



Auction of Radio Spectrum for the Provision of Broadband Wireless Access Services

Industry Briefing

**Office of the Telecommunication Authority
27 October 2008**



Agenda

1. **Opening Remarks**
2. Timetable and Highlights
3. Auction Arrangements and Logistics
4. Highlights of Auction Rules
5. Questions & Answers



Opening Remarks

- **Chair of the Briefing**

- ▶ **Mrs. Marion Lai**

- Director-General of Telecommunications
and the Auctioneer

- **Panellists**

- ▶ **Mr. Danny Lau**

- Assistant Director (Regulatory), OFTA

- ▶ **Mr. Chaucer Leung**

- Head, Regulatory Division, OFTA

- ▶ **Mr. Kingsley Yeung**

- Senior Regulatory Affairs Manager, OFTA

- ▶ **Ms. Natalie Wu**

- Senior Legal Adviser, OFTA

- ▶ **Mr. Christian Koboldt**

- Director, DotEcon Limited



Opening Remarks

- **Objectives of the Briefing**

- ▶ Outline the licensing framework for broadband wireless access (BWA) services
- ▶ Elaborate the auction framework for the BWA Frequency Bands
- ▶ Provide a forum for stakeholders to raise questions and provide feedback



Agenda

1. Opening Remarks
2. **Timetable and Highlights**
3. Auction Arrangements and Logistics
4. Highlights of Auction Rules
5. Questions & Answers

Timetable and Highlights

•Major Milestones and Indicative Timetable

Publication of TA Statement

- 3 December 2007
- Decision on allocation of 2.3 GHz and 2.5/2.6 GHz by auction and imposition of Spectrum Utilization Fee on the use of such spectrum

Making of Subsidiary Legislation

- 4 July 2008
- Relevant subsidiary legislation (amendment of Cap. 106Y and Cap. 106AC) was passed and came into operation

Information Memorandum

- 3 October 2008
- Issue of Information Memorandum and application package, and gazettal of auction rules and reserve prices

Application Dates

- 15 & 16 December 2008
- Applications should be submitted to OFTA between 9:00am and 5:00pm

Qualification of Bidders

- On or before 31 December 2008
- Determining the number of Qualified Bidders and whether the Bidding Stage needs to be conducted

Commencement of the Auction

- 12 January 2009
- Training and trial auction one week before the Auction



Timetable and Highlights

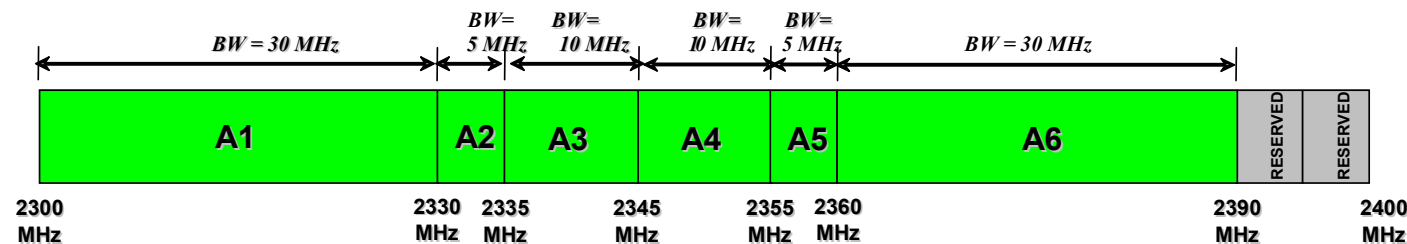
- **Frequency Bands for Auction**

- ▶ A total of 195 MHz spectrum will be available for auction
 - 90 MHz from the 2.3 GHz band
 - 105 MHz from the 2.5/2.6 GHz bands
- ▶ The available spectrum is divided into 12 Frequency Bands
 - 9 unpaired Frequency Bands:
 - 5 Frequency Bands of 5 MHz
 - 2 Frequency Bands of 10 MHz
 - 2 Frequency Bands of 30 MHz
 - 3 paired Frequency Bands, each with 2 x 15 MHz
 - Bidders can bid for any Frequency Band(s) in the 2.3GHz and 2.5/2.6 GHz bands
 - The maximum amount of spectrum (i.e. Spectrum Cap) that will be assigned to each Bidder or a group of Connected Bidders is 30 MHz

