



# VAS Regulatory Framework in the Arab Republic of Egypt

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# VAS Regulatory Framework in the Arab Republic of Egypt

## Prelude

**Whereas** the National Telecommunication Regulatory Authority (NTRA) (the Licensor), is, pursuant to Telecommunication Regulation Law No. 10 of 2003, the only national authority competent to regulate the telecommunications sector in the Arab Republic of Egypt (A.R.E.) through the implementation of the approved policies set forth to enhance and deploy telecommunication services in compliance with the most advanced technological means, and in a way that guarantees the satisfaction of the needs of the users (whether they are individuals, corporates, companies or any of the State's productive, economic, administrative or service sectors at the most appropriate prices;

**WHEREAS** the NTRA (the Licensor) is the only authority competent to grant licenses and permits to companies or corporates that intend to provide or operate telecommunication services or work in the ICT sector in the Arab Republic of Egypt, monitoring and following up on their performance, drafting general terms and conditions that guarantee fair and free competition between them;

In light of the great advancements made recently in providing mobile value-added services (MVAS) all over the globe and owing to the increscent growth of these services in many countries, compared to Egypt, and due to the immensely increasing number of applications submitted to the NTRA lately to obtain licenses to provide mobile value-added services (MVAS), the NTRA has made a study of the methods that could be pursued to spur the growth of the mobile value-added services (MVAS) inside Egypt. Furthermore, the NTRA has examined the hindrances and obstacles facing this type of services and how to overcome them;

**Therefore**, the NTRA (the Licensor) has decided to issue these rules and regulatory conditions for Mobile Value-Added Services (MVAS) provision within the Arab Republic of Egypt, as per the provisions of the Telecom Regulation Law No. 10 for the year 2003.

## Firstly: Definitions:

1. The NTRA: means the National Telecom Regulatory Authority.;
2. Mobile service providers: means the companies licensed by the NTRA to provide mobile services in the Arab Republic of Egypt.
3. Mobile Value-added Services (MVASs): these are the services offered in addition to the standard services and are carried out for online content or a form of information, thus they alter this content or information form, adding value to it or making integration between it and other services from an operational and/or administrative viewpoint. Those services comprise the user's interaction with stored information or data, by using mobile phone networks, as these services include – but not limited to – SMS, MMS (multimedia messaging (text, video and pictures) services, Interactive services. These services do not include basic telecom services such as voice call services between users or the provision of a connection to the Internet.
4. The user: means any natural person or juristic person who uses the Mobile Value-added Services (MVASs) or benefits from them.
5. The end user: means any natural person or juristic person who uses the Mobile Value-added Services (MVASs), under scope of this Regulatory Framework, or benefits from them.
6. The customer: means any natural person or juristic person contracted with providers of the Mobile Value-added Services (MVASs) to use their services.
7. Content Providers: means the companies, entities or channels that provide content that is used in the provision of Mobile Value-added Services (MVASs).
8. Online Content: means the knowledge materials stored in a digital form and prepared for publishing on the telecom networks, whether this content is text, audio or visual materials, or forms or programs.
9. Force Majeure: means any occurrence, circumstance or combined incidents and circumstances that cannot be evaded, controlled, or foreseen, and are beyond the control of the licensor and the licensee and cause or result in the impossibility of performance and implementation of the obligations, under scope of the license, or to seriously impede this implementation. These incidents and circumstances, include- but are not limited to- the following:
  - War and other acts of aggression (whether the war is declared or not), invasion and other foreign acts of aggression.
  - Civil war, rebellion, revolution, riots, acts of sabotage, general strike, and violation of public order, unless these acts are limited to the workers and employees of the licensee.
  - Nuclear radiations, oil pollution, radioactive, toxic or explosive effects resulting from any explosive nuclear equipment or epidemics.
  - Devastating floods and torrents, earthquakes or accidents caused by natural phenomena.

- Government decrees stipulating the suspension of the service, under scope of the license.

