



**To:** All Agents in BSP Canada and Bermuda

**Date:** 31 January 2019

**Subject:** Changes to the Canada and Bermuda Local Financial Criteria effective 1<sup>st</sup> March 2019

Dear Agent,

We are pleased to inform you of applicable changes made to the Local Financial Criteria (LFC) which were recently adopted at the 41<sup>st</sup> Passenger Agency Conference (PACConf/41) held in Geneva, Switzerland during 30<sup>th</sup> October – 1<sup>st</sup> November 2018.

**Background:**

In preparation for the implementation of Resolution 812 (New Generation IATA Settlement Systems - NewGen ISS) in Canada and Bermuda the local Agency Program Joint Council (APJC), which is a joint industry working group consisting of equal representation of BSP participating airlines and IATA Accredited Travel Agents, undertook a review of the LFC in order to align them with the terminology and provisions of Resolution 812 and identify any additional relevant changes.

**New LFC and Applicable Dates:**

NewGen ISS was launched in BSP Canada on the 26<sup>th</sup> March 2018. The programme will be launched in BSP Bermuda later in 2019 (date to be confirmed) and until such time the existing LFC will remain in force.

Please refer below the following important documentation:

1. The new LFC for Canada and Bermuda as unanimously voted for by the local APJC and subsequently adopted for implementation effective 1<sup>st</sup> March 2019.
2. The LFC for Bermuda as of 1<sup>st</sup> March 2018 which remains applicable until NewGen ISS is implemented.

**CANADA/BERMUDA**

*(Canada: Effective 1 March 2019 – PAC/41; Bermuda: Effective upon NewGen ISS Implementation)*

**1. CRITERIA FOR EVALUATION OF AGENTS' ACCOUNTS**

**1.1 Ratio Tests**

The following ratio tests are performed on all financial statements and points are attributed accordingly, as indicated.

The maximum number of points obtainable is 30 made up as follows:

Current Ratio: 8 points

Quick Ratio: 4 points

Efficiency Ratio: 5 points

Debt Ratio: 9 points

Profitability Ratio: 4 points

**1.1.1 CURRENT RATIO:** Current Assets / Current Liabilities

This ratio provides a measure of the short-term solvency of the entity.

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Over 1.99 8 points  
1.50 - 1.99 7 points  
1.25 - 1.49 6 points  
1.00 - 1.24 5 points  
0.95 - 0.99 4 points  
0.90 - 0.94 3 points  
0.85 - 0.89 2 points  
0.80 - 0.84 1 point  
under 0.80 0 points

**1.1.2 QUICK RATIO:** Cash & Accounts Receivable / Current Liabilities

This ratio measures the ability of the entity to pay short-term debts "instantly".

Over 1.59 4 points  
1.40 - 1.59 3 points  
1.20 - 1.39 2 points  
1.00 - 1.19 1 point  
under 1.00 0 points

**1.1.3 EFFICIENCY RATIO:** (Accounts Receivable / Gross Sales) x 360

This ratio is a measure of the average number of days taken to collect an account receivable.

Under 10 days 5 points  
10 - 11.99 days 4 points  
12 - 14.99 days 3 points  
15 - 17.99 days 2 points  
19 - 19.99 days 1 point  
Over 19.99 days 0 points

**1.1.4 DEBT RATIO:** Total Debt / Net Tangible Assets

This ratio measures the amount of assets provided by creditors for each dollar of Tangible Assets.

Under 0.4 9 points  
0.4 - 0.49 8 points  
0.5 - 0.59 7 points  
0.6 - 0.69 6 points  
0.7 - 0.79 5 points  
0.8 - 0.89 4 points  
0.9 - 0.99 3 points  
1.0 - 1.19 2 points  
1.2 - 1.29 1 point  
Over 1.29 0 points

**1.1.5 PROFITABILITY RATIO:** (Net Profit after tax / Tangible Net Worth) x 100

This ratio is a measure of how well the owner's investment has been employed by management.

Over 19.99 4 points  
15 - 19.99 3 points  
10 - 14.99 2 points  
0 - 9.99 1 point  
Under 0 0 points

**1.1.6** If an Accredited Agent submits financial statements that indicates a zero or negative Cash position, combined with the Efficiency Ratio for the collection of receivables greater than 10 days, the result of the financial review will be considered as failed.

