



# NewGen ISS & Remittance Holding Capacity

## A Guide for Agents

November 2017, V2.0



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## NewGen ISS & Remittance Holding Capacity Guide

### What is the New Generation of IATA Settlement Systems (NewGen ISS)?

NewGen ISS is a strategic program aimed at modernizing the Billing and Settlement Plan (BSP), IATA's principal settlement system between Travel Agents and Airlines.

The program is composed of four interconnected pillars which will enable a more secure, relevant and customer-centric Passenger Agency Programme for both Travel Agents and Airlines.

The four NewGen ISS pillars are as follows:

- New Agency Accreditation Models
- Remittance Holding Capacity (RHC)
- IATA EasyPay, a new pay-as-you-go solution for the industry
- Global Default Insurance, a new Financial Security type for Agents

### Why NewGen ISS?

The distribution landscape today is evolving rapidly. Agents and airlines come in range of shapes, sizes and business models. Similarly, new distribution and payment channels have emerged outside the traditional BSP channel. In order to ensure that the BSP continues to meet the needs of Agents and Airlines, the BSP must adapt to this changing environment. Under NewGen ISS, IATA is moving away from a one-size fits all approach and towards greater segmentation by offering new accreditation models, more targeted, dynamic risk management, and new ways of doing business through the introduction of IATA EasyPay.

Beyond addressing the long-term relevance of the BSP, NewGen ISS is also about the creation of a safer selling environment for all participants. In the days of paper ticketing, an Agent could only issue as many tickets as it held in stock. In today's online environment, thousands of tickets can be issued in a matter of hours. This is regardless of the Agent's past sales, risk status or ability to remit the respective amounts due. The result has been significant multi-million dollar losses for airlines from agent defaults, particularly from intentional "bust-outs." These 'bust-out' cases have also undermined the overall integrity of the system for legitimate cases.

To address this risk, NewGen ISS is introducing a new feature called the Remittance Holding Capacity (RHC). The RHC establishes a maximum threshold for Agent's outstanding Cash sales pending remittance to the BSP (monies at risk). Coupled with real-time reporting of ticket sales from the GDS', the introduction of a Remittance Holding Capacity is a key step to promoting safer selling.

### NewGen ISS pillars

The initiatives under NewGen ISS are as follows:



- **Agency Accreditation Models:** NewGen ISS is introducing a range of accreditation models which better fit Agent needs, while enabling a smarter, targeted risk management. Agents will be able to choose from the following three models of accreditation as well as to convert across models as their businesses evolve:

i. **GoLite Accreditation (Standard Accreditation with No Cash Facility)** is an entry-level accreditation which facilitates participation in the BSP. Many Travel Agents today, especially in emerging markets, cannot become accredited due to the financial requirements and underlying costs associated to accreditation, e.g. provision of financial statements and financial securities. Airlines that wish to do business with these Agents must do so outside the BSP.

Under this new Accreditation model, Agents will only be able to issue transactions in the BSP using IATA EasyPay, the Customer's Debit/Credit Card, or – subject to airline consent - Alternative Transfer Methods.

The benefit of this accreditation model is that it lowers the barriers to entry for Agents while minimizing the financial risk for airlines. Agents will have greater flexibility to operate in the BSP while Airlines will have the ability to distribute via a wider network of Agents, if they so choose.

ii. **GoStandard Accreditation (Standard Accreditation with Cash Facility)** is based on the current accreditation model, with a new risk management process to mitigate default losses and promote safer selling. Local Financial Criteria and local remittance calendars will continue to apply. The key change is the introduction of a maximum threshold for outstanding Cash sales held in trust by the Agent pending remittance to the BSP (Remittance Holding Capacity). A Capacity will be established for all Agents with access to Cash as a form of payment.

iii. **GoGlobal Accreditation (Multi-Country Accreditation)** is a “one-stop-shop” accreditation for Agents with operations in multiple BSPs. Multi-Country Agents will meet a single global set of requirements and criteria, established in Resolution, and will be able to accredit all their locations worldwide under a single Passenger Sales Agency Agreement.