## Secondly: The Service Regulatory Model:

- The NTRA awards licenses for the provision of mobile value-added services (MVASs) to the companies intending to obtain a license, whether these companies are new companies or companies licensed to provide messaging services and are willing to expand their business activity.
- The companies applying for a license to provide mobile value-added services (MVASs) must fulfill the following conditions:
  - The applying company should be an Egyptian joint stock company incorporated in accordance with the Egyptian law, provided that it is operating in the field of telecommunications.
  - The applying company, some of its shareholders or its subsidiaries should have an eligible previous experience in the field of provision of telecom services.
  - The company shall have the appropriate financial capacity and solvency to implement and meet the conditions, financial obligations and duties stipulated in the license.
  - The company should have entered into a contract with the mobile service operator it is required to work with, or submits to the NTRA a written approval from one of the mobile service providers to work with the applicant company in order to obtain a license.
- **The upfront royalty fees** that the licensee is required to pay amount to only three million Egyptian pounds (3,000,000 L.E).
- **License term:** five years from the signing date of the license, renewable as per the terms and conditions set by the NTRA.
- **The applicant shall submit a request to the NTRA that should include the following:**
  - The organizational structure of the company and information about the shareholders.
  - The company's past experience.
  - The company's financial position.
  - A five-year integrated feasibility study including:
    - The management and staffing structure of the company.
    - A study of the Egyptian telecom market/ Industry analysis.
    - A marketing plan.
    - An operational and technical plan that includes the means of connectivity, the geographic locations of servers hosting, and the operational method.
    - A financial and risk management plan.

- This Regulatory Framework is subject to the provisions of the Telecom Regulation Law No. 10 of 2003 and the legislations, laws, regulations and decrees in force in the Arab Republic of Egypt and the provisions of Law No. 10 of 2003 shall apply, unless otherwise stated in this Regulatory Framework.
- The licensees shall obtain all permits, and legal and administrative approvals necessary for the provision of MVAS services from the concerned authorities and which these authorities are competent to issue pursuant to the provisions of the law, in order to carry out their business in accordance with the applicable laws and regulations, including the approvals issued by the national security bodies.
- Subject to the provisions of Chapter Six (Article 64) of the Telecom Regulation Law No. 10 of 2003, the value-added service providers may not use the licensed systems and services in any way whatsoever that might prejudice national security.

### Thirdly: The Main Conditions and Provisions of the License to Provide Mobile Value-Added Services (MVASs) in the A.R.E.:

#### The License Term:

- This license shall last for five years, renewable for other consecutive terms, each of five (5) years. The renewal of this license will be based on new terms and conditions to be agreed upon as per the conditions and provisions of the Telecom Regulation Law No. 10 of 2003 and pursuant to the procedures stipulated in the license.

#### The Financial Obligations:

- **Licensing Charges:** a one-time payment of a minimum amount of only three million Egyptian pounds (3000,000 L.E.) to be paid in advance upon signing the license or to be paid in installments plus interest to be calculated as per the interest rate announced by the Central Bank of Egypt according to the following:
  - An amount of one million, five hundred thousand Egyptian pounds ((1,500,000 L.E.) to be paid upon signing this license.
  - An amount of five hundred thousand Egyptian pounds (500,000 L.E.) as a first installment plus interest to be calculated as per the interest rate announced by the Central Bank of Egypt.
  - An amount of five hundred thousand Egyptian pounds (500,000 L.E.) as a second installment plus interest to be calculated as per the interest rate announced by the Central Bank of Egypt.
  - An amount of five hundred thousand Egyptian pounds (500,000 L.E.) as a third installment plus interest to be calculated as per the interest rate announced by the Central Bank of Egypt.

