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TELECOM REGULATORY AUTHORITY OF INDIA**

NOTIFICATION

New Delhi, the 24th March, 2026

**The Reporting System on Accounting Separation (Amendment) Regulations, 2026
(02 of 2026)**

F. No. M-6/(2)/2023-FEA-I ---- In exercise of the powers conferred by section 36, read with sub-clause (i) of clause (b) of sub-section (1), of section 11 of the Telecom Regulatory Authority of India Act, 1997 (24 of 1997), the Telecom Regulatory Authority of India hereby makes the following regulations to amend the Reporting System on Accounting Separation Regulations, 2016 (5 of 2016) namely:-

1. (1) These regulations may be called the Reporting System on Accounting Separation (Amendment) Regulations, 2026.
(2) They shall come into force from the date of their publication in the official Gazette.
2. For regulation 6 of the Reporting System on Accounting Separation Regulations, 2016 (hereinafter referred to as the “principal regulations”), the following regulation shall be substituted namely:-

“6. Consequences for failure of the service provider to submit reports or furnishing of false report.– (1) If any service provider contravenes the provisions of regulation 5, it shall without prejudice to the terms and conditions of its licence or the provisions of the Act or rules or regulations or order made, or, directions issued, thereunder, be liable to pay, by way of financial disincentive, an amount of twenty thousand rupees for each day of contravention for the first seven days and, in case the contravention continues beyond seven days, an additional amount of forty thousand rupees for each subsequent day of contravention beyond seven days, subject to maximum of ten lakh rupees as the Authority may, by order, direct:

Provided that if a service provider contravenes the provisions of regulation 5 in two or more consecutive years, it shall be liable to pay, by way of financial disincentive, an amount of fifty thousand rupees for each day of contravention for the first seven days of the second and subsequent consecutive year and, in case the contravention continues beyond seven days of that consecutive year, an additional amount of seventy five thousand rupees for each subsequent day of contravention, subject to maximum of twenty five lakh rupees as the Authority may, by order, direct.

(2) If the report furnished by the service provider under regulation 5 is false or if, in its report, the service provider deliberately omits any material fact knowing it to be material, the service provider shall, without prejudice to the terms and conditions of its licence, or the provisions of the Act or rules or regulations or order made, or directions issued, thereunder, be liable to pay financial disincentive as under:-

Sl. No.	Annual turnover of the service provider	Financial disincentive for minor violation	Financial disincentive for major violation
1.	Upto Rs. 500 Crore	Upto Rs. 25 Lakh	Upto Rs. 50 Lakh
2.	More than Rs. 500 Crore and upto Rs. 5000 Crore	Upto Rs. 50 Lakh	Upto Rs. 1 Crore
3.	More than Rs. 5000 Crore	Upto Rs. 1 Crore	Upto Rs. 5 Crore

(3) In case a service provider fails to pay the amount of financial disincentive under regulation 6 within the period stipulated in the order for payment of financial disincentive, it shall be liable to pay simple interest on the outstanding amount of financial disincentive, at a rate which shall be two percent above the one year Marginal Cost of Lending Rate of State Bank of India applicable at the beginning of the financial year in which last day of the stipulated period falls.

Explanation: For the purposes of this sub-regulation, a part of the month shall be reckoned as a full calendar month for the purpose of calculation of interest and a month shall be reckoned as an English calendar month.

(4) No order for payment of any amount by way of financial disincentive under this regulation shall be made by the Authority, unless the service provider has been given a reasonable opportunity of representing against the contravention of the regulations observed by the Authority.

(5) The Authority may waive the financial disincentive, impose a lower amount of financial disincentive or classify as minor or major based on the merit in the reasons furnished by the service provider.”

(Atul Kumar Chaudhary)
Secretary

Note.1. - The principal regulations were published in the Gazette of India, Extraordinary, Part III, Section 4 dated the 10th June, 2016 vide notification number No. 16-02/2015-F&EA dated the 10th June, 2016.

Note.2 – The Explanatory Memorandum explains the objects and reasons of the Accounting Separation (Amendment) Regulations, 2026.