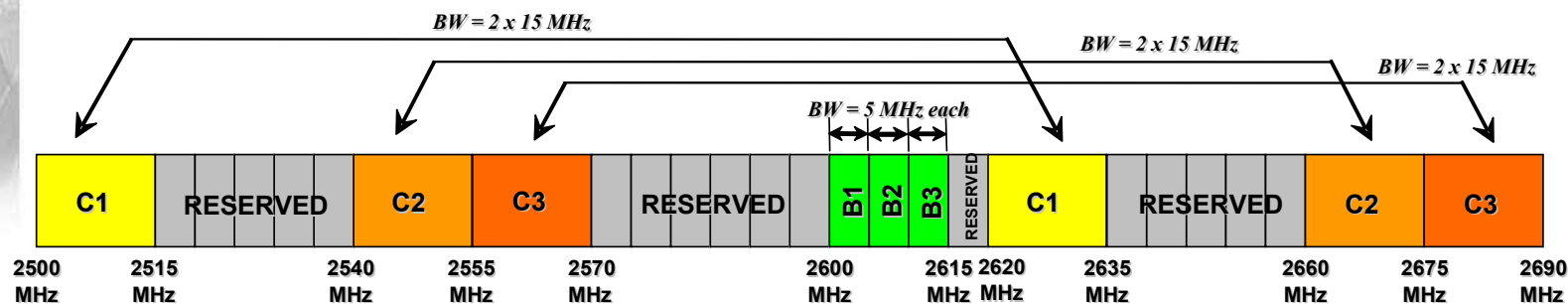
Timetable and Highlights

Frequency Bands for Auction

2.3 GHz




2.5 / 2.6 GHz





Timetable and Highlights

- 
- **Selection and Use of Frequency Bands**
 - ▶ 2.3 GHz or 2.5/2.6 GHz
 - ▶ Unpaired band or paired band
 - ▶ Possible aggregation of unpaired Frequency Bands subject to the Spectrum Cap
 - ▶ Bidders shall note any restriction in the use of the Frequency Bands arising from any other services operating in adjacent bands and any services in Guangdong Province using the same band (Section C.2 of the Information Memorandum)
 - ▶ The TA may issue relevant guidelines or codes of practice to require successful bidders to take necessary measures to prevent interference

Timetable and Highlights


•Licensing Framework

Terms of Licence	Network Obligation	Other Obligations
<ul style="list-style-type: none">• Unified Carrier Licence with term of 15 years• Service neutral – any fixed, mobile and converged telecommunications services are permitted• Technology neutral – any widely recognised international standards are permitted	<ul style="list-style-type: none">• Where the authorized scope of service includes a mobile service – a minimum coverage of 50% of population within 5 years is required• Where the authorized scope of service includes a fixed service – a minimum coverage of 200 residential and/or commercial buildings within 5 years is required• Performance bond – to guarantee network and service rollout	<ul style="list-style-type: none">• Prevention of interference – both among the Licensees using the Frequency Bands and other licensees using other frequencies• Where directed by the Telecommunications Authority (TA) – to implement and facilitate at its own expense number portability• Not subject to the requirement of Open Network Access



Timetable and Highlights

- **Spectrum Pricing and Payment Terms**



Payment	Value
Spectrum Utilisation Fee (SUF)	To be determined by the Auction
Minimum Fee (i.e. reserve price)	HK\$25 million for every 5 MHz of spectrum

- Upon completion of the Auction, each Provisional Successful Bidder of the Auction will be required to pay SUF within 30 Business Days after the publication of the Provisional Successful Bidder Notice

Timetable and Highlights

•Application Stage

	Qualification Criteria
1.	Incumbent licensees and new entrants may participate in the Auction
2.	Bidders must be companies formed and registered under the Companies Ordinance
3.	Provision of duly completed Application Form and supporting documents
4.	Provision of duly completed Bidder Compliance Certificate
5.	Provision of Deposit either through cleared funds or Letter of Credit
6.	Each Bidder cannot submit more than one Application
7.	Late Application will not be accepted
8.	Bidders cannot withdraw their Application after submission to OFTA
9.	Connected Bidders are disallowed
10.	Existing licensees may participate on their own and / or cooperate with each other or other persons, in form of joint venture or other types of agreements
11.	Submission of Application commits a Bidder to bid for at least one Frequency Band in the First Round of the Auction

Timetable and Highlights

•Deposit

	Amount of Deposit submitted by Bidder by cash or by a Letter of Credit	Eligibility Points to be attributed to Bidder for the first Round of the Bidding Stage	Please tick: (one box only)
1.	HK\$ 25,000,000	1	<input type="checkbox"/>
2.	HK\$ 50,000,000	2	<input type="checkbox"/>
3.	HK\$ 75,000,000	3	<input type="checkbox"/>
4.	HK\$ 100,000,000	4	<input type="checkbox"/>
5.	HK\$ 125,000,000	5	<input type="checkbox"/>
6.	HK\$ 150,000,000	6	<input type="checkbox"/>

- The amount of the Deposit provided by the Bidder will be used to determine the number of Eligibility Points (EP) to be attributed to the Bidder for the 1st Round of the Auction
- Each Bidder must have the required number of EPs to bid for a Frequency Band. For every 5 MHz of spectrum, one EP is required
- Each Bidder must indicate on its Application Form the amount of Deposit it submits



Timetable and Highlights

•Application Dates

	Submission of Application
Application Dates	15 & 16 December 2008, between 9:00 am and 5:00 pm
Location	OFTA office at 29/F Wu Chung House
Contact	Assistant Director (Regulatory) – Mr. Danny Lau Or his Secretary – Ms. Lilian Chong
Phone Number	2961 6679