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## 1.2 Applicants and Accredited Agents

### 1.2.1 Working Capital

Working Capital	Gross Sales
CAD 15,000 (or the equivalent in Bermudian dollars for Accredited Agents based in Bermuda)	< CAD 2,000,000 (or the equivalent in Bermudian dollars for Accredited Agents based in Bermuda)
CAD 25,000 (or the equivalent in Bermudian dollars for Accredited Agents based in Bermuda)	Between CAD 2,000,000 and CAD 5,000,000 (or the equivalent in Bermudian dollars for Accredited Agents based in Bermuda)
CAD 35,000 (or the equivalent in Bermudian dollars for Accredited Agents based in Bermuda)	>CAD 5,000,000 (or the equivalent in Bermudian dollars for Accredited Agents based in Bermuda)

### 1.2.2 Tangible Net Worth

Tangible Net Worth	Gross Sales
CAD 25,000 (or the equivalent in Bermudian dollars for Accredited Agents based in Bermuda)	<CAD 2,000,000 (or the equivalent in Bermudian dollars for Accredited Agents based in Bermuda)
CAD 35,000 (or the equivalent in Bermudian dollars for Accredited Agents based in Bermuda)	Between CAD 2,000,000 and CAD 5,000,000 (or the equivalent in Bermudian dollars for Accredited Agents based in Bermuda)
CAD 45,000 (or the equivalent in Bermudian dollars for Accredited Agents based in Bermuda)	>CAD 5,000,000 (or the equivalent in Bermudian dollars for Accredited Agents based in Bermuda)

### 1.2.3 Ratio Points

Ratio Points	Gross Sales
20	< CAD 2,000,000 (or the equivalent in Bermudian dollars for Accredited Agents based in Bermuda)
15	Between CAD 2,000,000 and CAD 5,000,000 (or the equivalent in Bermudian dollars for Accredited Agents based in Bermuda)
15	>CAD 5,000,000 (or the equivalent in Bermudian dollars for Accredited Agents based in Bermuda)

**1.2.4** If either the Working Capital, or Tangible Net Worth, or the Ratio Points of the Accredited Agent or Applicant falls below the threshold in the table above, the Accredited Agent/Applicant will be considered as having failed the Financial Review.

**1.2.5 (Applicable to Applicants only) Short Accounting Period:** Where the financial statements reflect a short accounting period i.e. less than 12 months, the Profitability Ratio will not be appropriate. As a result, the total point score would be reduced to 26 and the acceptable minimum to 13.

## 2. ANNUAL FINANCIAL REVIEWS

### 2.1 Documents required

**2.1.1** An Applicant and an Accredited Agent must provide financial statements, including but not limited to income statement, balance sheet, statement of cash flow and notes to the financial statements. The financial statements must be prepared in accordance with generally accepted accounting principles and prepared by a regulated Licensed Public Accountant or firm as it applies in Canada and Bermuda. Any interest by the accountant in the ownership of the agency must be divulged. If the financial statements are not audited, they must be accompanied by the accountant's Review Engagement Report (in accordance with the Canadian Standards for Review Engagement (CSRE) Section 2400).

### 2.1.2 A Notice to Reader or a Compilation Report is not acceptable.

**2.1.3** All Accredited Agents must submit a scanned copy of their financial statements to IATA upon request.

**2.1.4** Year-end financial statements must be received within 90 days of the Accredited Agent's financial year-end. All other financial statements submitted must reflect a financial position not older than 90 days.

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**2.1.5** All Accredited Agents must notify IATA of any change or alteration to their fiscal year end and of any legal or governmental procedure that may affect their fiscal year end. This notice must be in writing and be accompanied by a legal or government issued document which confirms the change or alteration to the Accredited Agent's fiscal year end.

### **3. FINANCIAL SECURITY**

#### **3.1 Applicants**

**3.1.1** Applicants must provide a Financial Security of an average 3 weeks Net cash sales based on assumed turnover, with a minimum of CAD 35,000 or the equivalent in Bermudian dollars for Accredited Agents based in Bermuda.