Risk management will take place at the parent-level, with the parent undertaking legal and financial responsibility for all its locations worldwide. Accordingly, the parent will be assessed quarterly under a multi-dimensional Assessment Framework, and if necessary the parent may be required to provide a Financial Security covering the sales at risk of the entire group. Multi-Country Agents will also be subject to an aggregated Remittance Holding Capacity. (BSP remittances will nonetheless remain per local calendars).

For multinational Agents, this new model will offer greater efficiencies and simplified processes. For Airlines, Multi-Country Accreditation will allow for greater visibility of the group's sales activities and for a more robust risk management of the entire entity.

- **Remittance Holding Capacity (RHC) & Risk Management:** Under NewGen ISS, a key objective is to promote safer selling and to mitigate default losses, as these undermine the



confidence of all stakeholders in the system. Accordingly, the biggest change under NewGen ISS is the introduction of a threshold for outstanding BSP Cash sales, held in trust by the Agent, pending remittance to the BSP, i.e. a Remittance Holding Capacity (RHC). This RHC will apply to all Agents with a Cash facility.

The RHC will be an individualized amount assigned to each Agent based on their overall Risk Status and historical sales.

Once an agent reaches their maximum capacity, they will be able to continue selling in the BSP using alternative forms of payment such as IATA EasyPay or Customer Cards.

- **IATA EasyPay:** The introduction of a new pay-as-you-go solution for tickets issued via the BSP, is the third pillar of NewGen ISS. IATA EasyPay is a key enabler which will facilitate both the implementation of new accreditation models and the Remittance Holding Capacity.

This new industry payment solution is based on an e-wallet model, whereby funds are secured at the time of ticket issuance, i.e. an Agent may only use IATA EasyPay as a form of payment if sufficient funds are available in its IATA EasyPay account. Since this will operate as a private payment instrument, at the time of ticket issuance, the funds will be instantly blocked and no chargebacks will be allowed.

IATA EasyPay brings several benefits for both Agents and Airlines. First, it is entirely voluntary for Agents to use and brings them additional flexibility. For those Agents required to provide Financial Securities, it will enable them to lower their Financial Security amounts provided. (Sales made against IATA EasyPay will not be included in an Agent's Financial Security calculation). It will also give new and existing agents access to the 'Standard Accreditation with No Cash Facility' model. Furthermore, it will allow Agents to continue selling if they reach their Remittance Holding Capacity. Agents will also have flexibility in how they fund their IATA EasyPay wallet, subject to market availability.

For airlines, IATA EasyPay is a secure and cost effective form of payment. Additionally, airlines will receive IATA EasyPay amounts on a daily basis, within 48-96 hours following ticket issuance.

- **Global Default Insurance:** This pillar entails the introduction of a new and voluntary Financial Security option for Agents. A global insurance policy has been brokered by Aon and Marsh to Euler Hermes, a top credit risk insurance company, and subsidiary of Allianz. Agents will be able to request coverage under the policy on a voluntary basis for the amount of Financial Security required by IATA.



For Agents, Global Default Insurance will offer greater choice of Financial Security. Agents will be able to assess for themselves the commercial terms offered by the insurance provider and determine whether or not to opt for this product. The benefit of insurance is that it does not require collateral compared to other financial security types, and can be easily adjusted in a RHC environment. Note, other Financial Security types allowed under Resolution 850p will continue to be available as today. Since the provider of the Global Default Insurance is a top-rated credit insurer, the benefit for Airlines of this new Financial Security type is that it offers certainty of claims.