- Bidders are advised to contact Ms. Chong by phone in advance and she will inform the Bidders the exact time and location to submit the Applications



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3. **Auction Arrangements and Logistics**
4. Highlights of Auction Rules
5. Questions & Answers



Auction Arrangements and Logistics

•Overview of the Auction Mechanics (1/8)

Auction Format

- Simultaneous Multiple Round Ascending (SMRA) auction format will be used
 - All Frequency Bands will be auctioned simultaneously over multiple rounds with the price increasing on each Frequency Band independently

Communication System

- The Bidding Stage will be conducted via an Internet-based software platform
 - Bidders can place Bids on their own IT infrastructure
 - All Valid Bids will be encrypted, protected by passwords and authenticated by digital certificates

Auction Arrangements and Logistics

•Overview of the Auction Mechanics (2/8)

Time Duration of Bidding Rounds

- Indicative Auction timing
 - Scheduling of Rounds – between 9am and 5pm on Business Days
 - Duration of a Bidding Round – 10 to 120 minutes
 - Time between Bidding Rounds – not more than 120 minutes

Bidding Information for Bidders

- Before the start of each Round, the Auctioneer will notify each Bidder the following information
 - the date and the time at which the Round will start and end
 - the Round Price for each Frequency Band
 - the Frequency Band in respect of which the Bidder is the Standing Highest Bidder
 - the amount of the Standing Highest Bid (SHB) for each Frequency Band
 - the total number of (remaining) Withdrawals
 - the total number of (remaining) Waivers

Auction Arrangements and Logistics

•Overview of the Auction Mechanics (3/8)

Bidding Requirements

- Submissions of Valid Bids, Withdrawals and Waivers
 - In the first Round, Bidder must submit a Valid Bid for at least one Frequency Band
 - In each subsequent Round, Bidder may:
 - (a) (i) elect to submit or not to submit a Valid Bid in respect of any Frequency Band;
 - (ii) submit a Withdrawal in respect of a Frequency Band for which the Bidder is a Standing Highest Bidder; **or**
 - (b) submit a Waiver

Auction Arrangements and Logistics

•Overview of the Auction Mechanics (4/8)

Activity Level and Eligibility Points (EPs)

- Bidder cannot bid more than the EPs attributed to it
 - In the first Round, EPs attributed to each Bidder is determined by the amount of Deposit submitted
 - In each subsequent Round, EPs attributed to each Bidder will be determined by the Activity Level of the Bidder in the immediately preceding Round
 - The Activity Level of a Bidder in a Round is:
 - (a) the total number of EPs attributed to Frequency Bands that the Bidder has submitted Valid Bids, *plus*
 - (b) the number of EPs attributed to Frequency Bands for which the Bidder holds the SHB at the end of the immediately preceding Round (except for that Frequency Band the Bidder submits a Valid Bid or a Withdrawal in the Round)
 - A Bidder who reduces its Activity Level in a Round will have fewer EPs in the subsequent Round. Thus, EPs once reduced will not be increased

Auction Arrangements and Logistics

•Overview of the Auction Mechanics (5/8)

Non-discretionary Bidding

- Bidders to place Bid at the Round Price set by the Auctioneer
 - Round Price for the 1st Round is set at Minimum Fee level
 - Round Price for the immediately following Round will be increased if at least one Bid is received

Determination of SHB

- Determination of SHB for a Frequency Band in a Round
 - If number of Valid Bid = 0
 - no SHB, unless there is a SHB in the immediately preceding Round in which case that SHB will remain as the SHB
 - If number of Valid Bid = 1
 - that Valid Bid will be the SHB
 - If number of Valid Bid > 1
 - the software platform will select the SHB by random

Auction Arrangements and Logistics

•Overview of the Auction Mechanics (6/8)

Withdrawal of SHBs

- Bidders can withdraw their SHBs in no more than 3 Rounds, but subject to potential withdrawal liability:
 - If subsequent Valid Bid(s) \geq withdrawn SHB,
 - no Withdrawal liability
 - If subsequent Valid Bid(s) $<$ withdrawn SHB
 - Withdrawal liability = withdrawn SHB – the next subsequent highest Valid Bid (subject to a cap of 30% of the withdrawn SHB)
 - If there is no subsequent Valid Bid
 - Withdrawal liability = 30% of the withdrawn SHB



Auction Arrangements and Logistics

•Overview of the Auction Mechanics (7/8)

Waiver

- Bidder can submit / be deemed to submit a Waiver in no more than 3 Rounds and its EPs are maintained
 - In the first Round, submission of Waiver is not allowed since each Bidder is obliged to submit a Valid Bid for at least one Frequency Band
 - In any subsequent Round, Bidders may actively submit a Waiver or may be deemed to have submitted a Waiver if it fails to take any action in a Round



Auction Arrangements and Logistics

•Overview of the Auction Mechanics (8/8)