EXPLANATORY MEMORANDUM

Background

1. The Telecom Regulatory Authority of India (hereinafter referred to as the “Authority” or “TRAI”) has been established under the Telecom Regulatory Authority of India Act, 1997 to regulate telecommunication services and matters connected therewith. One of the main objectives of the Authority is to provide a fair and transparent policy environment to promote a level playing field and facilitate fair competition. In pursuit of this objective and to carry out its functions effectively and efficiently, the Authority needs financial and non financial information which is used for regulatory decision making/analysis. The Audited Annual Financial Statements i.e. Profit & Loss Account and Balance Sheet of a telecom service provider (TSP) provides only aggregated information of the company as a whole whereas for regulatory purposes, licensed service area (LSA)-wise, Service-wise and Product-wise disaggregated information is required, which can only be facilitated/provided by the Accounting Separation Reports.
2. The disaggregated financial information provided by Accounting Separation Reports (ASR) is required for regulatory purposes such as analysing costs, revenues; capital employed in major areas of an operator’s business, measuring financial performance, and profitability of various products and services. It also helps in identifying cross subsidisation practices, predatory pricing and anti-competitive behaviour of the TSPs. Further, the Accounting Separation Reports of the TSPs are very significant from the regulatory perspective in the multi operator, multi service environment and are being used by the Authority for different regulatory exercises such as determination of Interconnection Usage Charges (IUC) for Voice & SMS, carriage charges, valuation of spectrum and fixation of Roaming charges, Domestic Leased Charges & International Private Leased Circuit Charges besides inter-operator comparison of costs, revenues and investments etc.¹
3. Two decades back, the Authority had issued the “Reporting System on Accounting Separation Regulation, 2004” on 23rd February, 2004. Subsequent to the implementation of ASR 2004, many developments took place in the telecom sector that had an impact on the information that the Authority needed as well as on the manner in which such information was to be furnished by the service providers.
4. In order to address these above requirements and changes, the Authority notified “The Reporting System on Accounting Separation Regulations, 2012” on 10th April 2012 by repealing “The Reporting System on Accounting Separation Regulation, 2004”. An amendment to this regulation was also issued on 15th October, 2012 wherein clause for levying financial disincentives on the service providers was introduced for non-compliance of the provisions of the regulations.
5. During implementation of ASR 2012, several service providers highlighted operational and reporting difficulties. Taking note of these concerns, and after detailed stakeholder consultations, the Authority reviewed the framework and subsequently notified the Reporting System on Accounting Separation Regulations, 2016. The primary objective of ASR 2016 is to

¹ https://traai.gov.in/sites/default/files/2024-11/Accounting_Separation_Regulations_2016Eng10Jun2016.pdf

ensure that service providers furnish consistent, accurate, and reliable information to the Authority.

6. The provision for financial disincentives under ASR was introduced as a compliance mechanism, not as a revenue measure. Financial disincentives serve to ensure timely submission of reports and correctness of information, which are critical for regulatory decision-making. In the absence of such deterrence, delays or inaccuracies in ASR submissions could undermine regulatory analysis, distort market assessment, and weaken the effectiveness of regulatory oversight.

Draft Accounting Separation (Amendment) Regulations, 2025

7. With the intent to amend relevant regulatory provisions to strengthen the effectiveness of financial disincentives in ensuring regulatory compliance, the Authority came up with this draft Accounting Separation (Amendment) Regulations, 2025. The draft consultation involved prescribing a maximum ceiling, implementing financial disincentive in a graded manner in consonance with gravity of contravention, and imposing interest on default in payment of financial disincentive.
8. The Authority issued the draft Accounting Separation (Amendment) Regulations, 2025 on 16.10.2025 on TRAI's website for public consultation.
9. The draft proposed the following provisions on financial disincentive:

“6. Consequences for failure of the service provider to submit reports or furnishing of false report - (1) If any service provider contravenes the provisions of regulations 5, it shall without prejudice to the terms and conditions of its licence or the provisions of the Act or rules or regulations or order made, or, directions issued, thereunder, be liable to pay, by way of financial disincentive, an amount of twenty thousand rupees for each day of contravention for the first seven days and, in case the contravention continues beyond seven days, an additional amount of forty thousand rupees for each subsequent day of contravention beyond seven days, subject to maximum of ten lakh rupees as the Authority may, by order, direct:

Provided that if a service provider contravenes the provisions of regulation 5 in two or more consecutive years, it shall be liable to pay, by way of financial disincentive, an amount of fifty thousand rupees for each day of contravention for the first seven days of the second and subsequent consecutive year and, in case the contravention continues beyond seven days of that consecutive year, an additional amount of seventy five thousand rupees for each subsequent day of contravention, subject to maximum of twenty five lakh rupees as the Authority may, by order, direct.

