



هيئة تنظيم الاتصالات
Telecommunications Regulatory Authority
Kingdom of Bahrain - مملكة البحرين

A public consultation document issued by the
Telecommunications Regulatory Authority of
the Kingdom of Bahrain

Revenue Reporting Regulation ('RRR')

24 October 2018

Ref: LAD/1018/282

The post address for responses to this document is:

Telecommunications Regulatory Authority

Building No. 852, Road No. 3618, Seef 436

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Or alternatively, e-mail responses should be sent to the Authority's

email address at RRRPTeam@tra.org.bh

The deadline for submission of all responses is 22 November 2018

Revenue Reporting Regulation – Public Consultation
Section 1 – Invitation to public consultation

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Revenue Reporting Regulation – Public Consultation

Section 1 – Invitation to public consultation

Section 1: Invitation to the public consultation

1.1. Request for comments

1. The Telecommunications Regulatory Authority (the 'Authority') invites all interested parties to submit their written comments with regard to the matters addressed in this public consultation document (the 'Consultation').
2. The Authority invites respondents to provide responses to each of the questions set out in this Consultation and to substantiate the responses by providing appropriate reasoning and factual evidence, wherever applicable.
3. Any response submitted without substantiation may not be considered. In case of disagreement with one of the approaches proposed by the Authority, the respondent is invited to provide alternative to such approach together with a detailed justification.
4. Responses should be sent directly to the Authority preferably by email at RRRPTeam@tra.org.bh or by post to the following address:

Telecommunications Regulatory Authority
Building No. 852, Road No. 3618, Seef 436
P.O. Box 10353,
Manama Kingdom of Bahrain

Submitted responses should include:

- a. the name of the company/institution/association etc.;
 - b. the name of the principal contact person;
 - c. full contact details (physical address, telephone number and e-mail address); and
 - d. in the case of responses from individual consumers, name and contact details.
5. In the interest of transparency, the Authority intends to make all submissions received available to the public. The Authority will evaluate a request for confidentiality in line with relevant legal provisions and the Authority's published guidance on the treatment of confidential and non-confidential information¹.
 6. Therefore, respondents are required to mark clearly any information included in their submission, which is considered confidential. Where such confidential information is included, respondents are required to provide both a confidential and a non-confidential version of their submission. If the submission is marked confidential in its entirety, the reasons for this should be provided. The Authority may publish, or refrain from publishing, any document or submission at its sole discretion.

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1.2. The way forward

7. This Consultation is open for public comments.
8. All relevant (substantiated) comments will be reviewed and the Authority may, at its sole discretion, integrate those acceptable to it in the finalized version of the new Revenue Reporting Regulation ('RRR' or 'Regulation'). Therefore, the Authority will not be bound to comply with any comment or opinion received and may not respond to comments or opinions individually.
9. Once the Authority has received and reviewed all the comments raised by the respondents, it will issue a Consultation Report together with the final regulation.
10. For further clarification concerning this specific consultation process, interested parties are invited to contact the Authority via email at RRRPTeam@tra.org.bh

¹The Authority, "A Guidance Paper issued by the Telecommunications Regulatory Authority on its treatment of Confidential and Non-Confidential Information:, Guidance Paper No.2 of 2007, 10 September 2007 http://www.tra.org.bh/media/document/Confidentiality_Guidelines_Final.pdf

Section 2: Introduction to the public consultation

1. This section is intended to provide a background to the Consultation and a brief overview of the main new proposals set out in the draft Regulation
2. This Consultation is issued pursuant to the *Position Paper from the Telecommunications Regulatory Authority of the Kingdom of Bahrain on How TRA Consults* issued on 17 October 2017.

