



Annexure

COAI submission regarding concerns on the proposed increase in Financial Disincentives for reporting delays – reference Draft Reporting System on Accounting Separation (Amendment) Regulations, 2025.

1. Introduction

- a) We appreciate the opportunity to submit our comments on the proposed Amendment to the Accounting Separation Regulations (ASR).
- b) At the outset, we respectfully submit that while the Government of India is advancing comprehensive reforms through initiatives such as the Jan Vishwas (Amendment of Provisions) Bill, 2023 and its proposed Jan Vishwas Bill 2.0—aimed at decriminalisation, simplification, and rationalisation of licensing and compliance frameworks—TRAI's current proposal to enhance financial disincentives under the Accounting Separation Regulations (ASR) runs contrary to this reformist direction. This also becomes a matter of solicitude when such disincentives are proposed for administrative compliances that may have lost its relevance since it was introduced due to significant market and regulatory transformations over the period.
- c) It is pertinent to mention that financial disincentives are not the most effective means of ensuring regulatory compliance. They run counter to the Government's stated objective of promoting ease of doing business and can adversely impact investor confidence. Internationally, such monetary deterrents are sparingly used, with regulators preferring consultative and facilitative approaches to encourage sustained and voluntary compliance.
- d) TRAI in its recommendations on Ease of Doing Business dated 30th November 2017 has stated the following:
 - i) In Para 2.65 of the Recommendation, TRAI stated that in order to streamline the process and to ensure that the service providers are not unduly penalised, it is necessary to frame guidelines on deciding the quantum of penalty.

We request that the above enunciated principle may be considered by the Authority and unduly high financial disincentive or penalty linked to turnover, such as 1% of turnover should not be imposed by TRAI.

- e) Further, we humbly submit that the proposed significant increase in the financial disincentives is not required. at this stage. The telecom sector today is a mature and highly compliant ecosystem, driven by long-term investment, technological upgradation, and a continued commitment to consumer service. The service providers—many of whom have operated responsibly for decades—have already been subject to extensive oversight under existing regulations and license conditions.

2. Relevance of Accounting Separation Reports (ASR):

- a) We humbly submit that the Accounting Separation Reports have increasingly lost relevance in the current regulatory and market environment, particularly after the shift of the Indian telecom industry to the *Bill and Keep* regime. The original objective of ASR—to segregate interconnection revenues and costs for regulatory scrutiny—has become largely redundant under this Bill and Keep regime.



- b) Your reference is also invited to Clause 10 (c) to our letter No. DG/COAI/2023/317 dated 10.08.2023, wherein we had submitted that there is a need to simplify the Accounting Separation Regulations and align it with the present business model.
- c) Further, the audited annual financial statements of all licensed entities are already available in the public domain and are subject to statutory audit and review by shareholders, investors, and regulatory authorities. These disclosures provide sufficient transparency into the financial position and performance of service providers, thereby making the separate and detailed ASR submission redundant.

3. **Availability of Alternative Sources of Verified Financial Information:**

- a) The objectives that ASR sought to achieve—namely, access to reliable and segmented financial data—are already met through the following:
 - **Audited Annual Financial Statements** prepared under the Companies Act, 2013; and
 - **Audited Adjusted Gross Revenue (AGR) Statements** submitted to the Department of Telecommunications (DoT) as well as TRAI for the purpose of computing License Fee and Spectrum Usage Charges (SUC).
- b) These reports are subject to statutory audit and verification processes and therefore provide sufficient transparency and reliability for any financial or compliance assessment by TRAI or DoT.
- c) It is further submitted that the telecom sector is already subject to Companies (Cost Records and Audit) Rules, 2014, read with the telecommunication industry-specific Cost Audit Annexures prescribed under the said Rules, which mandate preparation and filing of detailed costing reports service-wise. The TRAI Accounting Separation Regulations, 2016 also require preparation of segment-wise cost accounting statements. Hence, the Cost Records & Audit Rules and the ASR are essentially same costing reports derived from the same underlying books of account. In view of the mandatory filing of cost statements under the Companies (Cost Records and Audit) Rules applicable to telecom services, TRAI may rely on such reports prepared under Companies (Cost record and Audit) Rules, 2014 for its regulatory purpose. The requirement to prepare separate ASR in parallel to submission of Companies (Cost Records and Audit) Rules, 2014, without regulatory necessity are leading to duplication of cost statements, increase compliance burden.
- d) Accordingly, it is submitted that TRAI should discontinue the requirement for separate ASR submissions and, where required, rely on these audited reports for analytical purposes.

4. **Balanced and fair Regulatory Approach:**

- a) The *Unified Licence* does not envisage or mandate the submission of audited Accounting Separation Reports. Clause 9.1 of the Unified Licence merely provides that the Licensee shall furnish such information “as may be required” by the Licensor or TRAI *in accordance with rules or orders as may be prescribed*. It is therefore humbly submitted that this rule should be used for seeking only relevant information from the service providers.

- b) Data sought purely for statistical or analytical purposes, having no linkage to the payment of Government levies such as LF or SUC, should be treated as technical/operational information and furnished on a *best-effort* basis only.