- **Annual fees:** the Licensee shall pay annual licensing fees amounting to 3% of the total annual revenues for the licensed service, of a minimum amount of two hundred fifty thousand Egyptian pounds (250,000 L.E.), knowing that the total annual revenues are defined as the total revenues obtained by the licensee as a result of its provision of all the services, it is licensed to provide, under the license, minus the payments of the short message that the companies licensed to provide mobile phone services in the Arab Republic of Egypt obtain from the licensee (provided that this is supported by a certificate issued by the controller).
- **Charges in return for the burdens:** an annual amount of twenty thousand Egyptian pounds (20,000 L.E.); this amount is subject to adjustment upon license renewal. This amount will be paid to the NTRA on the first working day of the calendar year throughout the license term.
- **Performance Bond:** the licensed company shall deposit, upon signing the license, an amount in cash of five hundred thousand Egyptian pounds (500,000 L.E.) in the licensor's treasury, as a guarantee for its implementation of all the provisions stipulated therein. No interest will be charged for this amount. Bank cheques certified by a local commercial bank may be submitted (provided that they are accepted by the drawee bank).
- **Universal Service Fees:** the licensee shall abide by the rules and conditions of the universal service and contribute to its costs as determined by the licensor and as per the provisions of the Telecom Regulation Law No. (10) of 2003.
- **Research and Development (R&D) Charges:**
  - The licensee shall contribute to the scientific research, education and training programs in the field of communications and information technology and other relevant fields, with a minimum of (0.5%) half a percent of its total annual revenues, as per its financial statements approved for the fiscal year prior to the due date.
  - The licensee shall pay 50% (fifty percent) of the minimum mentioned in the previous clause to the licensor to be spent on the works and sponsoring of scientific research and training programs as determined by the latter.

#### The Licensed Services:

- The mobile value-added services (VASs) include the following services:
  - **Bulk SMS (One to many) service:** this term refers to the provision of a service to companies or entities to be able to send a single text message to a number of end users collectively during a specific period of time by using SMS messages through the networks of the

licensees licensed to provide mobile services in the Arab Republic of Egypt.

- **Bulk SMS (One to One) service:** this term refers to the provision a service for companies or entities to enable them to send a text message to a single end user individually within a specific time interval, by using SMS through the networks of licensees licensed to provide mobile services in the Arab Republic of Egypt.
- **Bulk Multimedia Messaging Service (MMS) (One to many):** this term refers to the provision of a service to the customers to enable them to send a message of content consisting of images or video to a number of end users collectively for a specific period of time, by using multimedia messages through the networks of the licensees licensed to provide mobile services in the Arab Republic of Egypt.
- **Bulk Multimedia Messaging Service (MMS) (One to One):** this term refers to the provision of a service to companies or entities to enable them send a message of content consisting of images or video to a single end user individually within a specific time interval, by using multimedia messages through the networks of the licensees licensed to provide mobile services in the Arab Republic of Egypt.
- **Interactive Voice Response (IVR) service:** this term refers to the provision of a service based on a technology that enables a computer or individuals to have a voice interaction with users through the usage of voice or tones integrated through the mobile phone keyboard.
- **A Caller Ring Back Tone (RBT):** this service allows the user to choose a tone and make it his own tone, which the caller hears when he calls this user on the mobile phone.
- **Direct carrier billing “DCB”:** this term refers to the provision of a service that allows the user to pay for the online content he purchased by calling one of the websites or his mobile network so that the service fees are deducted from the user’s balance with his mobile operator (for prepaid card subscribers) or added to his bills with his mobile operator (for postpaid subscribers), all pursuant to the controls and regulations set by the licensor in this regard.
- **Unstructured Supplementary Service Data (USSD) service:** this term refers to the provision of an interactive service between the mobile phone and the applications hosted by the licensee by using the USSD protocol. This takes place by using real-time messages over the user’s mobile network. These messages consist of numbers and symbols like, #, \*; these services include an interactive menu service that enables the user to access Interactive menus via USSD.
- **WAP service:** this term refers to the provision of a service that allows the user to access some websites through telecom networks

via the WEB WAP protocol by using the user's mobile phones, so that the financial fees are deducted from the user's balance with his mobile company (for prepaid card subscribers) or added to his bill with his mobile company (for postpaid subscribers).

- **Premium Short Codes service:** this term refers to the provision of a service that allows the user to send an SMS or make a voice call to one of the premium short numbers at a premium tariff in exchange for one of the other licensed services, including, for example, voting services in competitions.
- **Video streaming service:** this term refers to the provision of a service that allows the user to receive and send videos by using his mobile network, so that the service fees are deducted from his balance with his mobile company (for prepaid card subscribers) or added to his bill (for postpaid subscribers).
- **Personal Premium Numbers service:** this term refers to the provision of a service that allows one of the mobile service subscribers to receive calls at a premium tariff, as per the controls and regulations stipulated in the license and issued by the licensor in this regard.