2.1. Background

3. Pursuant of Article 18 of the Telecommunications Law of the Kingdom of Bahrain² (the “Law”) the funding of operations and activities of the Authority shall be derived from, amongst other sources, a percentage of the Gross Annual Turnover (‘GAT’) of the Licensee resulting from the License it holds.
4. Given the above provisions (and in particular the stipulation that GAT be used as the basis for applying the levy) and other issues noted since the publication of the existing Regulation, the Authority has undertaken a review of the existing revenue reporting framework with the overall aim of addressing how the current revenue reporting regime should be further amended to ensure that the annual revenue reporting process operates more effectively based on a clear revenue reporting framework.
5. The Authority wishes to ensure that the Licensed Operators are provided with a clear guidance relating to how and when to report on their income generated in the Relevant Period and, in particular, that the issue of what income is included or excluded for the purpose of calculating the Annual License Fee is clarified and justified.
6. In the course of its review, the Authority has identified a number of potential issues and/or shortcomings with regards to the current revenue reporting framework. These are summarized as follows:
 - a. Lack of understanding as how to determine GAT as a base for revenue reporting and any adjustments to it, if applicable.
 - b. Lack of regulations with regards to disclosing effects of timing adjustments, restatements and non-telecommunications income earned.
 - c. Lack of clarity and hence inconsistency in the approach used by the Licensed Operators to arrive at Eligible Annual Turnover (‘EAT’), on the basis of which the Annual License Fee is calculated.
 - d. Submissions to the Authority, of both the audited accounts and the Revenue Reporting Declaration Form (‘RRD’), are often delayed, resulting in penalties and other actions over non-compliance.
 - e. Inconsistency in the preparation of the RRD increases the level of analysis that the Authority is required to undertake.
 - f. Variations in the type of audit reports attached to the RRD submitted by the Licensed Operators.
7. The proposals set out by the Authority in this Consultation have been designed to address these issues and to establish a more robust revenue reporting framework and methodology to determine EAT, on the basis of which Annual License Fee is calculated.

2.2. Overview of the main new proposals

8. The key elements of the proposed new revenue reporting framework being put forward by the Authority in this Consultation are as follows:
 - a. Introducing a detailed guidance for the Licensed Operators on the method to be used to derive GAT from the audited financial statements and to determine EAT for Annual License Fee declaration.
 - b. Establishing a definition for GAT, EAT and Relevant Telecommunications Activities that is used to determine the type of activities that are subject to Annual License Fee.
 - c. Describing the methodology as how to arrive at EAT starting with the audited financial statements of the Licensed Operator and clarifying permissible deductions and exclusions from GAT.
 - d. Introducing revenue reporting guiding principles that are to be followed by all Licensed Operator for all information provided to the Authority.
 - e. Establishing clear audit requirements and reporting framework on the basis of which the assurance report to be issued.
 - f. Further clarifying enforcement actions and consequences for non-compliance by the Licensed Operator.
 - g. Establishing a methodology for completing the RRD, including guidance on the treatment, for revenue reporting purposes, of Non-telecommunications Goods and Services.
 - h. Revising the existing RRD in line with the proposed changes, which all the Licensed Operators are required to complete when submitting details about their EAT to the Authority.
 - i. Updating list of examples for common type of income streams in line the proposed new terminologies and adding new income types to the existing list.
 - j. Establishing a right for the Authority to request other information from the Licensed Operators as and when it deems necessary to effectively monitor and enforce the terms of the Regulation.
9. The present public consultation provides an opportunity to all interested parties to contribute to the effort of the Authority to bring more clarity and consistency in regulatory revenue reporting. Therefore, the Authority is seeking the views of all respondents in relation to the proposed draft Regulation.
10. The capitalized terms used throughout this document shall have the same meaning attributed to them by the Regulation and the Law.

² [The Telecommunications Law of the Kingdom of Bahrain, Legislative Decree No. 48 of 2002, promulgating the Telecommunications Law.](#)

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2.3. Legal disclaimer

11. This Consultation is without prejudice to the legal position or the rights and duties of the Authority to regulate the provision of telecommunications services. Any views expressed in this document are not binding on the Authority and are without prejudice to the final form and content of any decisions the Authority may make.
12. This Consultation including the proposed Regulation is not a substitute for any regulation or law and does not constitute legal advice. Inappropriate reliance ought to not therefore be placed on the contents of this document.
13. The Regulation will be kept under review and amended as appropriate in the light of further experience and developing law and practice and any change to the Authority's powers and responsibilities.