### Benefits of NewGen ISS

	Agent Benefits	Airline Benefits
IATA EasyPay	<ul style="list-style-type: none"> <li>Reduction of Financial Securities</li> <li>New funding alternatives</li> <li>Access to more accreditation options and ability to sell upon reaching the RHC</li> </ul>	<ul style="list-style-type: none"> <li>Cash flow acceleration</li> <li>Increased collection of funds</li> <li>Bespoke payment strategy</li> </ul>
GoGlobal (Multi-Country Accreditation)	<ul style="list-style-type: none"> <li>Simplified processes &amp; operational efficiencies</li> <li>Cost Savings (consolidated global financial statements rather than local financial statements)</li> </ul>	<ul style="list-style-type: none"> <li>Smarter Risk Management of the entire Agent group</li> <li>Visibility on Multi-Country Agent sales activity</li> </ul>
GoStandard Accreditation	<ul style="list-style-type: none"> <li>Increased flexibility moving away from the on/off ticketing environment of today</li> </ul>	<ul style="list-style-type: none"> <li>Safer selling for Cash sales, the most cost effective payment method for airlines</li> </ul>
GoLite Accreditation	<ul style="list-style-type: none"> <li>Cost savings from easier financial requirements</li> <li>Entry Point into the BSP</li> </ul>	<ul style="list-style-type: none"> <li>Wider distribution network without increased financial risk</li> </ul>
Remittance Holding Capacity	<ul style="list-style-type: none"> <li>A more secure selling environment for all participants</li> <li>Reduced pressure on Local Financial Criteria</li> </ul>	<ul style="list-style-type: none"> <li>Limited risk exposure and a reduction of default losses</li> </ul>
Global Default Insurance	<ul style="list-style-type: none"> <li>Additional choice of Financial Security</li> <li>Cost savings</li> <li>Flexibility to easily adjust Remittance Holding Capacity</li> </ul>	<ul style="list-style-type: none"> <li>Certainty of claims</li> </ul>

### Remittance Holding Capacity & Risk Management

The risk management framework for any Agent with a Cash facility (whether Standard or Multi-Country) is proposed to operate under the following principles:

- i. A financial assessment will be performed on the Agent per the applicable financial criteria. For Multi-Country Agents, the assessment will be quarterly according to global financial criteria. For Standard Agents with a Cash facility, the financial assessment will be annual in accordance with the Local Financial Criteria of the country of accreditation.
- ii. The historical behavior of the Agent in the BSP related to its ability to pay and capacity to comply with financial requirements (Risk Events) will be assessed on an ongoing basis.
- iii. Based on the outcome of the financial and risk history assessment results, one of three Risk Statuses (A, B or C) will be assigned to the Agent.



Financial Review Result	Risk History Assessment	Risk Status Assigned
Pass	Pass	A
Pass	Fail	B
Fail	Pass	
Fail	Fail	C

- iv. Each Risk Status will carry different conditions related to Financial Security requirements, applicable remittance frequency<sup>1</sup> and the Agent's Remittance Holding Capacity calculation.

As noted above, the introduction of a Remittance Holding Capacity (RHC) for all Agents with a Cash facility is one of the main differences under NewGen ISS versus today. If ever an Agent reaches its established Capacity, IATA will restrict Cash as a form of payment until a remittance to the BSP is made, lowering the Agent's total outstanding monies at risk, or an increased Financial Security is received. In such cases, the Agent will be able to continue selling through the BSP using IATA EasyPay, the customer's Debit/Credit Card and, if the Airline allows Alternative Transfer Methods. The Agent will also be able to make an advanced remittance to reopen its Cash facility.

### RHC Operation & Customer Care

The purpose of introducing a Remittance Holding Capacity is to create a safer selling environment. It is in the interest of Agents, the Airlines and IATA that Agents can continue to sell as much as possible through the BSP, but that they do so in a secure manner.

For Agents with a Risk Status A or B, the following risk calculation will apply:

$$\text{RHC} = \text{Total Days} \times \text{Daily Average BSP Cash Turnover}_{3 \text{ Reporting periods}} + 100\%$$

Under this calculation:

**Total Days** = Number of days in Reporting period plus number of days in Remittance period

**Daily Average BSP Cash Turnover** = Agent's Average daily BSP cash turnover for the 3 highest Reporting periods of the previous 12 months.

**+100%** represents the year over year growth threshold. In Resolution, the (+100%) is reflected (x2).

For an Agent with a Risk Status C, where the Agent has both failed its financial and Risk History assessments in the BSP, the RHC granted to the Agent will be equal the amount of Financial Security provided.