Bidding Stage Closure

- The Bidding Stage will end where:
 - there is a Round in which no Valid Bids, no Withdrawals and no Waivers are submitted by any of the Bidders; or
 - the Round is specified by the Auctioneer as the final Round in which Bidders are permitted to submit Valid Bids for the Frequency Bands at any amount at or above the Round Prices
 - Provisional Successful Bidders are those who hold the SHB on the Frequency Bands at the end of the Bidding Stage



Auction Arrangements and Logistics

- **Bidder System Requirements**

- ▶ The auction platform is accessible through a standard internet browser - no specific software is required
- ▶ However, in order to access the platform, Java needs to be installed on the client computer and enabled in the browser
- ▶ Bidders are recommended to use the latest version of the following software to access the platform:
 - (a) Windows XP or Windows Vista with Internet Explorer or Firefox, and Java; or
 - (b) Mac OS X with Safari and Java
- ▶ Bidders are required to install digital certificates needed for authentication and data encryption before the auction



Auction Arrangements and Logistics

- **Bidder Contingency Plan**

- ▶ The auction platform can be accessed from any computer that meets the system requirements (though multiple logins are not possible), and all auction data is held on the server, so bidders can resume bidding from an alternative location in case they experience problems
- ▶ It is recommended that bidders have
 - back-up facilities and locations
 - multiple means of accessing the Internet
 - use Waivers in the event of technical difficulties
- ▶ In addition, there are provisions for manual bids
 - The Auctioneer may enter the bids on behalf of Bidders who encounter technical difficulties temporarily
 - Bidders must inform the Authority as soon as possible to ensure there is sufficient time for their bids to be submitted by fax



Auction Arrangements and Logistics

- **Bidder Interface (1/4)**

- ▶ Main elements:

- Main window - automatically updated as auction progresses
- Clock panel - shows auction clock, server connection status and round status
- Menu panel - access to auction history and log-out
- Messages panel - shows links to messages from the auctioneer

- ▶ Main window provides

- Round schedules and auction status information
- Bid forms
- Bid confirmation pages
- Bid summary
- Information about eligibility, remaining waivers and withdrawal rounds, prices etc.

- ▶ Auction history allows bidders to view pertinent information on a round-by-round basis



DotEcon WebBidder - Bidder Interface - Microsoft Internet Explorer

File Edit View Favorites Tools Help

Back Forward Stop Search Favorites

Address

OFTA Office of the Telecommunications Authority
Auction System

Auction time:
Wed 22 Oct
11:18:57

Waiting for round to start

No unread messages
Connected to server

Bidder1

Auction history

Logout

Messages:
[Full screen](#)

No messages

Round 3 scheduled.

Round 3 will start on Wednesday, October 22 at 11:22 and end on Wednesday, October 22 at 11:27.

Your current position is:

Eligibility Points: 6

Spectrum Cap: 30 MHz

Number of Rounds Bidder may exercise Waiver: 3

Number of Rounds Bidder may exercise Withdrawal(s): 3

Round Prices set by the Auctioneer:

Frequency Band:	A1 (2300 - 2330 MHz)
Bandwidth:	30 MHz unpaired
Eligibility Points:	6
Standing Highest Bid:	HK\$200,000,000
Standing Highest Bidder	
Round Price:	HK\$220,000,000
Frequency Band:	A2 (2330 - 2335 MHz)
Bandwidth:	5 MHz unpaired
Eligibility Points:	1
Standing Highest Bid:	-
No action	
Round Price:	HK\$25,000,000
Frequency Band:	A3 (2335 - 2345 MHz)
Bandwidth:	10 MHz unpaired
Eligibility Points:	2
Standing Highest Bid:	-
No action	
Round Price:	HK\$50,000,000

Applet loader started

start

Internet

11:19 AM

Note: This screenshot is for illustration purpose only. Actual screenshots used in the Auction may vary without further notice.

Auction Arrangements and Logistics

• Bidder Interface (2/4)

- ▶ Bid submission process consists of:
 - Bid submission
 - Bid confirmation
- ▶ Submitted bid will be checked by the system for compliance with rules
- ▶ Invalid bids will be rejected, and the bidder will receive warnings indicating the reasons for non-compliance
- ▶ Bidder can then amend bid and re-submit
- ▶ Valid bids are presented for confirmation
 - Bidder can change bid and resubmit
 - Once confirmed, a bid cannot be changed

Frequency Band:	A1 (2300 - 2330 MHz)
Bandwidth:	30 MHz unpaired
Eligibility Points:	6
Standing Highest Bid:	HK\$200,000,000
Standing Highest Bidder:	
Round Price:	HK\$220,000,000
Bid:	<input type="checkbox"/>
Withdrawal:	<input type="checkbox"/>

Frequency Band:	A2 (2330 - 2335 MHz)
Bandwidth:	5 MHz unpaired
Eligibility Points:	1
Standing Highest Bid:	-
No action:	
Round Price:	HK\$25,000,000
Bid:	<input type="checkbox"/>

Frequency Band:	A3 (2335 - 2345 MHz)
Bandwidth:	10 MHz unpaired
Eligibility Points:	2
Standing Highest Bid:	-