Section 3: Review of the Regulation and Consultation Questions

3.1. Article 1 Definitions

1. Article 1 provides a list of defined terms, some of which have already been defined in the Law or in the International Accounting Standards ('IAS'), and some others have been established now to assist the reader in developing a better understanding of the Regulation.
2. The newly established definitions are the following:
 - a) Gross Annual Turnover,
 - b) Relevant Telecommunications Activities,
 - c) Eligible Annual Turnover,
 - d) Non-telecommunications Goods and Services
 - e) End-user Equipment, and
 - f) Relevant Period.
3. The definition of Revenue Reporting Declaration Form has been redefined to better suit the content of the proposed Regulation.
4. The Authority wishes to obtain comments on the content of these definitions in the relevant parts of the Regulation as set out further in this document.

3.2. Article 2 Purpose

5. This article defines the purpose of the Regulation, which is to establish a clear reporting framework and methodology to assist the Licensed Operators in determining GAT and EAT and the standardizing the way of how they should report on these to the Authority to calculate Annual License Fee.
6. The Authority wishes to ensure that the Licensed Operators are provided with a clear guidance about how to report on their income for the Relevant Period and, in particular, that the issue of what incomes are included or excluded for the purpose of calculating the Annual License Fee is clarified and justified.
7. The proposed approach aims to increase clarity and consistency by introducing a detailed methodology and set of guiding principles in revenue reporting, which in turn will ensure greater efficiency in the revenue reporting process from the perspective of both the Authority and the Licensed Operators.

Q1. Do you agree with the purpose as defined in the proposed Regulation? If not, please present your argument as to why, along with your recommendation.

Q2 Do you have any other suggestion for other objectives that the Regulation should attain and are not addressed by the proposed definition?

Q3 Do you have any other comments on Article 2?

3.3. Article 3 Scope of the Regulation

8. The Authority redefines the scope of the Regulation by referring to Licensed Operator instead of Licensee in order to align with the definitions under the Law.

3.4. Article 4 Revenue Reporting Framework

9. This article provides a guidance to the Licensed Operators as how to arrive at the EAT on the basis of which Annual License Fee is calculated.
10. The revenue reporting framework described in this article is supported by a detailed methodology set out in Annex A of the Regulation that describes, through a step by step approach, as how to determine EAT at the end of the process. Therefore the Authority recommends the respondents to read Annex A together with the revenue reporting framework to gain a better understanding of the flow of the revenue calculation process.

3.4.1. Gross Annual Turnover ('GAT')

11. The implementation of this proposal would require that a Licensed Operator reports its total GAT as a starting point, including any income generated during the Relevant Period and provide a breakdown of it in line with methodology set out in the proposed Regulation.
12. Each Licensed Operator's revenue declaration would also begin with the confirmation of its GAT as per its financial statements or its accounting records when necessary.
13. The Authority has recognized that there is no explicit guidance to assist in identifying GAT either in the Law or in any other legal instrument that would help the Licensed Operators to make their own determination of what income should be included or excluded for revenue reporting purpose.
14. The Authority has also concerns that, in the absence of a standardized framework, various approaches would continue to be developed resulting in further inconsistency in how GAT is being reported by the Licensed Operators.
15. Therefore a framework has been established to bridge the gap between the Law and the existing Regulation that would provide a common approach towards GAT should be calculated for the Relevant Period.
16. On that basis, GAT has been defined as follows:
 - a) *“gross operating revenue, any other source of gross income and the amount of a Restatement Due to Error or Change in Accounting Policy, if relevant, which is or should be recognized in the financial statements of a Licensed Operator for the Relevant Period.”*

Gross Operating Revenue and Gross Other Income

17. The Authority has proposed a definition where all income generated by a Licensed Operator for the Relevant Period is considered in setting the base of GAT before any deduction is applied against it for determining EAT. This is designed to be a general safeguard to capture all income generated from any Relevant Telecommunications Activities which might otherwise escape the levy, for instance, because it remains disguised in the Licensed Operator's financial statements.
18. It is also intended that all income be reported at its gross amount by adding back any cost offset against it. The Licensed Operator should determine the cost offset against the reported income based on its financial statements or accounting records.