<sup>1</sup> This applies only to markets with multiple remittance frequencies.



Under the above RHC calculation, the majority of Agents will be able to operate without reaching their maximum threshold. However, measures are being introduced to facilitate the introduction of RHC and to allow Agents to manage their business in the new environment.

- Customer Care - Notifications will be sent to an Agent once it reaches defined percentages of its Remittance Holding Capacity (50% & 75%), followed by a notification once the Capacity is reached. In addition, IATA is building a tool so that an Agent will be able to view directly the percentage of RHC used through the Customer Portal and to proactively manage their Capacity.
- Sales Continuity:
  - i. At any point, the Agent may increase or decrease its Remittance Holding Capacity by amending the amount of Financial Security provided.<sup>2</sup> This will allow an Agent undergoing rapid expansion to raise their Capacity until the Agent has demonstrated that financially they can sustain such growth. In the past, several large defaults were preceded by substantial, unsustainable sales growth, and IATA was only able to respond reactively in its requests for additional Financial Security.
  - ii. Upon reaching its Capacity, the Agent may:
    - Continue to issue tickets using IATA EasyPay, the customer's Debit/Credit Card, and, if permitted by the Airline, Alternative Transfer Methods.
    - Remit full or partial outstanding monies due ahead of the remittance date in order to re-open the Cash facility.
    - Provide additional Financial Security, as noted above. With the introduction of Global Default Insurance, this will become a viable option as the Agent can obtain a higher cover under this security type within a shorter timeframe.
- Exceptional Circumstances: In response to Agent feedback, NewGen ISS is introducing measures which allow for other adjustments in the Remittance Holding Capacity:
  - i. At any time, an Agent may request an ad hoc recalculation of its Remittance Holding Capacity overall.
  - ii. The Agency Administrator will also review Force Majeure events and economic circumstances which may require an adjustment to the Remittance Holding Capacity calculation for an entire market.

## Program Governance

### ➤ Agency Accreditation Models, IATA EasyPay and Remittance Holding Capacity

In November 2017, the Passenger Agency Conference adopted Resolution 812 which contains the NewGen ISS Agency Rules. This Resolution covers the new accreditation models, Remittance Holding Capacity and IATA EasyPay, and comes after extensive consultation with agent and airline stakeholders

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<sup>2</sup> The Financial Security calculation will be based in the applicable Local Financial Criteria (or Global Criteria for Multi-Country Agents). An increase or decrease of Financial Security will result in the equivalent monetary amount added or deducted from the Remittance Holding Capacity granted to the Agent. Any decreases to the amount of Financial Security will be subject to minimum security amount provisions in the Agent's respective criteria.



through global and local governance forums. The RHC calculation in particular is the outcome of a joint Agent/Airline Working Group.

Resolution 812 is effective from the 1<sup>st</sup> of March 2018. All BSPs currently under Resolution 818g will progressively be migrated to the new Resolution over the course of approximately 2 years.

#### ➤ Global Default Insurance

In 2016, the Passenger Agency Conference adopted an amendment to Resolution 850p which added Global Default Insurance as a new Financial Security type effective from March 2017.

#### NewGen ISS Implementation

NewGen ISS will progressively be rolled out across the BSPs in waves. Pilots began in the 2<sup>nd</sup> half of 2017 in a select number of markets without enforcement of RHC. These markets are: Bermuda, Canada, Denmark, Finland, Norway, Sweden, and Singapore. From March 1<sup>st</sup> 2018, these markets will be the first migrated to the new Resolution 812, as adopted by PaConf, and RHC enforced.

Remaining BSPs will be migrated to the new Resolution in subsequent waves during 2018 and 2019.

The roll-out of Global Default Insurance will be distinct from the other NewGen ISS initiatives. As the amendment to Resolution 850p became effective March 1<sup>st</sup>, 2017, Global Default Insurance has already been deployed in over 20 BSPs and is expected to be available in all markets by end of 2018.