**3.1.2** The amount of the Financial Security required must cover at a minimum an average of 3 weeks' Net cash sales based on the Accredited Agent's actual turnover, or CAD 35,000 or equivalent in Bermudian dollars for Accredited Agents based in Bermuda, whichever is higher.

#### **3.2 Accredited Agents**

##### Agents with Risk Status A:

For Accredited Agents with Risk Status A no Financial Security will be required.

##### Agents with Risk Status B:

For Accredited Agents with Risk Status B the Financial Security will be calculated as the average of 3 weeks' Net cash sales within the last 12 months with a minimum amount of CAD 35,000 or the equivalent in Bermudian dollars for Agents based in Bermuda.

##### Agents with Risk Status C:

Accredited Agents with Risk Status C must provide a Financial Security in accordance with the provisions of Resolution 812, with a minimum amount of CAD 35,000 or the equivalent in Bermudian dollars for Accredited Agents based in Bermuda.

Note: Please refer to Resolution 812 – Operation of Remittance Holding Capacity for details.

**3.3** If an existing Financial Security is insufficient to cover the amounts calculated under 3.1 and 3.2, the amount of the Financial Security required will be increased to cover the Amount at Risk.

**3.4** IATA will return the Financial Security to the Accredited Agent with Risk Status A upon the expiry date of the Financial Security commitment.

### **4. DEFINITIONS**

#### **4.1 Additional Financial Information and Definitions**

**4.1.1** Accounts Payable - this amount should be broken down to reflect separately:

- amounts due to airlines through BSP;
- amounts due to all suppliers payables;
- customer deposits (if not listed separately);
- other payables.

**4.1.2** Accounts Receivable - this amount should be broken down to reflect separately:

- Trade receivables net of provision for bad debts;
- Commissions receivable;
- Receivables from related parties (see definition of current assets);
- Supplier deposits;

##### **4.1.3 Bank Loans or Bonds**

Interest rate, repayment terms and security, if any, pledged as collateral must be indicated.

##### **4.1.4 Capital Stock**

If shares are issued for other than cash, full details of the consideration must be given.

##### **4.1.5 Cash**

Includes cash and bank balances plus cash equivalents such as certificates of deposit, government bonds, etc. excluding Cash and Term Deposits pledged for security.

##### **4.1.6 Commingling Assets**

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Assets not related to the operation of the agency (i.e. owners or partners property, land, automobile, securities, etc.) will not be considered in the evaluation and will be deducted in the computation of the Working Capital and Tangible Net Worth.

#### **4.1.7 Current Assets**

This amount excludes notes or receivables from related parties, including shareholders, employees, officers, associates as well as Cash and Term Deposits pledged for security.

#### **4.1.8 Current Liabilities**

This amount must include the current portion of long-term debt.

#### **4.1.9 Financial Security**

All acceptable Financial Security types are available in IATA Resolution 850p.

#### **4.1.10 Gross Sales**

In the event this figure is not specifically identified in the financial statements, please provide the gross sales figures for the period including ticket sales, package tours, hotels, car rental, insurance, miscellaneous income, etc., NET OF TAX.

#### **4.1.11 Investments**

If there are any investments in associated companies or other companies, the names of such companies must be given together with the nature of their business and the basis used in accounting for this investment, i.e. cost or equity method. Investments in related companies must be excluded in the computation of working capital and tangible net worth.

#### **4.1.12 Net Cash Sales**

Net cash sales is equal to the total of Accredited Agent's BSP net remittance.

#### **4.1.13 Net Income or Loss After Tax**

Net income or loss after taxes but before extraordinary items.

#### **4.1.14 Net Tangible Assets**

Total assets, less intangible assets such as goodwill, franchise fees, covenants not to compete, client lists, etc.

#### **4.1.15 Tangible Net Worth**

This is calculated by summing common and/or preferred stock, paid-in/contributed capital, subordinated shareholders' loan plus retained earnings (minus deficit), less intangible assets such as goodwill, franchise fees, mailing/client lists and covenants not to compete; receivables from related parties, including shareholders, officers and employees are excluded when calculating the tangible net worth.