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19. The Authority has adopted a gross income approach in line with the Law, which refers to annual turnover that is stated at its gross amount. Also, this approach would eliminate all the differences that currently exist in setting the base of GAT by the Licensed Operators due to the different accounting policies (gross vs net reporting) adopted by them under the applicable International Accounting Standards.

Q4 Do you agree with the proposed approach to include all income generated in the Relevant Period in setting the base of GAT? If not, please present your argument as to why, along with your recommendation.

Q5 Do you agree with the proposal that operating revenue and any other income included in other headings of the financial statements be reported at their gross amount? If not, please present your argument as to why, along with your recommendation.

Q6 Do you have any other comments with regards to setting the base of GAT?

Timing adjustments and Restatement due to Error or Change in Accounting Policies

20. As per the proposed amended Regulation, the License Operator would be required to disclose any timing adjustments if the financial reporting period of a Licensed Operator differs from that covered by the Relevant Period.
21. Where a timing adjustment is required, the Licensed Operator should adjust for the effect of both the gross operating income and gross other income recognized in a different financial reporting period other than in the Relevant Period. This would ensure that only those incomes that are generated in the Relevant Period are reported by a Licensed Operator.
22. The Licensed Operator will also have to disclose any amount recognized in the retained earnings in the current Relevant Period as a result of a restatement due to error or change in accounting policy. Since prior period impacts are recognized in the retained earnings, some income may remain unreported or double counted for revenue reporting purpose unless it is adjusted for in the period when recognized.
23. While the current Regulation does not consider the treatment of the timing adjustment and the restatement, the Authority intends to adjust for these as part of the GAT calculation due to their clear impact on the income to be reported in the current Relevant Period.

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- Q7 Do you agree with the approach of adjusting for any amount arising as a result of a timing adjustment? If not, please present your argument as to why, along with your recommendation.
- Q8 Do you agree with the approach of adjusting for any amount arising as a result of a restatement due to error or change in accounting policy? If not, please present your argument as to why, along with your recommendation.
- Q9 Do you have any other comments regarding the timing adjustment or the restatement due to error or change in accounting policy?

3.4.2. Eligible Annual Turnover ('EAT')

Definition of Relevant Telecommunications Activities

24. The Authority's proposed approach is that the starting point for the calculation of the License Fee should take into consideration all incomes included in the total GAT as an Eligible Annual Turnover, unless there is justification for excluding any part of it on the grounds that it is not derived from Relevant Telecommunications Activities.
25. For this purpose, Relevant Telecommunications Activities have been defined as follows:
- a) Provision of Telecommunications services as described in the Telecommunications Licenses that a Licensed Operator holds,
 - b) Operation of a Telecommunications Network, and/or providing network access to a Licensed Operator's Telecommunications Network; and
 - c) Making associated Telecommunications Facilities available to third parties.
26. The approach to define Relevant Telecommunications Activities derives from the definition of the term 'Telecommunications' as per the Law. Accordingly, Relevant Telecommunication Activities are those that are associated with the conveyance and/or routing of signals on a Telecommunications Network. In the Authority's view, this focuses on the transmission of, for example, voice, data, short message service, or any other content, over a Telecommunications Network or any components of it including Telecommunications Facilities, but does not include Broadcasting (as defined in the Law).
27. For the avoidance of doubt, any Relevant Telecommunications Activity carried out wholly or partial in Bahrain, including signaling for a call request, is captured by the definition of Relevant Telecommunications Activities, irrespective of whether the service is terminated or originated in Bahrain, or not. For instance, roaming service provided to an outbound customer that generates mobile retail income to a Licensed Operator falls inside the scope of the Relevant Telecommunications Activity, even if the call made does not originate or terminate in Bahrain.

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28. As mentioned in the definition, the provision of a Telecommunications service, which is defined in the service License that the Licensed Operator holds, has its principle feature the conveyance and/or routing of signals by the means of a Telecommunications Network. Therefore, it has been incorporated as one of the elements of the definition of the Relevant Telecommunications Activities.
29. The second element of the definition is the operation of a Telecommunications Network and the access being provided to it. By definition, a Licensed Operator is entitled to operate a Telecommunications Network and by that earn service income.
30. The third element of the definition refers to making Telecommunications Facilities available to third parties. This part of the definition captures facilities which are made available for use or have the potential to be used to support the provision of other services provided by a third party i.e. tower sharing, access to international telecommunications facilities.
31. The Authority would expect the Licensed Operators to follow these guiding principles in determining what is a relevant activity for the purpose of determining EAT, as well as identifying legitimate deductions from GAT.

