3 points
0.9 or more	2 points
0.8 or more	1 point
Less than 0.8	0 points

Debts to the Agent of owners, managers, employees, subsidiaries, or any other entity that directly or indirectly controls or holds an ownership interest in the Agent, doubtful debtors debts and deposits to third parties (other than IATA member airlines), shall not be taken into account for the purpose of calculating the Current Ratio.

b) Capital over Total Assets

Result	Score
Over 10%	3 points
5% or more	2 points
0% or more	1 point
Less than 0%	0 points

Capital notes / certificates, shall be taken into account as part of: "Capital, Funds and Surplus" only if it shall be clearly provided in the balance sheet that they cannot be cashed in for at least 2 years as of the date of the balance sheet.

Debts to the Agent of owners, managers, employees, subsidiaries, or any other entity that directly or indirectly controls or holds an ownership interest in the Agent, doubtful debtors debts and deposits to third parties (other than IATA member airlines), shall not be taken into account for the purpose of calculating the percentage of the capital over total assets.

c) Profitability (after tax)

$$\frac{\text{[Net Profit (after tax)]}}{\text{Total Revenue]}}$$

Result	Score
3% or more	1 point
Less than 3%	0 points

d) Level of Bank Guarantees

Accredited Agents that achieve 5 points or more (out of the total available 8) shall be exempted from submitting a Bank Guarantee.

The amount of the Bank Guarantee to be submitted by Agents that achieve less than 5 points shall be determined in accordance with the following:

Result	Amount of the Bank Guarantee
4 Points	35% of average monthly sales during preceding 12 months period
3 Points	70% of average monthly sales during preceding 12 months period
2 Points	100% of average monthly sales during preceding 12 months period
1 Point	125% of average monthly sales during preceding 12 months period
0 Points	150% of average monthly sales during preceding 12 months period

The value of the guarantee shall be rounded up to the next 5,000 USD. Minimum guarantee level is 50,000 USD. Without derogating from the above, Agents may be required to submit a bank guarantee, at any stage during the financial year, in special circumstances (e.g. swift significant increase in volume of sales). Bank guarantees shall be submitted within 21 days of the date of request.