Auction Arrangements and Logistics

- **Bidder Interface (3/4)**

- ▶ After a round is completed, auctioneer checks bids and round results and releases them to bidders
- ▶ Bidders can see whether they are standing highest bidder on a lot on which they have submitted a bid, or have been outbid
- ▶ This information will also be available for previous rounds through the auction history

Bidder 1:

Results by Frequency Bands:

Frequency Band:	A1 (2300 - 2330 MHz)
Bandwidth:	30 MHz unpaired
Eligibility Points:	6
Standing Highest Bid:	HK\$200,000,000
Standing Highest Bidder	

Bidder 2:

Results by Frequency Bands:

Frequency Band:	A1 (2300 - 2330 MHz)
Bandwidth:	30 MHz unpaired
Eligibility Points:	6
Standing Highest Bid:	HK\$200,000,000
Outbid	



Auction Arrangements and Logistics

- **Bidder Interface (4/4)**

- ▶ ‘Making a bid’ consists of ticking the boxes on which bidders want to bid at the round price (subject to eligibility and spectrum cap constraints)
- ▶ In round 1, bidders can only make bids
- ▶ Starting from Round 2, Bidders can:
 - Submit a Bid
 - In respect of their SHB, further submit a Bid / maintain it / withdraw it
 - Submit a Waiver
 - Take no action, in which case they will be deemed to have submitted a waiver (subject to having waivers remaining)



DotEcon WebBidder - Bidder Interface - Microsoft Internet Explorer

File Edit View Favorites Tools Help

Back Forward Stop Search Favorites

Address [http://www.ofta.gov.hk/...](#) Go Links

OFTA Office of the Telecommunications Authority
電訊管理局

Auction System

Powered by **DotEcon**

Auction time:
Wed 22 Oct
11:22:25

Within round:
no decision

Left: 04m35s

No unread messages

Connected to server

Bidder1

Auction history

Logout

Messages:
[\[Full screen\]](#)

No messages

Bid Form:

(1) If you wish to submit a Bid, please select the Frequency Band(s) you wish to bid and click on the Submit button.
(2) If you do not wish to submit any Bid, please click on the Submit button directly. In such case, your Eligibility Points will be reduced to zero in the next Round. You will not be eligible to participate further.
(3) If you wish to submit a Waiver, click on the Waiver button. Your Eligibility Points will remain unchanged in the next Round.

Frequency Band:	A1 (2300 - 2330 MHz)
Bandwidth:	30 MHz unpaired
Eligibility Points:	6
Standing Highest Bid:	HK\$200,000,000
Standing Highest Bidder	
Round Price:	HK\$220,000,000
Bid	<input type="checkbox"/>
Withdrawal	<input type="checkbox"/>

Frequency Band:	A2 (2330 - 2335 MHz)
Bandwidth:	5 MHz unpaired
Eligibility Points:	1

Submit

Reset

Waiver

Applet loader started

start > R... Auc... Dot... Dot... Dot... Doc... Pre... ~2... EN 11:22 AM

Note: This screenshot is for illustration purpose only. Actual screenshots used in the Auction may vary without further notice.



DotEcon WebBidder - Bidder Interface - Microsoft Internet Explorer

File Edit View Favorites Tools Help

Back Forward Stop Search Favorites

Address [http://www.ofta.gov.hk/...](#) Go Links

OFTA Office of the
Telecommunications
Authority
電訊管理局

Auction System

Powered by
WebBidder **DotEcon**

Auction time:
Wed 22 Oct
11:22:48

Within round
no decision

Left: 04m12s

No unread messages

Connected to server

Bidder2

Auction history

Logout

Messages:
[\[Full screen\]](#)

No messages

Bid Form:

(1) If you wish to submit a Bid, please select the Frequency Band(s) you wish to bid and click on the Submit button.
(2) If you do not wish to submit any Bid, please click on the Submit button directly. In such case, your Eligibility Points will be reduced to zero in the next Round. You will not be eligible to participate further.
(3) If you wish to submit a Waiver, click on the Waiver button. Your Eligibility Points will remain unchanged in the next Round.

Frequency Band:	A1 (2300 - 2330 MHz)
Bandwidth:	30 MHz unpaired
Eligibility Points:	6
Standing Highest Bid:	HK\$200,000,000
Outbid	
Round Price:	HK\$220,000,000
Bid	<input type="checkbox"/>

Frequency Band:	A2 (2330 - 2335 MHz)
Bandwidth:	5 MHz unpaired
Eligibility Points:	1
Standing Highest Bid:	-

Submit

Reset

Waiver

Applet loader started

start R... Auc... Dot... Dot... Dot... Doc... Pre... ~2... EN Internet 11:22 AM

Note: This screenshot is for illustration purpose only. Actual screenshots used in the Auction may vary without further notice.