#### Rights and Obligations:

- The licensee shall provide the mobile value-added services (MVASs) stipulated in clause (3-3) to the end users as per the terms and conditions of the license, through the networks of licensees licensed to provide mobile phone services.
- The licensee shall obtain a prior written approval from the licensor for any mobile value-added service (MVAS) not specified in clause (3-3) before providing it to the users.
- The licensee shall enter into a contract with the mobile phone companies licensed to provide the licensed service, under scope of this license, in the Arab Republic of Egypt, as per the commercial agreements approved and accredited by the NTRA.
- The licensee shall connect its system with the licensees licensed to provide mobile phone services via virtual private networks through one of the Internet service providers licensed by the NTRA, and it shall also take all measures needed to ensure the security of the information necessary for all parts of the system.
- The licensee shall take all necessary organizational and technical procedures and measures needed to preserve and protect the confidentiality of information and data related to end users or clients and the traffic on the licensee's network.

- The licensee shall maintain a database of all information and data related to its dealings and those of the customer that contracted with it for a period of one calendar year and it shall place this database at the disposal of the licensor or whomsoever it duly authorizes, and to allow them to view and review it and take any data they deem needed and necessary.
- The licensee shall comply with the controls, specifications and standards of intellectual property rights, copyrights and trademark rights, pursuant to the provisions of the laws and regulations in force in the Arab Republic of Egypt.
- The licensee may not lease its network and system to third parties except after obtaining a prior written approval from the licensor.
- The licensee may not provide positioning services to the user, and it may not transfer data related to the positioning of people or things.
- The licensee shall provide the technical and logistic means and systems that allow the licensor to monitor its compliance with all licensing terms conditions and verify and investigate the users' complaints related to the licensee's services.
- The licensee shall obtain from the concerned official authorities all the needed legal and administrative approvals that these authorities are competent to issue, pursuant to the provisions of the law, in order to carry out their activities as per the applicable laws and regulations, including the approvals issued by the national security bodies.

### **The Payment Method:**

- The licensee shall use only one of the following methods to collect the financial fees for the services, under scope of the license, from the end user:
  - Premium short numbers: it shall allow the user to send an SMS to one of the premium short numbers at a premium tariff for using one of the licensed services.
  - Periodic subscriptions: allows the user to subscribe to one of the services licensed pursuant to the license for a sum to be deducted daily, weekly or monthly, on a periodic basis, from the user's balance with his mobile company (for prepaid card subscribers) or added to the user's bill (for postpaid subscribers), Subscription to the services that use this payment method is made when the user sends a message to one of the short numbers or through the USSD, as per the rules and regulations issued by the licensor in this regard.
  - Direct Carrier Billing (DCB): it allows the end user to pay the fees for the online content that he purchased by calling one of the websites or his mobile network as it sends a premium code thereto through the mobile network, provided that the user enters this premium code before completing the payment process. The service fees are deducted from the user's balance

with his mobile operator (for prepaid card subscribers) or added to the user's bill with his mobile operator (for postpaid subscribers), all pursuant to the controls and regulations set by the Licensor in this regard.

- The licensee may not use any payment method other than those specified in the previous clause, except after obtaining the prior written approval of the NTRA.

### **Information Security:**

- The licensee shall make an annual technical evaluation report for cybersecurity that includes penetration tests and tests for known vulnerabilities (penetration and vulnerability tests). These tests will be carried out by well-reputed companies that have prior experience in this field after obtaining the licensor's approval. These tests will be submitted to the NTRA. In case any vulnerabilities are found in these tests, the licensee shall comply with the licensor's instructions concerning the immediate remedy and repair or shall stop the service, proven to have the vulnerability, until repaired, all pursuant to the licensor's instructions.
- The licensee shall make an immediate technical evaluation report for cybersecurity in case there are huge and significant changes in the service applications or equipment or when requested to do so urgently and specifically. The report includes penetration tests and tests for known vulnerabilities as follows (penetration and vulnerability tests). These tests will be carried out by well-reputed companies that have prior experience in this field after obtaining the licensor's approval. These tests will be submitted to the NTRA. In case vulnerabilities are found in these tests, the licensee shall comply with the licensor's instructions concerning the immediate remedy and repair or shall stop the service, proven to have the vulnerability, until repaired, all pursuant to the licensor's instructions.
- The licensee shall implement all instructions and orders issued by the national security bodies concerning the service, under scope of the license, and shall provide the technical requirements needed to execute and comply with them at its own expense.