(2) If the report furnished by the service provider under regulation 5 is false or if, in its report, the service provider deliberately omits any material fact knowing it to be material, the service provider shall, without prejudice to the terms and conditions of its licence, or the provisions of the Act or rules or regulations or order made, or directions issued, thereunder, be liable to pay, by way of financial disincentive, an amount not exceeding one percent of its turnover, as the Authority may, by order, direct.

(3) In case a service provider fails to pay the amount of financial disincentive under this regulation within the period stipulated in the order for payment of such financial disincentive, it shall be liable to pay interest on the outstanding amount of financial disincentive, at a rate which shall be two percent (2%) above the one year Marginal Cost of Lending Rate of State Bank of India applicable at the beginning of the Financial Year in which last day of the stipulated period falls.

Explanation: For the purposes of this sub-regulation, a part of the month shall be reckoned as a full calendar month for the purpose of calculation of interest and a month shall be reckoned as an English calendar month.

(4) No order for payment of any amount by way of financial disincentive under this regulation shall be made by the Authority, unless the service provider has been given a reasonable opportunity of representing against the contravention of the regulations observed by the Authority.

(5) Provided further that the Authority may waive the financial disincentive or impose a lower amount of financial disincentive where it finds merit in the reasons furnished by the service provider;

10. Stakeholders were invited to submit their comments on the draft Regulation by 07.11.2025. In response to the draft consultation, comments were received from various stakeholders viz. telecom service providers, associations, and other stakeholders.

Examination of comments and Accounting Separation (Amendment) Regulations 2026:

11. The Authority has carefully examined all comments received and has balanced the need for effective regulatory compliance with the principles of proportionality, fairness, and ease of doing business.
12. A stakeholder supporting the draft stated that the proposed changes would help improve financial discipline, accountability, and transparency in the telecom sector. The stakeholder appreciated that penalties would be linked to the severity and frequency of non-compliance, which, in its view, would discourage violations and strengthen regulatory oversight and financial disincentive provisions are necessary to ensure proper reporting and protect consumer interest.
13. Some stakeholders have argued that the ASR is no longer relevant, as it was originally introduced for cost-based regulation like IUC, which is no longer applicable. According to them, TRAI receives sufficient information through audited financial statements, making ASR filing repetitive and burdensome. In this regard, it is mentioned that the Audited Annual Financial Statements i.e. Profit & Loss Account and Balance Sheet of a company provide only aggregated information of the company as a whole whereas for regulatory purposes, licensed service area (LSA)-wise, service-wise and product-wise disaggregated information is required, which can only be facilitated/provided by the Accounting Separation Reports. Therefore, the Authority is of the view that detailed financial and non-financial information is required for regulatory decision making/analysis to ensure a fair and transparent regulatory environment and promote fair competition.