#### NewGen ISS & Remittance Holding Capacity Q&A

##### Q. What does the term Remittance Holding Capacity mean?

Remittance Holding Capacity is the maximum amount of airlines' monies held in trust that an Agent may have outstanding at any time to be remitted to the BSP for Cash sales. Funds received from customers for these transactions are 'held' in trust by the Agent on behalf of the Carriers until remittance to the BSP.

##### Q. Will there be a Remittance Holding Capacity for all agents?

A Capacity will be granted to all agents that have access to a cash facility (i.e. agents that can issue tickets with a Cash form of payment via the BSP).

##### Q. Will the Remittance Holding Capacity cap sales?

No, the Remittance Holding Capacity will not cap agent sales. It is part of a safer selling process where Agents will be restricted from issuing tickets using Cash as a form of payment, but will be able to continue issuing tickets using IATA EasyPay or the customer's Debit/Credit Card. In addition, the Agent will be able to remit funds due in advance of remittance date to reopen the equivalent amount of its Cash facility, or to provide additional Financial Security.



**Q. How will the Remittance Holding Capacity be calculated?**

The Remittance Holding Capacity Calculation will depend on the Risk Status of the Agent. For Agents with a Risk Status A or B, the Capacity will be calculated using the daily average Cash turnover of the Agent's 3 highest reporting periods over the past 12 consecutive months plus an additional 100%. This +100% will accommodate seasonality and allow for growth year-over-year. For Agents with a Risk Status C (i.e. Agents that have failed their Risk History and Financial Assessment), the Remittance Holding Capacity will be equal to the amount of Financial Security provided.

**Q. How often will the Remittance Holding Capacity be calculated?**

The Remittance Holding Capacity will be recalculated at minimum once per year, usually at the time of an Agent's annual financial review.

**Q. Will the Remittance Holding Capacity be equal to the Financial Security provided?**

For Agents with a Risk Status A or B, the Remittance Holding Capacity Calculation will be set in Resolution whereas the Financial Security calculation will be defined in the applicable Local Financial Criteria (LFC) for Standard Agents and Global Financial Criteria for Multi-Country Agents. The two calculations are distinct. In addition, for Agents with a Risk Status A, a Financial Security will only be required if it is mandatory in the applicable financial criteria.

(Note: An Agent may not be assigned a Remittance Holding Capacity lower than the FS provided. If as a result of the LFC, the Agent is required to provide a Financial Security for a higher amount than the Remittance Holding Capacity amount calculated, the Agent will be granted a Capacity equal to the Financial Security).

As proposed, only for Agents with a Risk Status C will the Remittance Holding Capacity automatically equal the amount of Financial Security provided.

**Q. Will the Remittance Holding Capacity be managed by each Airline?**

No, it will be managed internally by IATA on behalf of all carriers. IATA will monitor, in real time, each Agent's total monies outstanding from sales made in all GDS' versus the established Remittance Holding Capacity for that Agent.

**Q. Will IATA monitor agent sales on weekends?**

Yes, IATA will perform the necessary monitoring continuously over the course of the entire week, not just during business hours.

**Q. If IATA can monitor agent sales why is the Remittance Holding Capacity necessary?**



Monitoring of Agent sales is insufficient to mitigate risk. The Resolution provisions around Remittance Holding Capacity establish the framework within which IATA can take action in the event of an unusual sales spike. Today, IATA can only invoke prejudiced collection of funds, which is much more onerous for Agents as it results in a demand for immediate payment of all funds owing to the BSP and/or the potential withdrawal of all ticketing possibilities.

**Q. What can an Agent do in the event of a special event, group or sale?**

The +100% growth threshold in the proposed RHC calculation allows room for exceptional situations. However, if the Agent is aware of a large group or special event upcoming, the Agent can remit customer funds owing in advance of remittance date to increase the cash facility available and/or use IATA EasyPay or the customer's debit/credit card to issue the related transactions. The Agent can also provide additional security to raise its RHC.

**Q. Are the Agency Accreditation models voluntary?**

Yes, each Agent will be able to choose the Accreditation model most applicable to its business, as long as it is able to meet the applicable requirements.