Q10 Do you agree with each of the elements of the proposed definition of the Relevant Telecommunications Activities? If not, please present your argument as to why, along with your recommendations.

Q11 Do you believe that the definition of the Relevant Telecommunications Activities would provide additional help to identify relevant activities for the purpose of determining EAT? If not, please present your argument as to why, along with your recommendation.

Q12 Do you have any other comments regarding the proposed definition of the Relevant Telecommunications Activities?

Definition of Eligible Annual Turnover

32. Based on the above, the Authority intends to define EAT as follows:

any income earned from Relevant Telecommunications Activities by a Licensed Operator, net of transit traffic that does not terminate and originate within the Kingdom of Bahrain and where that traffic is not conveyed or transited (partially or otherwise) over any network based in the Kingdom of Bahrain.
33. The Authority reserves its right to revisit the position taken on transit traffic as per the definition of the Eligible Annual Turnover.

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Q13 Do you agree with the proposed definition and the exclusion of transit traffic income which does not originate and terminate within Bahrain from EAT? If not, please present your argument as to why, along with your recommendation.

Q14 Do you have any other comments regarding the proposed definition of Eligible Annual Turnover?

Deduction of Non-telecommunications Services and Goods income from GAT

34. After calculating the GAT of a Licensed Operator for the Relevant Period, the next step is to calculate the Eligible Annual Turnover for that period by deducting amounts from the GAT.
35. The Authority has stated the following three specific deductions from the GAT to arrive at the EAT:
- a) Income earned from the provision of any Non-telecommunications Goods and Services that are sold on standalone basis, and/or separately identifiable in the Gross Annual Turnover.
 - b) Costs of any Non-telecommunications Goods and Services, which are sold as part of a bundle with a Telecommunications service, and the associated income is included in the Gross Annual Turnover.
 - c) Income arising from transit traffic between local and overseas operators that does not originate and terminate within the Kingdom of Bahrain and where that traffic is not conveyed or transited (partially or otherwise) over any network based in the Kingdom of Bahrain.
36. The proposed Regulation allows a Licensed Operator to deduct from GAT, that it has identified earlier, any amount that is earned from the sale of any Non-telecommunications Goods and Services sold on a standalone basis and/or separately identifiable in GAT. This would enable the removal of any income previously included in GAT that falls outside the scope of the Relevant Telecommunications Activities, and which, therefore, is not considered appropriate to be subject to Annual License Fee. This includes, for example, the selling of handsets, dongles or routers on a standalone basis, or any other income related to gain on sales of assets, finance income or management fee.
37. Telecommunications services are increasingly sold in bundles. This may include the sale of network services and equipment together (for example, a mobile contract which includes a handset), and may include other services such as value added IT services (i.e. integration or data hosting) as part of the provision of a larger Telecommunications service package. In these cases, the bundle includes both Telecommunications services and Non-telecommunications Goods and Services.
38. The Authority proposes to allow a Licensed Operators to deduct from its GAT any amount incurred and recognized as cost that is associated with the sale of any Non-telecommunications Goods and Services sold as part of a bundle with a Telecommunications service. This would introduce a simple and consistent approach to valuing the non-telecommunications service component of a bundle.

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39. While the Authority is very well aware of the introduction of the new revenue recognition standard IFRS 15 *Revenue from Contracts with Customers* applicable from 1 January 2018, it wishes to avoid some implementation issues related to the disaggregation of the total income between components of a bundle. The proposed approach would also provide benefits in terms of compliance costs and objectivity in the deductible amount.
40. Any amount of income or cost being deducted must be based on adequate and sufficient evidence, and the income or the associated income in the case of cost deduction, must have been included in the GAT. This is to ensure that only legitimate income and cost that is actually recognized in connection with activities outside the scope of the Relevant Telecommunications Activities are deducted.

