<u>Draft for Comments of the Stakeholders</u>

TELECOM REGULATORY AUTHORITY OF INDIA

DRAFT

The Reporting System on Accounting Separation (Amendment) Regulations, 2025

(-- of 2025)

New Delhi

16th October 2025

Tower-F, NBCC World Trade Center

Nauroji Nagar

New Delhi – 110029

Website: www.trai.gov.in

Stakeholders are requested to furnish their written comments by 31st October, 2025. The inputs/ comments may be sent, preferably in electronic form, to Shri Vijay Kumar, Advisor (Financial & Economic Analysis), TRAI on the email ID fa@trai.gov.in, which will be posted on TRAI's website www.trai.gov.in.

For any clarification/information, Shri Vijay Kumar, Advisor (F&EA), TRAI may be contacted at Tel. No. +91 11 20907773.

TO BE PUBLISHED IN THE GAZETTE OF INDIA,

EXTRAORDINARY, PART III, SECTION 4

TELECOM REGULATORY AUTHORITY OF INDIA

DRAFT NOTIFICATION

New Delhi, the................., **2025**

The Reporting System on Accounting Separation (Amendment) Regulations, 2025

(-- of 2025)

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, 2025.

   (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 a 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 a 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 ;

(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 Reporting System on Accounting Separation (Amendment) Regulations, 2025.

EXPLANATORY MEMORANDUM

1. TRAI had issued the "Reporting System on Accounting Separation Regulation, 2004" on 23rd February 2004, which was replaced by "The Reporting System on Accounting System Regulations, 2012 (7 of 2012)" (herein referred to as ASR 2012). To incorporate the subsequent changes ASR 2012 was replaced by "The Reporting System on Accounting System Regulations, 2016 (5 of 2016)" (hereinafter referred to as ASR 2016).

2. The purpose of the Regulation is to ensure that telecom service providers report to TRAI on a consistent and accurate basis.

3. The present regulation aims to amend the relevant regulatory provisions to enhance the effectiveness of financial disincentives in ensuring regulatory compliance. This involves a consideration for implementing financial disincentive in a graded manner in consonance with gravity of contravention, prescribing a maximum ceiling, and imposing interest on default in payment of financial disincentive.

3.1 Financial disincentive in a Graded Manner:

i. The imposition of financial disincentives in a graded manner is a structured approach designed to ensure compliance with regulatory provisions. This methodology seeks to balance the severity of the disincentive with the gravity of the contravention, fostering both accountability and fairness in enforcement. Such an approach is essential to maintain the integrity of the regulatory framework and encouraging stakeholders to adhere to prescribed standards.

ii. The gradation of financial disincentives is desirable for ensuring that financial disincentives are proportionate to the severity of the contravention, the intent of the contravener, and the impact of the contravention; graded financial disincentives could be a more nuanced and fair approach to enforcement, considering the context and circumstances surrounding each case.

iii. It is noteworthy that in many other regulations and orders issued by TRAI recently, graded financial disincentive for contraventions of a particular provision has been implemented.

iv. The concept of graded penalties also broadly aligns with the provisions of the "Telecommunications Act, 2023," which categorizes civil penalties based on the seriousness of violations.

3.2 <u>Ceiling on the total amount of financial disincentive:</u>

i. Introducing a ceiling on the total financial disincentive amount prevents the possibility of imposing excessively high disincentives, which may disproportionately burden service providers, especially for inadvertent or minor violations. Excessive disincentive may lead to operational and financial distress, particularly for smaller service providers, potentially affecting service quality and consumer interest.

ii. A capped disincentive framework helps in mitigating such risks, ensuring that disincentives serve as a deterrent without jeopardizing the financial stability of the regulated entities.

iii. The newly introduced Telecommunication Act, 2023, also specifies a maximum penalty limit.

3.3 <u>Failure to pay financial disincentive within the stipulated time:</u>

i. The imposition of interest on delayed/non-payments of financial disincentives serves as a significant deterrent against intentional delays by service providers. By introducing a financial disincentive in the form of accruing interest, the mechanism ensures accountability and discourages any deliberate postponement of payments, which might otherwise occur without tangible consequences. This measure not only promotes timely and responsible financial conduct but also reinforces the importance of adhering to regulatory obligations. Furthermore, such a provision contributes to overall financial discipline and operational stability within the sector. It ensures that service providers obey their commitments in compliance with the Authority's orders and ensure the effective enforcement of regulatory frameworks.

ii. It is noteworthy that in many other regulations and orders issued by TRAI recently, an interest is leviable on the financial disincentives in case a service provider fails to pay financial disincentive within the stipulated time.

iii. Similarly, the Department of Telecommunications (DoT) follows a comparable approach regarding the delayed payment of license fees and other dues.

4. In alignment with the above approach, it is proposed to amend the existing Regulation 6 of ASR 2016 as detailed in Table 1.

Table 1: Regulation 6 of ASR 2016

Existing	Proposed Amendment
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 orders made, or, directions issued, there under, be liable to pay an amount, by way	**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

of Financial disincentive, not exceeding ₹ five lakh and in case the contravention continues beyond fifteen days from the last date of submission of the report, the service provider shall be liable to pay an additional amount not exceeding ₹ fifty thousand for every day of delay after fifteen days, during which the default continues, as the Authority may, by order, direct. Provided that if a service provider contravenes the provisions of regulation 5 in the consecutive years and failed to submit reports by the due date, he shall be liable to pay as an amount, by way of Financial disincentive, not exceeding, ₹ ten lakh for each contravention and in case the default continues beyond fifteen days from the last date of submission of the report, the service provider shall be liable to pay an additional amount not exceeding ₹ one lakh for every day of delay after fifteen days during which the default continues, as the Authority may, by order direct. **(2)** If the report furnished by the service provider under regulation 5 is false and which such service provider knows or believes to be false or does not believe to be true, or omits any material fact knowing it to be material, 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, direction issued there under, be liable to pay an amount, by way of Financial disincentive, not exceeding ₹ ten lakh, as the Authority may, by order, direct.	disincentive, an amount of twenty thousand rupees for each day of delay 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 delay during which the default continues, subject to a 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 the consecutive years, it shall be liable to pay, by way of financial disincentive, an amount of fifty thousand rupees for each day of delay for the first seven days of the consecutive year and, in case the contravention continues beyond seven days of the consecutive year, an additional amount of seventy five thousand rupees for each subsequent day of delay during which the default continues, subject to a 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 on 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 reserves the right not to impose any financial disincentive, or to impose a lower amount of financial disincentive than the amount payable under the provisions of this regulation, where it finds merit in the reasons furnished by the service provider or in the interest of regulatory compliance.

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