5. **Proposed Financial Disincentives:**

- a) The proposed financial disincentive structure — especially linking monetary liability to a percentage of annual turnover—is excessively and significantly high.
- b) Moreover, errors in ASR filings, whether inadvertent or minor, should not attract such severe fiscal consequences. Presently, even under statutory regimes governing taxation, licence fee, or SUC, penalties are proportionate to the actual default or financial impact and not to turnover.
- c) With due respect, it is submitted that while TRAI is empowered under Sections 11 and 36 of the TRAI Act, 1997 to issue regulations and directions to ensure compliance, the quantum of financial disincentive must remain proportionate to the objective sought. The Access Service Providers have consistently adhered to TRAI's regulatory framework, contributing significantly to national connectivity and digital growth.
- d) Thus, the proposed financial disincentive of up to 1% of turnover appears very stringent and should be reviewed by the Authority to ensure that it remains fair, proportionate, and consistent with the existing regulations.
- e) In fact, there seems no reason for continuation of any kind of a financial disincentive regime, since now the TSPs already have strong internal processes and audits in place, and there are barely any instances of delayed reporting of ASR to Authority.

6. **Risk of Regulatory Uncertainty:**

- a) It is respectfully submitted that such provisions could, perhaps unintentionally, give rise to prolonged legal proceedings, which may divert industry focus and resources from ongoing efforts toward network expansion and service quality enhancement. This may also not fully align with the Government's objective of reducing compliance burdens and furthering the ease of doing business in the telecom sector.
- b) We reiterate that TRAI in its recommendations on Ease of Doing Business dated 30th November 2017 has stated the following:
 - i) In Para 2.65 of the recommendation, TRAI stated that in order to streamline the process and to ensure that the service providers are not unduly penalised, it is necessary to frame guidelines on deciding the quantum of penalty.

We request that the above enunciated principle may be considered by the Authority and unduly high financial disincentive or penalty linked to turnover, such as 1% of turnover should not be imposed by TRAI.

- c) Evidently, the Authority has previously linked financial disincentives to the severity and recurrence of non-compliance. In this context, the proposal to base such disincentives on the turnover of entities may not be appropriate. It is also submitted that a significant increase in financial disincentives may be inconsistent with the Government's vision of promoting Ease of Doing Business, as it may elevate



regulatory uncertainty and associated costs, even for entities that remain compliant at all times.

7. **Collaborative Approach and Transparency:**

- a) With due respect, it is submitted that the draft amendment could benefit from greater transparency. The amendment does not presently explain the underlying rationale for the proposed changes, nor does it provide data on the number of past violations, actions taken, or the manner in which enhanced financial disincentives are expected to improve compliance outcomes.
- b) It is presumed that TRAI maintains records of delays in ASR submissions, which would likely indicate that such instances would be next to 'NIL' from our member service providers (Jio, Airtel, and Vi). We suggest that TRAI review this data to assess whether the proposed increase in financial disincentives is warranted. We further request that TRAI share these insights under this consultation process itself, so that our members can provide reasoned and considered response to the objective behind increase in such financial disincentive.
- c) In this regard we submit that non-compliance if any, by some service providers should not result in such high increased risks of huge penalties for those diligently complying with the Regulations.
- d) Given that the existing reporting framework has been functioning effectively and market dynamics remain stable, it is suggested that TRAI may kindly reconsider the proposal to increase the quantum of financial disincentives for delays in ASR submissions, especially the stringent provision of FD based on turnover of the licensed company. Any upward revision in financial disincentives would add to the compliance burden of TSPs, particularly where delays might happen due to inadvertent or arise from procedural complexities rather than wilful non-compliance.
- e) We submit that maintaining the current level of financial disincentives would continue to serve as an adequate deterrent while ensuring that the reporting process remains fair and proportionate.

8. **Recommendations:**

In view of the above submissions, it is respectfully recommended that TRAI should:

- a) Kindly look at reviewing, reducing and eventually **discontinue the requirement for submission of ASR** and rely on audited financial statements and AGR certificates for analytical and statistical assessments. This can be achieved through a consultation process by the Authority with all stakeholders.
- b) The Authority may kindly consider not introducing or enforcing any financial disincentive mechanism under the ASR framework, especially those linked to turnover.
- c) If statistical data is still deemed necessary, it may be collected on a voluntary or best-effort basis without any financial or punitive consequences.



- d) Align the regulatory framework with the spirit of the *Jan Vishwas Bill* and the *Telecommunication Act, 2023*, focusing on simplification, proportionality, and regulatory certainty.
- e) It is respectfully suggested that any change proposed in the draft Regulation may be considered for introduction only after the detailed rationale, supporting facts, and underlying objectives are shared with our member TSPs.

9. **Conclusion:**

- a) Considering our above submissions, **we respectfully submit that TRAI may reconsider the necessity of this amendment and instead initiate steps towards discontinuance of requirement of ASR.**
- b) **We request the Authority to kindly convene an industry meeting for allowing our member TSPs to share their concerns on this draft Regulations.**

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