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**BACA
Escrow**
Services Ltd

**THE BACA ESCROW SERVICE
OFFERS FINANCIAL PROTECTION
TO CHARTER BROKERS, THEIR CLIENTS
AND OPERATORS**

‘OUR WORD OUR BOND’

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BACA ESCROW SERVICES

The Baltic Air Charter Association has established an escrow facility (run by BACA Escrow Services Ltd., a company specifically formed by BACA for the purpose) to provide a secure deposit for funds being paid in advance to operators.

What is the BACA escrow facility?

When a booking is made by a broker considerably ahead of the flight date, and the operator requests payment of part (or all) of the charter price well in advance, there is a risk involved. If the operator should cease trading or get into financial difficulty during the intervening period, the advance payment may be lost, and the broker and client may have no options for the recovery of the funds.

The BACA Escrow facility acts as a safe independent depository for those advance funds (provided that all parties agreed to its use in each case), and the money can be forwarded to the operator nearer to, at the time of, or even after the flight date - whichever is agreed by all concerned when the contract is set up.

Each transaction is individual, customised to the requirements of that particular operation, and the actual process of moving the funds in and out of the relevant accounts is administered by an independent accountant, so there is no risk to confidentiality.



What are the alternatives?

Although there is some protection via ABTA or the CAA ATOL scheme for the general public buying air travel, there is no such protection for the buyer of a sole use air charter. Brokers and their clients who book these charter flights are financially at risk between the time when payment is made and the date of the flight.

There are currently two practical ways to reduce this risk. The first is to set up a specific escrow account to hold the funds on a trip by trip basis, commonly involving the use of a solicitor and often the setting up of an individual bank account. As a consequence it can be time-consuming, complicated and expensive.

The second option is to take out insolvency insurance, which aims to refund losses in the event of an operator's failure before or during the flight. However, as the premium payable varies according to the charter price and the perceived risk attached to the operator, it is not possible to predict the cost of the service in advance. Also, it can be expensive if the

deemed risk for the operator is high or the financial environment is felt to be unstable. And, if the operator is unknown or unquantifiable by the insurer, they may decline to offer any cover at all.

Why is the BACA Escrow service better?

1. The cost is predictable and lower than most comparable options. BACA is running this purely as a service to members, not as a source of revenue.
2. It is cheap, quick, and easy to use, and its terms are controlled jointly by both the operator and the broker.
3. The cost of using the service is exactly the same irrespective of the operator used or the level of risk.
4. It is run completely independently by a firm of chartered accountants, ensuring that the transactions are secure and confidential.
5. The BACA and Baltic Exchange brand and heritage and the use of a major international bank, assures users of the security and safety of the service.
6. The UK Civil Aviation Authority considers that a facility of this nature constitutes a benefit to both brokers and operators alike.
7. Our partner bank (Royal Bank of Scotland) is authorised and regulated by the Financial Services Authority in the UK, and is a member of the Financial Ombudsman Service.

Why is BACA involved?

The BACA Council was asked by members to provide a service for them. There was a need to protect both members and their clients from the potential financial difficulties that may arise when an operator is unable to provide the service for which they have already been paid (wholly or partly). This has occurred several times in recent years. The BACA Escrow service is that solution.

BACA ESCROW SERVICES