#### **4.1.16 Total Debt**

Includes current liabilities and all loans from third parties. It does not include noncurrent loans provided by shareholders or proprietors. Loans from related parties are included, unless subordinated to other parties.

#### **4.1.17 Working Capital**

Working capital is the difference between Current Assets and Current Liabilities.

### **BERMUDA**

*(Effective 1 March 2018 – PAC/40 until NewGen ISS implementation)*

#### **Standards & Methodology for the Evaluation of financial Statements**

Among the qualifications to be met for approval and retention as an IATA Passenger Sales Agent, the financial criteria are considered the most important.

The financial evaluation performed in accordance with the standards and methodology includes an analysis of the financial condition of each applicant or agent.

This system evaluates the financial position of the agent or applicant using the minimum financial standards which includes the application of five ratio tests against which points are attributed. After evaluation, the agent or applicant is provided with a financial profile indicating:

- the working capital and tangible net worth;
- the results of the five ratio tests;
- the point score obtained against each test performed;
- whether the minimum financial criteria are met;
- which financial standards have been applied to reach the result;

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- the cash deficiency if the standards are not met;
- the amount of security if a letter of credit is required.

All Accredited Agents must file annually with the Agency Administrator within 90 days of the agent's fiscal year end, financial statements prepared in accordance with generally accepted accounting principles. Agents who fail to meet the standards will be requested to rectify their financial position.

The following pages contain details of the minimum financial standards. We recommend that the information be studied carefully and discussed with your accountant prior to the preparation of financial statements.

The financial statements received from applicants and agents are evaluated in accordance with the following methodology:

## **1. PREPARATION**

Financial statements, including income statement, must be prepared in accordance with generally accepted accounting principles and reviewed by a chartered accountant, certified general accountant, certified management accountant or an accredited public accountant, who is engaged in independent public practice. Any interest by the accountant in the ownership of the agency must be divulged. If not audited, the statements must be accompanied by the accountant's Review Engagement Report. (Reference CICA Handbook, Section 8200).

**A Notice to Reader or a Compilation Report are not acceptable.**

Audit reports or Review Engagement Reports submitted with financial statements must reflect the accountant's name and address.

All agents must notify IATA of any change or alteration to their fiscal year end and of any legal or governmental procedure that may affect their fiscal year end. This notice must be in writing and be accompanied by a legal or government issued document which confirms the change or alteration to an Agent's fiscal year end.

All agents must file an original copy of their financial statements with IATA.

## **2. AGE OF FINANCIAL STATEMENTS**

Year-end financial statements must be received within 90 days of the agent's year-end. All other financial statements submitted must reflect a financial position not older than 90 days.

### **2.1 New Applicant**

A new applicant who is just commencing operations must submit statements which reflect current financial position of the agency after at least one month of operation.

**2.1.1** New applicants must provide financial statements and a bank guarantee of average three weeks net cash sales based on assumed turnover, with a minimum of \$35,000. The financial guarantee will be held for a minimum period of 2 years. IATA has the right to review at any time, the Agent's sales at risk and require an adjustment to any existing financial security provided to ensure appropriate and sufficient coverage. The financial security will be returned upon receipt of satisfactory year-end financial statements following the two-year period.

## **3. CHANGE OF OWNERSHIP**

If the change of ownership of an accredited agency constitutes a 30% or more transfer of shares or assets, to an outside party and/or constitutes a change of status of the legal entity previously accredited with IATA, the new owner(s) will be required to provide a temporary financial security in the form of an Irrevocable Letter of Credit for a minimum period of 2 years. The amount of the financial security will be equivalent to the Agent's sales at risk with a minimum amount of CAD \$ 35,000. IATA has the right to review at any time the Agent's sales at risk and require an adjustment to any existing financial security provided to ensure appropriate and sufficient coverage.

## **4. STANDARDS**

### **4.1 Minimum criteria**

**4.1.1** To be accredited, or to be retained on the Agency List, a new applicant or an Agent shall meet:

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**4.1.1(a) Working capital requirement of \$25,000:** Working capital is the difference between Current Assets and Current Liabilities

**4.1.1(b) Tangible Net Worth requirement of \$35,000:** For each branch office already approved and for each branch office seeking approval the financial statements of the head office and all locations shall be submitted and the minimum tangible net worth shall be increased by \$5,000 per branch location. This increase in tangible net worth does not apply to Satellite Ticket Printer locations. (See definition of Tangible Net Worth).