“No Bid” and “Deemed Waiver” Scenarios

In respect of any Frequency Band:

(a) Not ticking the “Bid” box + pressing “Submit” + pressing “Confirm” = “No Bid”)

(b) Ticking / Not ticking the “Bid” box but fail to press “Submit” and/or “Confirm” before close of Round (If Waiver is available = “Deemed Waiver”; If no Waiver left = “No Bid”)

Frequency Band:	A1 (2300 - 2330 MHz)
Bandwidth:	30 MHz unpaired
Eligibility Points:	6
Standing Highest Bid:	HK\$200,000,000
Standing Highest Bidder:	
Round Price:	HK\$220,000,000
Bid	<input type="checkbox"/>
Withdrawal	<input type="checkbox"/>

Submit

Step 1: Not ticking “Bid”

Step 2: Pressing “Submit”

Step 3: Pressing “Confirm” in next screen

Frequency Band:	A1 (2300 - 2330 MHz)
Bandwidth:	30 MHz unpaired
Eligibility Points:	6
Standing Highest Bid:	HK\$200,000,000
Standing Highest Bidder:	
Round Price:	HK\$220,000,000
Bid	<input checked="" type="checkbox"/>
Withdrawal	<input type="checkbox"/>

Submit

Step 1: Ticking “Bid”

Step 2: Fail to press “Submit” and/or “Confirm” in next screen before close of Round



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4. **Highlights of Auction Rules**
5. Questions & Answers



Highlights of Auction Rules

- **General**

- ▶ Terms and conditions of the Auction are published in the Gazette by the TA on 3 October 2008 (see Appendix B of the Information Memorandum)
- ▶ Each Bidder, after submission of the Application, must comply with the terms and conditions of the Notice
- ▶ The TA has the discretion to disqualify and/or impose Penalty for any breach of terms and conditions of the Notice

Highlights of Auction Rules

- Bidder Association Rules / Connected Bidder Rules (1/9)**

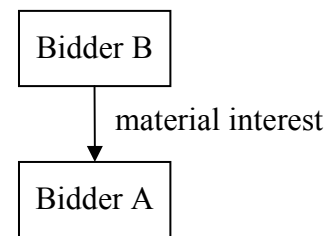
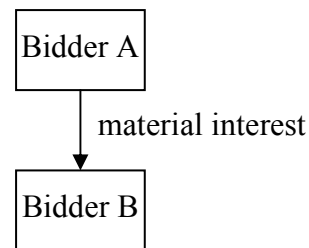
Objectives:-

- ▶ To prevent circumvention of the Spectrum Cap restriction
- ▶ To avoid collusion and manipulation of the Auction

Definition of Connected Bidders:-

Bidder A is a Connected Bidder in relation to Bidder B if:

- (a) Bidder A holds a “material interest” in Bidder B; or
- (b) Bidder B holds a “material interest” in Bidder A; or

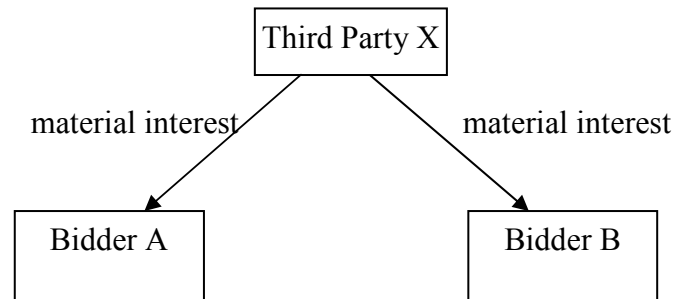


Highlights of Auction Rules

- Bidder Association Rules / Connected Bidder Rules (2/9)**

Definition of Connected Bidders (Cont'd):

(c) A third party holds a “material interest” in both Bidder A and Bidder B





Highlights of Auction Rules

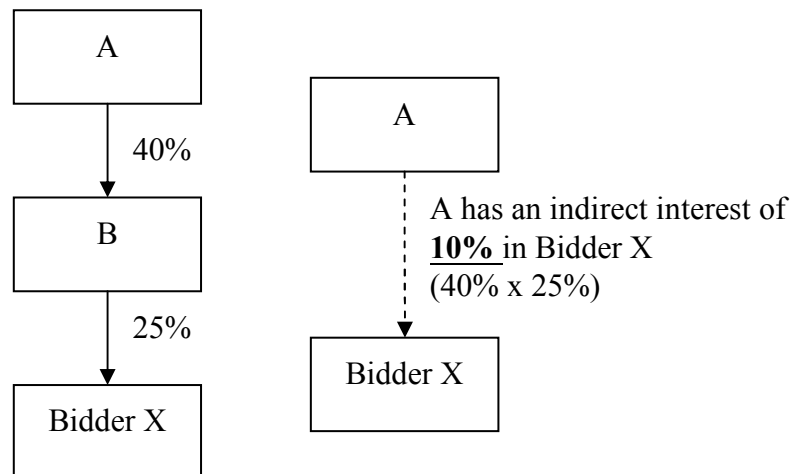
- **Bidder Association Rules / Connected Bidder Rules (3/9)**

A “**material Interest**” refers to a direct or indirect interest of one of the following:-