### **Service Provision Rules and Conditions:**

- The licensee shall abide by all the rules and conditions related to the mobile value-added services (MVASs) mentioned in Annex (2) hereof and any other rules and conditions that the licensor may issue in the future in this regard.
- In the case of provision of services that do not require the end user's prior subscription, the licensee shall obtain the end user's prior consent to receive the service, provided that such approval includes the end user's consent for only one specific type of services, products, information and data, or programs, competitions, advertisements, or any similar purposes that the end user agrees to

receive from the licensee, and the operation charges or service tariff and the collection methods.

- The licensee shall give the right to the end user to terminate the service at any time he wills or it shall obtain the end user's prior consent for the period of the service provision thereto.
- The licensee shall abide by the regulatory rules and conditions issued by the NTRA for each value-added service, and it shall also obtain the prior written approval of the licensor before providing or launching any new application for any of the value-added services specified in Annex (1).
- In case SMS or MMS services are provided, the licensee should abide by the following:
  - The licensee should ensure that the customer who sends SMS or MMS is in the Arab Republic of Egypt. The licensee may not bypass the international messages (originating outside the Arab Republic of Egypt) to the Arab Republic of Egypt by using SMS or MMS that it sends to the end user inside the Arab Republic of Egypt except after obtaining the prior written approval of the licensor.
  - The licensee shall display the name of the entity that sends the messages in all the messages sent from it to the end user, and the licensee shall send the name of the entity that sends the messages preceded by a code to be determined by the licensor, in all messages sent to the mobile phone service providers, before sending them to the end user.
  - The licensee shall notify the licensor of the names of the customers of SMS or MMS services, as well as the Sender ID that will be placed on the messages sent from each customer to the end users, all before entering into contracts with them. The licensor is entitled to ban the licensee from providing the SMS or SMS services to a certain customer if providing these services to that customer would prejudice the State's national security, its higher interest, or the users' rights. The licensee must, then, implement the licensor's decisions immediately.
- In case Direct Carrier Billing (DCB) services are provided, the licensee should abide by the following:
  - The licensee shall verify that the user of the DCB services through a SIM card is the holder of the mobile phone line in accordance with the rules and conditions issued by the licensor in this regard.
  - The licensee shall send a premium code to the user via the mobile phone network, provided that the user enters this premium code before completing the payment process.
- In case video streaming services are provided, the licensee shall obtain the necessary approvals and permits from other authorities concerned and competent to regulate these services.

### **Customer Relationship:**

- The licensee has the right to enter into contract with customers to provide the service, under scope of the license, provided that the licensee is fully responsible for those customers it has contracted with, and it will be liable for any violation of the license terms and conditions committed by any customer.
- The licensee shall enter into contracts with customers according to a unified form to be approved in writing and endorsed by the licensor before entering into them, provided that this form includes the nature of the service, terms of its provision, its performance level, the tariff amount, the customer service and complaints system.
- The licensee shall provide trained staff to receive users' inquiries and complaints or the complaints received from the licensor, investigate them and respond to them as soon as possible, and it shall establish a system that limits the recurrence of the causes of complaints related to the provision of services and their quality.
- The licensee shall allocate a number for receiving users' complaints, at a tariff to be determined by the NTRA, provided that the licensee discloses the short number (155) and the free toll number 08003330333 of the NTRA to the users in case the user wants to escalate his complaint.
- The licensee shall compensate the users affected by the interruption of service or poor service quality, as per the licensor's decision, without prejudice to the emergency conditions, force majeure, and the standards stipulated in this license.

#### **The Tariff:**

- The licensee has the right to obtain tariffs from the end user and customers in return for providing the mobile value-added services (MVASs). The licensee should obtain the NTRA's prior written approval concerning the tariff of MVASs or the promotional offers for providing these services.
- The licensee shall take the necessary measures, at its own expense, to publish and announce the tariffs of the services it provides to the end users and make them known to them all, and to submit them to those who request them for free.