**4.1.1(c) Ratio Tests:** An acceptable financial ratio analysis measured by the application of five ratio tests against which points are allocated. To be considered acceptable, a minimum of 50% of 15 out of a total of 30 points shall be scored. (Please refer to the Ratio Tests section for details of the tests applied).

**4.1.1(d)** The minimum working capital and tangible net worth for accredited agents will be as follows:

- a) **Sales less than \$2,000,000,**  
Working capital is \$15,000  
Tangible net worth is \$25,000  
A total of 20 points will be required
- b) **Sales between \$2,000,000 and \$5,000,000**  
Working Capital is \$25,000  
Tangible Net Worth is \$35,000  
A total of 15 points will be required.
- c) **Sales over \$5,000,000**  
Working Capital is \$35,000  
Tangible Net Worth is \$45,000  
A total of 15 points will be required.

**4.1.1(e) Short Accounting Period:** Where the financial statements reflect a short accounting period i.e. less than 12 months, the Profitability Ratio may not be appropriate. As a result, the total point score would be reduced to 26 and the acceptable minimum to 13.

**4.1.1(f) Temporary Security:** If an accredited agent is unable to meet the financial requirements provided in subparagraphs (a), (b), (c) and (d) above, then a temporary security may be acceptable to IATA. The amount of the temporary security will be a minimum of \$35,000 plus \$5,000 for each accredited branch or an agent's average three weeks BSP sales, whichever is the greater. An acceptable form of temporary security is an irrevocable letter of credit. Prior approval by IATA is required before obtaining a temporary security.

**4.1.1(g)** If an agent submits a financial statement that reveals a zero cash and/or bank indebtedness, combined with an Efficiency Ratio for the collection of receivables greater than 10 days, an irrevocable letter of credit will be requested until a satisfactory annual financial statement is submitted.

**4.1.1(h)** In the case of a sole proprietorship or a partnership, if capital drawings/ withdrawals cause the financial position to fall below the minimum standards, a temporary security (i.e. an irrevocable letter of credit) will be immediately required.

## **4.2 Additional Financial Information and Definitions**

*In addition, note should be taken of the following points in the preparation of financial statements and the relevant information supplied as required:*

**4.2.1 Accounts Payable** - this amount should be broken down to reflect separately:

- amounts due to airlines through BSP;
- amounts due to suppliers;
- customer deposits (if not listed separately);
- other payables.

**4.2.2 Accounts Receivable** - this amount should be broken down to reflect separately:

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- Trade receivables net of provision for bad debts;
- Commissions receivable;
- Receivables from related parties (see definition of current assets);
- Supplier deposits;

#### **4.2.3 Bank Loans or Bonds**

Interest rate, repayment terms and security, if any, pledged as collateral must be indicated.

#### **4.2.4 Capital Stock**

If shares are issued for other than cash, full details of the consideration must be given.

#### **4.2.5 Cash**

Includes cash and bank balances plus cash equivalents such as certificates of deposit, government bonds, etc. excluding Cash and Term Deposits pledged for security.

#### **4.2.6 Commingling Assets**

Assets not related to the operation of the agency (i.e. owners or partners property, land, automobile, securities, etc.) will not be considered in the evaluation and will be deducted in the computation of the Working Capital and Tangible Net Worth.

#### **4.2.7 Current Assets**

This amount excludes notes or receivables from related parties, including shareholders, employees, officers, associates as well as Cash and Term Deposits pledged for security.

#### **4.2.8 Current Liabilities**

This amount must include the current portion of long-term debt.

#### **4.2.9 Gross Sales**

In the event this figure is not specifically identified in the financial statements, please provide the gross sales figures for the period including ticket sales, package tours, hotels, car rental, insurance, miscellaneous income, etc., NET OF TAX.

#### **4.2.10 Investments**

If there are any investments in associated companies or other companies, the names of such companies must be given together with the nature of their business and the basis used in accounting for this investment, i.e. cost or equity method. Investments in related companies may be excluded in the computation of working capital and tangible net worth.