- ▶ Holding of or right to acquire / subscribe for >25% issued share capital of the body corporate
- ▶ Holding of or right to acquire voting power of >25% issued share capital of the body corporate
- ▶ Control through shareholding / voting power of >50% or through other means by which the affairs of the body corporate are conducted according to the wishes of the holding party

Highlights of Auction Rules

- **Bidder Association Rules / Connected Bidder Rules (4/9)**
 - ▶ Indirect interest and conditional entitlements will be taken into account.
 - ▶ Examples: interest held through nominees, custodians, interposing persons and interest conditional upon terms of a loan agreement
 - ▶ Calculation of Indirect Interest:-
Indirect interest is calculated by multiplying the interposing interests

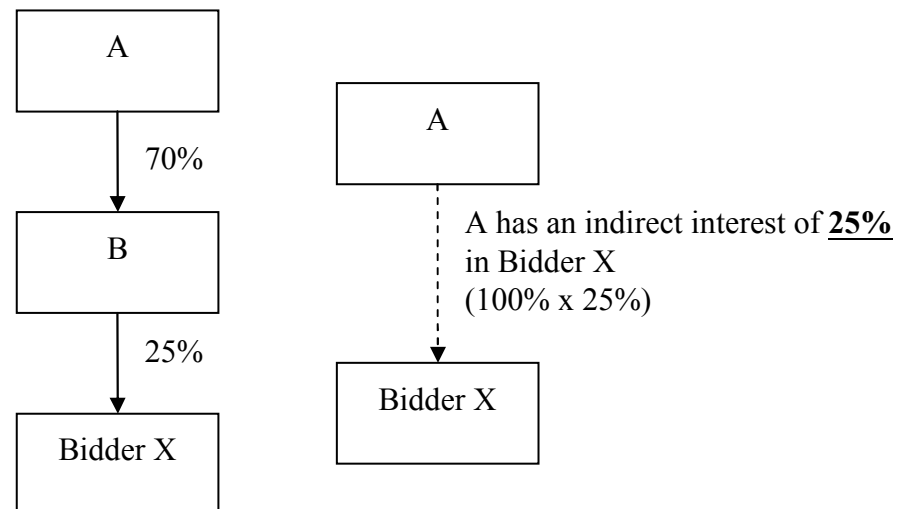


Highlights of Auction Rules

- **Bidder Association Rules / Connected Bidder Rules (5/9)**

- ▶ Calculation of Indirect Interest (Cont'd):-

Any interposing interest exceeding 50% shall be deemed as 100%





Highlights of Auction Rules

- **Bidder Association Rules / Connected Bidder Rules (6/9)**

Application & Announcement of Bidders' Identities:-

- ▶ In the Application Form, each Bidder is required to identify:
 - (i) all parties who have shareholding in the Bidder / whom Bidder has shareholding / who is under common ownership with the Bidder by >15%;
 - (ii) all parties who have a material interest in the Bidder
- ▶ Immediately after the Application Dates but before qualification, the TA will make an announcement of the identities of all Bidders
- ▶ Each Bidder is required to submit a Connected Bidder Statutory Declaration, informing the TA whether it is connected with another Bidder



Highlights of Auction Rules

- **Bidder Association Rules / Connected Bidder Rules (7/9)**

Dealing with Pre-existing Bidder Association:-

- ▶ If 2 or more Bidders are Connected Bidders, they must reorganise or withdraw all but one Application
- ▶ They are required to submit to the TA a joint notification of the reorganisation or the withdrawal of Applications
- ▶ The TA will not qualify a Bidder if it is a Connected Bidder in relation to another Bidder



Highlights of Auction Rules

- **Bidder Association Rules / Connected Bidder Rules (8/9)**

Dealing with Bidders who Become Associated after Qualification:

- ▶ If any change occurs which affects the information submitted in a Bidder's Application Form, the Bidder must immediately notify the TA in writing
- ▶ After Bidding Stage, each Provisional Successful Bidder is required to re-submit a Connected Bidder Statutory Declaration, informing the TA whether it is connected with another Provisional Successful Bidder
- ▶ If 2 or more Provisional Successful Bidders are Connected Bidders and the Spectrum Cap is exceeded, they must reorganise or reach an agreement as to which of their Standing Highest Bids will be withdrawn
- ▶ They are required to submit to the TA a joint notification of the reorganisation or the withdrawal



Highlights of Auction Rules

- **Bidder Association Rules / Connected Bidder Rules (9/9)**

Dealing with Bidders who Become Associated after Qualification (Cont'd):-

- ▶ If the Connected Provisional Successful Bidders fail to disconnect or reach an agreement, the TA will conduct a Sub-Auction among them
- ▶ The Sub-Auction will be a single-round sealed bid auction
- ▶ Each Bidder may offer an additional amount of SUF it is willing to pay
- ▶ The Bidder whose bid offered in the Sub-Auction PLUS Standing Highest Bid(s) offered at the end of the Bidding Stage produce the highest aggregate SUF will be the remaining Provisional Successful Bidder
- ▶ Only one will remain. All others will cease to Provisional Successful Bidders and may be subject to a Penalty up to the full amount of its Deposit



