IATA UK – new financial criteria

IATA announced a minor change to the financial criteria applying to UK-accredited agents. From **1 January 2024**, agents will no longer be able to settle ticket payments every ten days. By default, agents on a ten-day remittance frequency will be moved to settlement four times per month. However, agents may be able to move to a remittance frequency of every two weeks by either satisfying the financial tests or providing security.

- Agents' accounts will now be evaluated based on four financial ratios.

- Accounts must pass all four tests to pass the financial assessment. If any of the tests are failed, financial security is likely to be required.

The financial ratios are:

i. Positive net equity	Ratio must be positive/greater than 0
ii. Operating profit	Ratio must be positive/greater than 0
iii. Quick ratio	$\dfrac{\text{Cash + cash equivalents + trade debtors (excluding related parties)}}{\text{Trade creditors}}$
iv. Cash cover ratio	$\dfrac{\text{Cash + cash equivalents + remaining overdraft/RCF}}{\text{BSP outstanding at the year end}}$

The quick and cash cover ratios are assessed against the following scorecard:

If the ratio is	Pass or fail?	Settlement frequency and security requirement
>1.1	Pass.	Agent can settle BSP twice per month.
0.6 - 1.1	Pass, but...	...agent must settle BSP 4 times every month or provide security to settle less frequently.
<0.6	Fail.	Agent must provide security.

Things to think about

IATA will assess the new financial ratios based on information provided in your financial accounts. You may need to discuss enhanced disclosures with your accountants/auditors. Your financial accounts should:

- contain all necessary figures to complete the financial tests
- show the BSP outstanding at the year-end, (though your accountant can provide this as a separate written confirmation to IATA)
- disclose any remaining unused or undrawn overdraft or revolving credit facility (if you wish to rely on it when calculating Cash Cover)
- disclose the nature of debtors, split between trade debtors, related parties etc.