Q15 Do you agree with the proposed approach to deducting income earned for the provision of any Non-telecommunications Goods and Services that are sold on a standalone basis and/or separately identifiable in the GAT? If not, please present your argument as to why, along with your recommendation.

Q16 Do you agree with the proposed approach to deducting the cost of any Non-telecommunications Goods and Services that are sold part of a bundle with a Telecommunications service and the associated income is included in the GAT? If not, please present your argument as to why, along with your recommendation.

Q17 Do you have any other comments regarding the proposed approach for deductions?

Other matters related to EAT

41. It is proposed that, when a Licensed Operator deducts any amount from the GAT, the deductible amount should not exceed the income recognized in the GAT in connection with the activity that created the deductible amount. Also the deductible amounts must be consistent with those used in the financial statements or accounting records of a Licensed Operator.
42. In addition, all information used to determine EAT need to be calculated on an accrual basis and in accordance with the applicable accounting standards, IAS and IFRS. This is to ensure that there is no ambiguity in the terminology, i.e. cost, income or revenue used to quantify any amount required to calculate EAT.
43. While the Authority does not intend to address tax related matters in this proposed Regulation, i.e. value added and sales tax related levies, it reserves the rights to revisit these issues and provide further guidance on how it should be taken into account when calculating and reporting on Annual License Fee once the final legislation for value added tax regime has been approved and officially issued for implementation in Bahrain.

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Q18 Do you agree with the proposal that deductible amount should not exceed the income included in the GAT? If not, please present your argument as to why, along with your recommendations.

Q19 Do you agree that all information used to calculate EAT needs to be accrual based and in accordance with applicable accounting standards? If not, please present your argument as to why, along with your recommendations.

Q20 Do you agree with the Authority's position as not to address tax related matters within the scope of this proposed Regulation as of now but wait until final legislation is approved and issued in Bahrain? If not, please present your argument as to why, along with your recommendations.

Q21 Do you have any other comments regarding these other matters?

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Additional information as part of the Revenue Reporting Declaration Form ('RRD')

44. For the purpose of effectively monitoring and enforcing the terms of the Regulation the Authority may ask for additional information as part of the RRD due for submission by all Licensed Operators.
45. Pursuant to the above, the Authority has amended the RRD form to include additional information.

Q22 Do you agree with the proposal that additional information should be submitted as part of the RRD by all Licensed Operators when the Authority deems it necessary? If not, please present your argument as to why, along with your recommendation.

Q23 Do you have any other comments regarding the additional information to be submitted to the Authority?

3.5. Article 5 Revenue Reporting Guiding Principles

46. The Authority sets out in this article, a number of criteria for revenue reporting purpose which it considers to be met when a Licensed Operator retains or submits any information to the Authority. These revenue reporting principles are the following:
- a) **Verifiability:** Information used by a Licensed Operator for the determination of EAT must be objectively verifiable, and readily available for the Authority’s scrutiny.
 - b) **Completeness:** A Licensed Operator must provide all information requested, and in a format in accordance with the proposed Regulation.
 - c) **Accuracy:** A Licensed Operator must prepare information in all material respects in line with this Regulation, and disclose it in accordance with IAS and IFRS.
 - d) **Clarity:** Information provided by a Licensed Operator, in accordance with this Regulation, must be as clear and as simple as possible.
 - e) **Consistency:** A Licensed Operator must treat similar types of information consistently, both within the Relevant Period and year-on-year.
 - f) **Data Retention:** A Licensed Operator must retain all relevant documentation that are necessary to objectively justify the process related to information disclosed in the RRD for a minimum period of ten years.

Q24 Do you agree with proposed revenue reporting guiding principles? If not, please present argument as to why, along with your recommendation.