14. Most of the stakeholders submitted that delays in submission of ASR are usually unintentional and arise due to administrative, audit-related, or technical reasons. They suggested that the existing penalty framework is sufficient and that higher penalties may impose unnecessary financial burden. In this context, the Authority notes that timely submission of reports under regulation 5 of 'The Reporting System on Accounting Separation Regulations, 2016' is essential for effective regulatory monitoring and analysis. Delayed submission would in turn affect the Authority's ability to carry out its regulatory functions in a timely manner. Accordingly, the Authority has adopted the said framework of financial disincentive, where lower financial disincentives apply for short delays and higher financial disincentives apply when the delay continues beyond seven days.
15. Majority of the stakeholders have expressed concerns regarding the proposal to impose a financial disincentive of up to 1% of turnover for false reporting. They submitted that such a turnover-linked penalty is arbitrary, excessive and disproportionate, especially when even minor, technical or clerical mistakes may attract very high financial consequences. No other sectoral regulator in India imposes turnover-linked penalties for routine reporting lapses instead regulators employ fixed nominal penalties to encourage compliance. Penalising such errors through a percentage of total turnover, without linking the amount to the seriousness or frequency of the violation, would be punitive and inconsistent with the principles of proportionality, fairness and natural justice.
16. Taking cognizance of the comments received from the stakeholders, the Authority is of the view that in case of false reporting, nature of non-compliance needs to be assessed primarily on a case-to-case basis. This analysis can be based taking into account factors such as intent, materiality, impact on regulation or competition, and the past compliance record of the service provider. Unintentional errors, such as typographical mistakes, formatting errors, computational discrepancies or inconsistencies arising from inadvertent slip or omission, may be treated as minor oversights in documents that do not alter intended meaning but may require correction for accuracy. On the other hand, deliberate omissions or misstatements of material information, which may undermine regulatory processes and affect decision making, should be treated as major violations. Accordingly, in case of false reporting, the Authority has prescribed different slabs of financial disincentives upto Rs. 5 crore based on major and minor violations, which are further categorised based on the annual turnover of the company. The Authority is of the opinion that this will not only take care of unintentional or deliberate omissions but also the violations done by larger operators that may have a wider regulatory and costing impact as compared to smaller entities.
17. Stakeholders also suggested to align the regulatory framework with the spirit of the Jan Vishwas Bill, 2025 focusing on simplification, proportionality, and regulatory certainty. As regards alignment with the Jan Vishwas initiative and the Ease of Doing Business agenda, the Authority is of the view that a predictable, transparent, and proportionate enforcement framework enhances regulatory certainty and ultimately supports ease of doing business. The financial disincentive framework is not intended to be revenue-generating but is designed solely to promote timely compliance and ensure a regulatory oversight among service providers.
18. The Authority is of the view that introducing graded financial disincentives would ensure that the financial disincentive imposed is proportionate to the gravity of the contravention, the intent of the service provider, and the impact of the violation. Graded financial disincentive would

link the disincentive to the nature and seriousness of non-compliance, rather than applying a uniform financial disincentive. Such an approach is essential to maintain the integrity of the regulatory framework and encouraging stakeholders to adhere to prescribed standards. Prescribing a ceiling on the total financial disincentive helps prevent excessively high financial disincentives or punitive outcomes, particularly in cases of minor or unintentional violations. A capped framework ensures that financial disincentives act as an effective deterrent without causing undue financial stress to service providers, especially smaller entities, thereby safeguarding service continuity and consumer interest. Further, the proposal to levy interest on delayed or non-payment of financial disincentives is intended to discourage intentional delays and ensure timely compliance with regulatory orders. This measure not only promotes timely and responsible financial conduct but also reinforces the importance of adhering to regulatory obligations. Similar approaches are already being followed in other regulations issued by the Authority and is also consistent with the framework prescribed under the Telecommunications Act, 2023.

19. Further a provision has been incorporated that the Authority may waive or impose a lower amount of financial disincentive where it finds merit in the reasons furnished by the service provider will act as a safety valve in regulatory enforcement, as it will avoid one-size-fits-all penalties. It further takes care of the suggestions made by the stakeholders that materiality, impact of non-compliance, and the compliance track record of service providers be considered while imposing the financial disincentive. This provision will allow waiving the financial disincentive entirely or reducing its amount if the service provider submits valid reasons that the Authority deems cogent. This balances strict compliance with fairness, preventing undue hardship on the service providers while maintaining regulatory goals.
20. In view of the above, the present amendment regulation aims to amend the relevant regulatory provisions to enhance the effectiveness of financial disincentives in ensuring regulatory compliance. For this purpose, the Authority proposes to introduce three key measures: imposing financial disincentives in a graded manner based on the seriousness of the violation, prescribing a maximum ceiling on the total amount of financial disincentive, and levying interest in cases of delay or default in payment. These measures are aimed at improving enforcement while maintaining fairness and proportionality.