**Q. What will happen to existing Agents?**

When NewGen ISS Resolution 812 goes live in a market, Agents accredited today will be transitioned to the GoStandard Accreditation (Standard Accreditation with Cash facility). However, Agents will be able to convert to the other models if they so choose. As part of the transition, Agents will be notified of their Remittance Holding Capacity and applicable Risk Status. Note, a new Passenger Sales Agency Agreement will not be required for the introduction of NewGen ISS.

**Q. Will Agents be required to use IATA EasyPay?**

IATA EasyPay is a voluntary payment option that will be available to all Agents. There is no requirement for Agents to use IATA EasyPay unless they so choose.

**Q. How does IATA EasyPay work?**

IATA EasyPay works on an electronic wallet model. To begin using this new payment method, the Agent must first open an IATA EasyPay account. The Agent will then be able to fund the account at will. Various funding options will be available depending on the market.

The IATA EasyPay system will then create 'IATA EasyPay' numbers to be used at the time of ticketing. During the ticketing process, the Agent will insert the IATA EasyPay number. An authorization request will be sent to the IATA EasyPay system. If sufficient funds are available, the amount will be blocked and the authorization generated. Upon receipt of the authorization, ticket issuance can proceed. If there are



insufficient funds available in the IATA EasyPay account, then no authorization will be granted. In such a case, the transaction cannot be issued with IATA EasyPay as the form of payment.

**Q. Regarding IATA EasyPay, what does “funds are secured at the time of issuance” mean?**

An Agent is free to load funds into its IATA EasyPay account as and when it chooses. However, in order to issue a ticket using IATA EasyPay, the Agent must have sufficient available funds in its IATA EasyPay account. At the time of ticketing, the funds for the corresponding amount of the ticket are irrevocably blocked and can no longer be used for other purposes. If the Agent has funds in its IATA EasyPay account which have not been blocked for a ticket, then the Agent will also be able to withdraw this amount.

**Q. Does an Agent need to change its bank account to use IATA EasyPay?**

No. The online wallet solution allows agents to work with any bank. Where IATA cannot implement such a solution, we may work with specific banks, but agents will still be able to maintain their existing bank accounts for BSP Cash remittances.

**Q. Who owns the funds in the IATA EasyPay e-wallet?**

Any funds in the Agent’s e-wallet belong to the Agent until such funds are blocked against a ticket. Any unblocked amounts can be withdrawn by the Agent.

**Q. How will IATA EasyPay transactions be identified?**

IATA EasyPay transactions will be reported on the BSP Billing Reports under the dedicated code ‘EP’.

**Q. How long does it take funds to arrive in an IATA EasyPay ewallet?**

The method of transfer an Agent uses and local banking infrastructure determine how long before funds reach an Agent’s ewallet. Once funds are received, they are available in the Agent’s e-wallet the following day.

**Q. What is Global Default Insurance (GDI)?**

GDI consists of a standardized and global default insurance policy which Agents may, on a voluntary basis, be insured under for a defined amount of cover. The amount of cover obtained under GDI is the amount of Financial Security provided by the Agent.

**Q. Who is the GDI insurance provider?**

Euler Hermes, part of the Allianz Group, is the global provider.

**Q. How does GDI work?**



An Agent interested in GDI will apply directly to Euler Hermes for cover under the GDI policy for the amount corresponding to the amount of Financial Security to be provided to IATA.

Euler Hermes will assess the Agent's request, then advise if the Agent is eligible and quote the applicable fees. If the Agent agrees with the conditions and decides to proceed with GDI, Euler Hermes will confirm the cover and notify IATA. IATA will then collect the applicable fee from the Agent.

Agents may also contact the GDI brokers – Aon and Marsh – for additional information on GDI and applicable terms.

**Q. What is the cost of cover with GDI?**

Pricing for GDI is determined by Euler Hermes, not IATA, and will be quoted directly by the insurer to the Agent.

**Contacts**

For more information on NewGen ISS, please contact us through the Customer Portal.