#### **4.2.11 Leasehold Improvements and Organisation Cost**

If the amount reflected on the Balance Sheet is material, the Agent/applicant may be requested to supply a reconciliation of such costs or contracts/receipts to substantiate costs.

#### **4.2.12 Loans from Shareholders**

In order to be included in the Tangible Net Worth calculation, these loans must be long term. Supply an undertaking that these loans will not be repaid if by so doing the Working Capital and/or Tangible Net Worth will be reduced below the levels acceptable to IATA and also that on winding up the company, such loans will not be paid until all Member airlines' claims are satisfied in full. Attachment to this document is the standard shareholders' agreement which must be completed and signed by the shareholders of the company.

#### **4.2.13 Net Profit After Tax**

Profit after taxes but before extraordinary items.

#### **4.2.14 Net Tangible Assets**

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Total assets, less intangible assets such as goodwill, franchise fees, covenants not to compete, client lists, etc.

#### 4.2.15 Payment of Dividends or Capital Drawings

Supply an undertaking to restrict any dividend payments, other surplus distribution or withdrawal of capital which would result in the impairment of Working Capital and/or Tangible Net Worth to the point where it is below the minimum acceptable to IATA. The shareholders agreement to this document is to be used for this purpose.

#### 4.2.16 Tangible Net Worth

This is calculated by summing common and/or preferred stock, paid-in/contributed capital, subordinated shareholders' loan plus retained earnings (minus deficit), less intangible assets such as goodwill, franchise fees, mailing/client lists and covenants not to compete; receivables from related parties, including shareholders, officers and employees are excluded when calculating the tangible net worth.

#### 4.2.17 Total Debt

Includes current liabilities and all loans from third parties. It does not include noncurrent loans provided by shareholders or proprietors. Loans from associate parties are included, unless subordinated to other parties.

### 4.3 Ratio Tests

The following ratio tests are performed on all financial statements and points attributed accordingly, as indicated. The maximum number of points obtainable is 30 made up as follows:

Current Ratio	8 points
Quick Ratio	4 points
Efficiency Ratio	5 points
Debt Ratio	9 points
Return on Net Worth	
Profitability ratio	4 points

A computerised financial profile is provided to the Agent or applicant after evaluation by IATA.

#### 1. CURRENT RATIO: $\frac{\text{Current Assets}}{\text{Current Liabilities}}$

This ratio provides a measure of the short-term solvency of the entity.

Over 1.99	8 points
1.50 - 1.99	7 points
1.25 - 1.49	6 points
1.00 - 1.24	5 points
0.95 - 0.99	4 points
0.90 - 0.94	3 points
0.85 - 0.89	2 points
0.80 - 0.84	1 point
under 0.80	0 points

#### 2. QUICK RATIO: $\frac{\text{Cash \& Accounts Receivable}}{\text{Current Liabilities}}$

This ratio measures the ability of the entity to pay short-term debts "instantly".

Over 1.59	4 points
1.40 - 1.59	3 points

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1.20 - 1.39	2 points
1.00 - 1.19	1 point
under 1.00	0 points

3. EFFICIENCY RATIO:  $\frac{\text{Accounts Receivable} \times 360}{\text{Gross Sales}}$

This ratio is a measure of the average number of days taken to collect an account receivable.

Under 10 days	5 points
10 - 11.99 days	4 points
12 - 14.99 days	3 points
15 - 17.99 days	2 points
19 - 19.99 days	1 point
Over 19.99 days	0 points

4. DEBT RATIO:  $\frac{\text{Total Debt}}{\text{Net Tangible Assets}}$

This ratio measures the amount of assets provided by creditors for each dollar of Tangible Assets.

Under 0.4	9 points
0.4 - 0.49	8 points
0.5 - 0.59	7 points
0.6 - 0.69	6 points
0.7 - 0.79	5 points
0.8 - 0.89	4 points
0.9 - 0.99	3 points
1.0 - 1.19	2 points
1.2 - 1.29	1 point
Over 1.29	0 points

5. PROFITABILITY RATIO:  $\frac{\text{Net Profit after tax} \times 100}{\text{Tangible Net Worth}}$

This ratio is a measure of how well the owner's investment has been employed by management.

