

Proposal to Streamline the Reporting Requirements For Regulatory Accounting

Telecommunications Regulatory Affairs Advisory Committee
8 July 2022



Current Reporting Requirements

Section 7H of the Telecommunications Ordinance:

A licensee shall adopt the accounting practices, consistent with accounting principles generally accepted, that the Communications Authority (“Authority”) specifies.



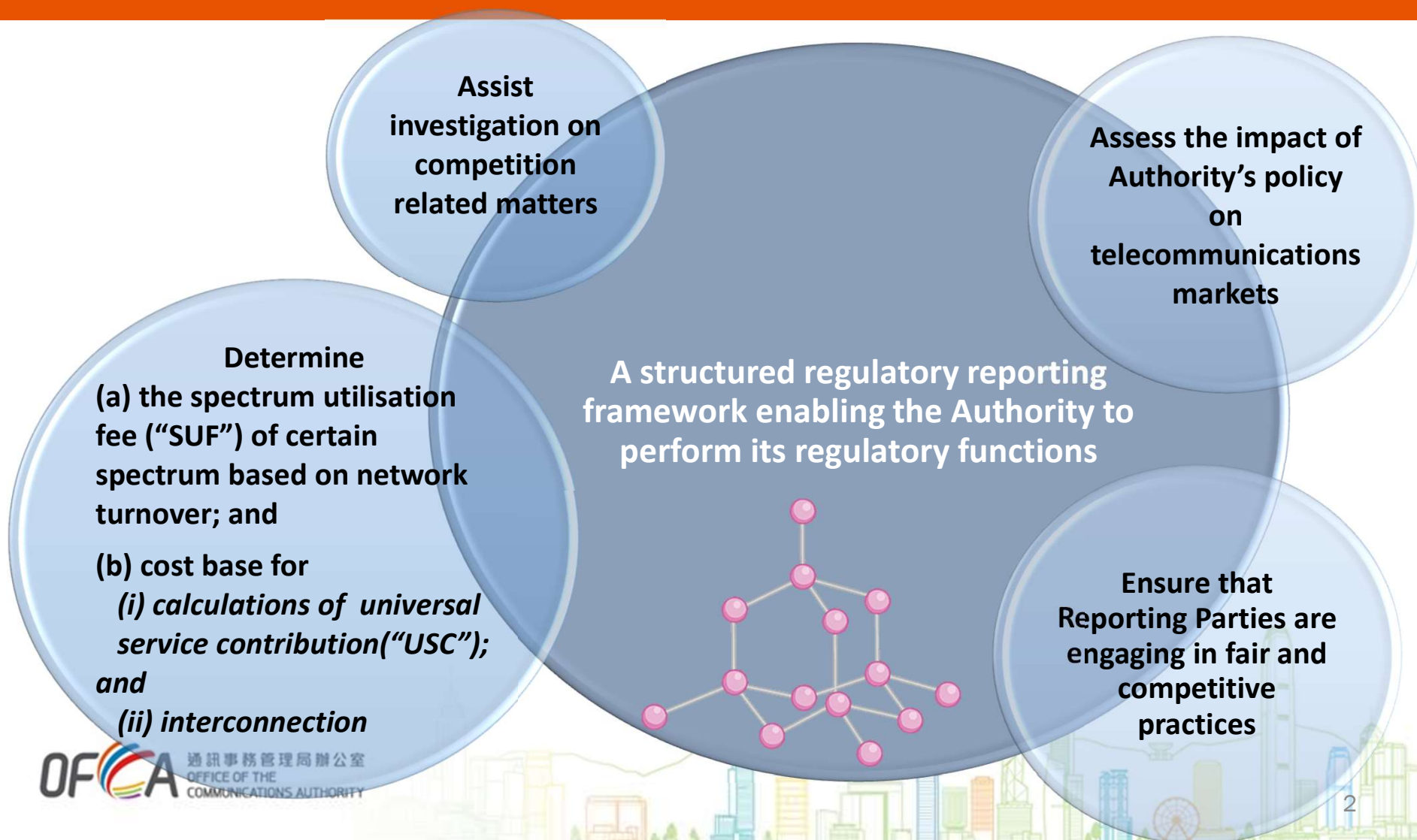
Special Condition 5.1 of Unified Carrier Licence:

Where directed by the Authority in writing, the licensee shall implement such accounting practices as specified by the Authority. Such accounting practices are to be consistent with generally accepted accounting practices, where applicable, and may include (but are not limited to) accounting practices which allow for the identification of the costs and charges for different services or types or kinds of services.