3.6. Article 6 A Licensed Operator’s Obligations

47. The Authority wishes to improve the revenue reporting process, in order to ensure consistency amongst the Licensed Operators in terms of what is reported and when. This is to maximize financial certainty for the Licensed Operators and the Authority, and to increase efficiency in the current practice.
48. The Licensed Operators are required to make the annual revenue reporting submissions by 1 April of each calendar year. The submission should include the followings:
- a) The completed RRD for the Relevant Period in accordance with Annex C of the proposed Regulation;
 - b) Management’s statement made on the RRD that is duly signed by the Chief Executive Officer (CEO) (or equivalent) of a Licensed Operator, confirming the accuracy and completeness of the RRD.;
 - c) Assurance report, signed by an independent qualified auditor registered in the Kingdom of Bahrain, on the Revenue Reporting Declaration Form for the Relevant Period in accordance with ISA 805, *Special Considerations- Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*, as per Annex D of this Regulation; and

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- d) The standalone audited financial statements of a Licensed Operator for the Relevant Period.
49. Also the Authority expects that the signing auditor has sufficient resources, relative to the size and the complexity of a Licensed Operator subject to audit, expertise about the subject matter and proven track record in auditing the financial statements of a Licensed Operator.

Q25. Do you agree with the documents and information to be submitted by a Licensed Operator to the Authority as part of its annual revenue reporting process? If not, please present your argument as to why, along with your recommendations.

Q26 Do you agree with additional requirements regarding the auditor that is issuing an assurance report on the RRD? If not, please present your argument as to why, along with your recommendations.

Q27 Do you have any other comments regarding the Article 6?

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3.7. Article 7 Compliance

50. It is of the utmost importance from the Authority's perspective that the revised revenue reporting framework operates in an efficient and effective manner. The Authority believes that the RRD will be sufficiently clear to the Licensed Operators. To further enhance the effectiveness and parity over all the Licensed Operators it is also of the view that the Regulation needs to be governed by a number of compliance measures, in relation to the submission and repercussions of a failure in submission of the audited RRD and audited annual financial statements by the Licensed operators.
51. The Authority has considered administrative measures to encourage compliance by the Licensed Operators with the revenue reporting processes and further clarified matters related to invoicing or non-compliance.
52. The Authority proposes to put in place an invoicing regime for any Licensed Operator who fail to meet the 1 April deadline for submission or submits information that is not substantially compliant with the proposed Regulation, on the basis of the EAT, most recently reported to the Authority, plus an uplift of 40%.
53. The Licensed Operators who are invoiced in this way will be subject to a credit adjustment for any excess payment made between the actual license fee that is calculated once the relevant financial documentation has been provided and the amount that was already paid after the 40% uplift. The credit adjustment will be made by way of offset against the subsequent invoice for the Annual License Fee. Issued by the Authority to the Licensed Operator for the following financial year, provided that they have submitted the relevant financial documentation and remedied their non-compliance. All interest earned from the excess amount would be retained by the Authority.
54. If in any case the Operator fails to remedy its non-compliance three months after 1 April, the Authority will treat such failure as a material breach of the Law, and may consequently take enforcement action pursuant to Article 35 of the Law
55. Upon finding an apparent discrepancy in the information submitted by a licensed operator, the Authority shall, after undertaking a preliminary assessment, reserve the right to engage a firm of independent auditors to carry out a detailed audit of the accounting records of the licensed operator in question to check the validity of the information contained in the RRD.
56. A licensed operator whose revenue declaration is subject to examination by an independent auditor is obliged to co-operate fully with the auditor's examination.
57. If the alleged discrepancy or error is confirmed by the independent auditor, the Licensed Operator is obliged to submit, without delay, a revised Revenue Reporting Declaration Form, rectifying the discrepancy or error, and to meet the costs of the independent auditor.
58. If the alleged discrepancy or error is not confirmed by the independent auditor, then the Authority shall meet these costs.
59. Any invoice issued by the Authority is payable by the Licensed Operator within 15 working days.

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Q28. Do you agree with the proposed measures designed to ensure compliance with the proposed Regulation? If not, please present argument as to why and your recommendations.

Q29 Do you have any other comments regarding the Article 7?



Section 4: Revenue Reporting Regulation (Draft)

**Issued by the
Telecommunications Regulatory Authority**

[Date]

Revenue Reporting Regulation – Public Consultation
Section 5 – Revenue Reporting Regulation (Draft)

Please refer to attached draft Revenue Reporting Regulation.