Highlights of Auction Rules

- **Rules in relation to Confidential Information, Collusion, etc. (1/4)**
 - ▶ Bidders must not disclose or permit to disclose “Confidential Information”
 - ▶ “Confidential Information” refers to any information in relation to the Auction which has not been made public by the TA and which would be reasonably expected to have an effect on the conduct and strategy of other Bidders in the Auction
 - ▶ Includes:- business case, auction strategies and bids
 - ▶ Excludes:- information given by one Bidder to another Bidder prior to the Applications Dates for the purpose of considering cooperation with each other in the Auction



Highlights of Auction Rules

- **Rules in relation to Confidential Information, Collusion, etc. (2/4)**
 - ▶ “Insider” means, in relation to a Bidder, any person to whom Confidential Information is disclosed directly or indirectly
 - ▶ Examples:-
 - directors, senior executives, employees
 - professional advisers
 - mother company
 - regulatory authorityto whom confidential information is disclosed
 - ▶ Bidder must ensure that each Insider is aware of the rule not to disclose and must use best endeavours to ensure the Insider’s compliance
 - ▶ Bidder must provide a list of Insiders in the Application Form and inform the TA of any additional Insiders
 - ▶ Bidder must not take steps to obtain Confidential Information of another Bidder



Highlights of Auction Rules

• Rules in relation to Confidential Information, Collusion, etc. (3/4)

- ▶ If a director/ employee/ agent / Insider of a Bidder is also a director/ employee/ agent / Insider of another Bidder, the Bidders must ensure that person:
 - ▶ shall not take part in the preparation of the Auction
 - ▶ shall not pass Confidential Information from one Bidder to another Bidder or its Insiders
 - ▶ shall not be an Authorised Representatives of any of the Bidders
 - ▶ shall not take part or participate in the Auction



Highlights of Auction Rules

• Rules in relation to Confidential Information, Collusion, etc. (4/4)

- ▶ Bidders and their Insiders must not attempt to collude or to manipulate the Auction
- ▶ Bidders must not contravene the Prevention of Bribery Ordinance (Cap. 201)
- ▶ Examples:-
 - Section 6 “Bribery for procuring withdrawal of tenders”
 - Section 7 “Bribery in relation to auctions”
 - Section 12A “Conspiracy”
- ▶ If any person by any deceit and with intent to defraud the TA in the course of the Auction, e.g. conspire to refraining from bidding, may be subject to criminal investigation and prosecution



Highlights of Auction Rules

- **Important Rules applicable to Provisional Successful Bidders (1/2)**
 - ▶ “Approval”: shareholder approval required by law or regulatory authority, not capable of being obtained prior to Application
 - ▶ Within 2 Business Days after the Provisional Successful Bidder Notice, Provisional Successful Bidder must inform the TA whether it is subject to an “Approval” and if yes, the details
 - ▶ Provisional Successful Bidder must obtain the Approval (if required) within 10 Business Days after the publication of the Provisional Successful Bidder Notice
 - ▶ Deadline may be extended only in very exceptional circumstances



Highlights of Auction Rules

- **Important Rules applicable to Provisional Successful Bidders (2/2)**
 - ▶ Within 30 Business Days after the Provisional Successful Bidder Notice, Provisional Successful Bidder must:
 - pay to the TA Spectrum Utilization Fee and
 - provide a Performance Bond to the TA
 - ▶ The TA may consider request for off-setting all or part of the SUF by the cash Deposit of the Bidder
 - ▶ The Performance Bond must be issued by a Qualifying Bank



Agenda

1. Opening Remarks
2. Timetable and Highlights
3. Auction Arrangements and Logistics
4. Highlights of Auction Rules
5. Questions & Answers



Questions & Answers

- Supply of Spectrum
- Network Rollout and Performance Bond
- Auction Logistics
- Auction Rules
- Others



Q&A – Supply of Spectrum

- What is the likelihood of the availability of the frequency range of 2515-2540 MHz and 2570-2600 MHz for assignment by 2011?
- What is the timeframe for introduction of spectrum trading?




Q&A – Network Rollout and Performance Bond

- For mobile service coverage requirement to cover at least 50% of population, what is the reference to be used for the demographic information? Will the measurement be done only in outdoor environment?
- Will there be any early release of the Performance Bond if the network and service rollout requirements are fulfilled before the end of the 5-year period?



Q&A – Auction Logistics

- 
- How do you set Round Prices between any two consecutive Rounds in both the case of upward adjustments and downward adjustments?
 - What is the mechanism that the software platform will use for random selection of the Standing Highest Bid in each Round?



Q&A – Auction Rules

- For those Frequency Bands that are left unassigned following the Auction (e.g. due to subsequent disqualification of the Provisional Successful Bidder), would they be assigned to the second highest Bidder during the Auction?



Q&A – Others

- Will OFTA provide a software to Bidders to carry out a “mock bidding” prior to the start of the Bidding Stage?
- Will OFTA post all the questions and answers on its website? What can we do for follow-up questions?



Thank you

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