#### **Numbering:**

The licensee shall abide by the National Numbering Plan (NNP) issued by the licensor and any amendments thereto. It shall also comply with the payment of all charges for the aforementioned numbering, and the payment dates mentioned in the aforementioned plan.

#### **The Network Ownership:**

- The licensee owns the network that it constructs for the purpose of providing the mobile value-added services (MVASs), including the relevant devices and systems needed for these services, and the licensee has the right to rent parts of its network from another licensee, and the licensee should ensure that that network/ devices

and systems is/are in the Arab Republic of Egypt except for the cases for which it has obtained the licensor's prior approval.

- The licensee may not sell or dispose of its network/system in any way or any of its components except after obtaining the licensor's prior written approval, and provided that this sale or disposal does not result in a violation of the licensee's obligations stipulated in this license.

### Attachment (1): Mobile Value-added Services (MVASs)

1. Bulk SMS service (One to many).
2. Bulk SMS service (One to One).
3. Bulk MMS service (One to many).
4. Bulk MMS service (One to One).
5. Interactive Voice Response (IVR) service.
6. Caller Ring Back Tone (RBT).
7. Direct Carrier Billing (DCB).
8. USSD service.
9. WAP service.
10. Premium Short codes service.
11. Video streaming service.
12. Personal Premium Numbers (PPN).

### Attachment (2): Rules and Conditions for Mobile Value-Added Services (MVASs)

#### Firstly: Service Launching and promotional offers:

- The service launching announcement message must include a detailed mention of the service, the service price, the accounting (whether daily or monthly, and how it is calculated if the balance is not sufficient) and means of subscription to it.
- In case there is a promotional offer for the service (as for example: free days), there are two implementation methods to be chosen from:
  - First option: there will be a clarification of the number of free days in the announcement message, in which case the service will be stopped automatically after the expiry of the free period.
  - The second option: there will be a clarification of the number of free days in the announcement message, the service price and the method accounting after the expiry of the free days.
- The name of the entity or the number through which the service is announced should be displayed.

- The licensee may not mislead the user, in any way, concerning the advertised services, and should ensure the clarity and transparency of the advertising message.
- The licensee shall inform the user of a specific toll-free number that he can refer to to know details of the offers or service before subscribing to it.
- When announcing the service, the customer must be informed of the type of service, whether it is one-off service (for which the customer will be charged once) or a subscription service (for which the customer will be charged regularly for equal periods).

### **Secondly: Subscription to the Service and its Renewal:**

- The licensee may not include any user into any service without his prior consent, even if the service is free.
- In the case of providing services that do not require the user's prior subscription: the licensee shall obtain prior approval of the user to receive the service, provided that the approval includes the user's consent to only one specific type of services, products, information, data, programs, competitions or advertisements, or any other similar purposes that the user agrees to receive from the licensee, and the operating charge or service tariff and collection methods.
- In case of providing services with periodic subscriptions: an SMS will be sent to the user every time at least twenty-four hours before the subscription renewal to remind him of the date of payment, and the due amount (the service price), the method of payment and how to terminate the service (service termination) in relation to non-daily subscriptions. As for the daily subscriptions, the licensor shall set the rules and related to the user's notification.

### **Thirdly: The Service Termination:**

- The service termination means should be made clear and facilitated, and should be free of charge, and through SMS or USSD Code, and in one step.
- The licensee shall give the user the right to terminate the service at any time he wants or to obtain his prior consent for the period of time for which he will receive the service.
- The licensee shall inform the user that if he subscribes to a specific offer, this may result in the cancellation of his subscription in any other offers.

### **Fourthly: Service Provision:**

- A free message is sent to every deduction made from the user's balance, accompanied by the service cancellation code in the case of providing services with periodic subscriptions, in relation to non-daily subscriptions. As for daily

subscriptions, the licensee shall set the rules related to notifying the user of the deduction.

- In the case of providing services with periodic subscriptions, all messages that include this service are free of charge, except for the service subscription fee.
- The licensee shall take all necessary organizational and technical measures and procedures to preserve and protect the confidentiality of information and data for customers and users in general.