Over 19.99	4 points
15 - 19.99	3 points
10 - 14.99	2 points
0 - 9.99	1 point
Under 0	0 points

Where the financial statements reflect a short accounting period, e.g. in the case of new applicants whose operations are commencing or new entities formed as a result of a change of ownership, this ratio may not be applied and as a result the total point score would be reduced to 26 (30 - 4 = 26). The acceptable minimum number of points would consequently be reduced to 13.



#### SHAREHOLDERS AGREEMENT

Attachment to Standards and Methodology  
for the Evaluation of Financial Statements (Canada & Bermuda)

#### **EXECUTED IN DUPLICATE**

THIS AGREEMENT made the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_

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International Air Transport Association  
Torre Europa  
Paseo de la Castellana, 95  
28046 Madrid, Spain



AMONG (Names of Shareholders) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(hereinafter called the "Shareholders")

AND:

(Name of Company) \_\_\_\_\_  
\_\_\_\_\_  
a company duly incorporated under the laws of and conducting business in  
(Address) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(hereinafter called the "Company")

AND:

INTERNATIONAL AIR TRANSPORT ASSOCIATION, 800 Place Victoria, P.O. Box 113, Montreal, Quebec on behalf of its Member Airlines.

(hereinafter called "IATA")

WHEREAS:

A. By a Passenger Sales Agency Agreement (hereinafter called the "Agency Agreement") made between the Company and IATA, the Company agrees to sell air passenger transportation on behalf of the Members of IATA and the members agree to pay commission thereon when the Company has received approval to so represent IATA and its Member Airlines.

B. All the issued and outstanding shares of the Company are held by:

(Names of Shareholders) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in consideration of the premises and of the covenants and conditions hereinafter contained, the parties hereto agree amongst themselves as follows:

1. The Shareholders represent and warrant to IATA that they are the registered and/or beneficial owners of all the issued and outstanding shares in the Company, and that they have a good and marketable title to such shares free and clear of liens, claims, encumbrances and restrictions of any kind.

2. The Shareholders represent, warrant, covenant and agree that they will not permit or cause the Company to, and the Company agrees that it will not:

(a) declare or pay any dividends on the issued and outstanding shares in the Company;

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**International Air Transport Association**  
Torre Europa  
Paseo de la Castellana, 95  
28046 Madrid, Spain



- (b) make any repayments in any form, (including wages and salaries) to any shareholder, on account of any loan from, interest in or indebtedness of the Company, whether secured or otherwise;
- (c) purchase or redeem any share in the Company;
- (d) distribute capital or make any payment to any shareholder based on the shares owned or held by such shareholder;
- (e) issue, grant, or sell any additional shares, warrants, bonds or debentures of the Company.

If the effect of the foregoing transactions would jeopardize or reduce the financial position of the Company below standards for approval or retention as an Approved Passenger Sales Agent established from time to time by IATA and which are set forth in the IATA Travel Agent's Handbook.

3. If any of the goods and chattels of the Company shall be at any time seized or taken in execution or attachment or if the Company shall make an assignment for the benefit of creditors or shall become bankrupt or insolvent, or become subject to any legislative enactments relating to liquidation or winding-up, whether voluntary or compulsory, then and in any such event, the shareholders covenant and agree that they will not request or accept any payment from the Company, its liquidator, trustee, receiver or manager on account of any indebtedness to the Shareholder unless and until all amounts owing to the Member Airlines are paid in full.

In WITNESS WHEREOF the parties hereto have executed this Agreement as of the date and year above written.

**SIGNED, SEALED AND DELIVERED**

Shareholders (Signatures):

Witness (Signatures):

\_\_\_\_\_  
\_\_\_\_\_

Company:

The Corporate Seal (if required)

IATA on behalf of its Member Airlines:

By: \_\_\_\_\_  
(Title) (Witness)

If you have any queries in this regard, please please contact us via our Customer Portal at [www.iata.org](http://www.iata.org) and our Customer Services Team will gladly assist you. Any queries related to LFC will be handled with the highest priority.

Yours sincerely,

Olena Dovgan  
Manager, Accreditation

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