A set of accounting manual (“AM”) has been issued by the Authority setting out the requirements on accounting practices.



Objectives of Adopting the AM



Regulatory Reports

There are 4 types of report specified in the AM:



Entity Reports

- Financial information of Corporate Entity, Licensed and Unlicensed Entity

Segment Reports

- Financial information of different segments, costs incurred by 2G/3G mobile network business and capital base for calculation of cost of capital

Statement of Network Turnover

- Network turnover, SUF and network tariff of 2G and 3G Frequency*

Audited Statutory Accounts and Audited Reconciliation Report

- Audited Statutory Accounts are prepared in accordance with the Companies Ordinance (Cap. 622)
- Audited Reconciliation Report refers to reconciliation between Audited Statutory Accounts and Audited Regulatory Reports

Proposed Arrangement – Entity Reports

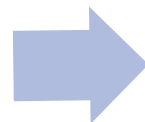
Entity Reports

- ❖ Financial information is disaggregated into licensed business and unlicensed business
- ❖ A common approach for categorisation of financial data is required in order to ensure that the financial information obtained among the Reporting Parties is comparable, consistent and accurate
- ❖ Enable the Authority to monitor the business operation of the licensee in the respective telecommunications markets, as well as assess the impact of telecommunications regulation on the development of the telecommunications markets





Existing Arrangement

- All Reporting Parties are required to submit unaudited semi-annual reports and audited annual reports



Proposed Arrangement

- Unaudited semi-annual reports 
- Audited annual reports 

Proposed Arrangement – Segment Reports submitted by USP

Segment Reports submitted by Universal Service Provider (“USP”)

- ❖ Determine the cost base for the calculation of USC
- ❖ Ensure that the cost and revenue of USP are classified and categorised accurately

USC & SUF

Existing Arrangement

- USP is required to submit unaudited semi-annual reports and audited annual reports



Proposed Arrangement

- Unaudited semi-annual reports ❌
- Audited annual reports ✅



Proposed Arrangement – Segment Reports and Statement of Network Turnover submitted by MNOs

Segment Reports and Statement of Network Turnover submitted by MNOs

- ❖ Determine the SUF payable by MNOs for the 2G Frequency and 3G Frequency under the previous assignments which have expired
- ❖ Collection of information on network turnover by frequency band or by segment for the determination of SUF is no longer necessary



Existing Arrangement

- MNOs who made use of 2G and/or 3G Frequency are required to submit unaudited semi-annual reports and audited annual reports



Proposed Arrangement

- Segment Reports **X**
- Statement of Network Turnover **X**

Proposed Arrangement – Audited Statutory Accounts and Audited Reconciliation Report

Audited Statutory Accounts and Audited Reconciliation Report

- ❖ The audited Statutory Accounts provide the Authority with useful reference on the business operation of a licensee at no or negligible additional costs
- ❖ The audited Reconciliation Report sets out the variances between information stated in the audited Statutory Accounts and information reported in the audited Regulatory Reports
- ❖ Ensure that the reports submitted by the licensee are prepared in a consistent manner and reconcilable with the overall company accounts



Existing Arrangement

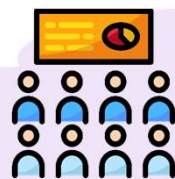
- All Reporting Parties are required to submit audited annual reports



Proposed Arrangement

- Status quo

Way Forward



Comments from Members



Revised draft AM to be prepared
for consideration by
all Reporting Parties



Finalise the AM

Thank You

