

**COMMENTS**

**ON**

**Consultation Paper on**

**“Audit related provisions of Telecommunication  
(Broadcasting & Cable) Services Interconnection  
(Addressable systems) Regulations, 2017**

**And**

**Telecommunication (Broadcasting & Cable) Services  
Digital Addressable Systems Audit Manual**

Dated 09.08.2024

BY

**SITI NETWORKS LIMITED**



Date : 6<sup>th</sup> September 2024

To,

Shri Deepak Sharma

Advisor (B&CS),

Telecom Regulatory Authority of India.

**Subject: Comments on behalf of SITI Networks Limited (“SITI”) on the Consultation Paper “Audit related provisions of Telecommunication (Broadcasting & Cable) Services Interconnection (Addressable systems) Regulations, 2017 And Telecommunication (Broadcasting & Cable) Services Digital Addressable Systems Audit Manual (“CP”).**

Dear Sir,

We would like to extend our thankfulness to the Authority for issuing the CP and providing us with an opportunity to share our comments on the CP for the captioned subject.

This CP is a commendable attempt whereby it is expected that it will help in ensuring transparency, accountability, and adherence to regulatory standards, which is crucial for maintaining fair market practices and protecting consumer that the new scenario will be more balanced

We now are submitting our views and comments on the requisite issues raised in CP:

Q1. Should provision of Regulation 15(1) be retained or should it be removed in the Interconnection Regulation 2017?

- i. In case you are of the opinion that provisions of Regulation 15(1) should be retained then
  - a. Should it continue in its present form, or do they need any modifications?
  - b. In case you are of the opinion that modifications are required in Regulation 15(1) of the Interconnection Regulation 2017, then please suggest amended regulations along with detailed justification for the same.
- ii. In case it is decided that provisions of Regulation 15(1) should be removed then what mechanism should be adopted to ensure that the monthly subscription reports made available by the distributors to the broadcasters are complete, true and correct?

**OUR REPLY :**

In our opinion, existing provision of Regulation 15(1) be retained,

As rightly stated in the Consultation Paper that Audit of DPO systems is a tool to verify the correctness of data and systems specification as per the requirements under the regulations and that Audit of the systems of DPO is necessary to ensure that the systems deployed by a DPO are addressable as per the regulatory requirement.

It is to be noted that one of the main objectives of the Authority is to ensure compliance and bring in transparency in the entire value chain and accordingly DPO Audit is one of the tools for ensuring compliance and bringing transparency. Accordingly, clause 15(1) of the Interconnection Regulations was introduced, which in our opinion confirms the purpose as stated above. **Hence, in our opinion the existing provision of clause 15 (1) related to DPO Audit is to be retained.**

So far as the issue of conducting the audit by very a smaller number of DPOs is concerned, it is suggested that TRAI should take strict action against those defaulting DPOs. It is observed that though law is there for taking penal action by TRAI, but the said law is not effectively implemented, and it did not appear that any adequate action is taken by TRAI against those defaulting DPOs, which has caused in increased number of defaults. We therefore suggest that a strict action to be taken by TRAI against those defaulters by imposing financial disincentives to the tune 10 lacs on DPOs and if the default is continued despite reminders and notices by TRAI, in such a case TRAI should suggest cancellation of their license. In addition, we should introduce similar law as mentioned in RERA that the name of defaulter should be published on the website of TRAI.

Not only this, but some imposition fine should also be levied on those Broadcasters, despite having knowledge, opt to continue providing signals to those DPOs who is defaulting in conducting audit and/or no audit report is being sent to the Broadcasters. If the broadcasters continue providing signals to those defaulting DPOs and not disconnect their signals which means that the broadcasters are also abetting the default and hence there should be financial disincentives against those broadcasters also.

**We therefor sincerely, emphasize that, as the existing Regulation 15 (1) is appropriate provision, and it should definitely be retained "as it is", however, to make it effective above suggested steps may be taken, which will help in ensuring its compliance.**

**Q2. Should small DPOs be exempted from causing audit of their systems every calendar year, under Regulation 15(1) of Interconnection Regulation?**

A. If yes, then,

1. Should 'subscriber base' of DPO be adopted as a criterion for defining small DPOs for this purpose?
  - (i) If yes,
    - a. what limit of the subscriber base should be adopted to define small DPOs for the purpose of exempting them from causing audit of their systems under Regulation 15(1)?

- b. on which date of the year should the DPOs' subscriber base be taken into consideration for categorising whether or not the DPO falls in exempted category?
  - c. In case any distributor is offering services through more than one distribution platforms e.g. distribution network of MSO, IPTV, etc. then should the combined subscriber base of such distributor be taken into consideration for categorising whether or not the distributor falls in exempted category?
- (ii) If 'subscriber base' criterion is not to be adopted, then what criteria should be selected for defining small DPOs?

**2. In case it is decided that small DPOs may be exempted from causing audit of their systems under Regulation 15(1), then should broadcasters be explicitly permitted to cause subscription audit and/or compliance audit of systems of such DPOs, to verify that the monthly subscription reports made available by the distributor to them are complete, true and correct?**

1. If yes, what should be the mechanism to reduce burden on small DPOs that may result due to multiple audits by various broadcasters?
2. If no, what should be the mechanism to verify that the monthly subscription reports made available by the small DPOs to the broadcasters are complete, true and correct?

## **OUR REPLY**

Before reverting on this question, we need to review and examine that if a poor person is found guilty of a crime and a rich person is also proven guilty of same crime – will the law of any country be different in punishing them. The law of land never differentiates any person based upon his financial condition and punishes all the defaulter in non-discriminatory manner. Similarly, all DPOs should be mandated to cause audit, irrespective of size of subscribers or capital.

We would like to emphasize that conducting of audit by some DPOs and not by others will create chaos. Non-audit by certain DPOs may lead to unauthorized distribution of services and non-declaration of correct number of subscribers being serviced by those DPOs, and hence it would not only deviate from the principal of transparency but also effect the implementation of digitization. Consequent upon which it may not only lead to increase in piracy but also lead to entering into the fixed fee deals.

We would like to bring your attention to the probable issue that some of the bigger DPOs may take advantage of this loophole and take multiple licenses and would keep the size in the category of smaller DPO and would not conduct the audit.

Meaning of significantly low subscriber base is not indicated in Consultation Paper, whether it is on the basis of subscriber base or on capital or the DPO suffering losses in conducting MSO business. Presuming the smaller DPO means with a subscriber base of 20,000 subscribers, must be earning must be earning Rs. 100/- per subscriber per month which means Rs. 20 lacs per month and Rs. 2.40 crores in any year. With such amount of earning, spending a lac of rupees on single audit is not unreasonable and very much affordable.

Any exemption to clause 15(1), will increase the underreporting and unauthorized distribution, which will affect all the stakeholders and also a huge loss to government.

**We, therefore, are of the opinion that there should not be different regulations for different DPOs, and the regulations should be same for all the DPOs as any exemption to smaller DPOs will increase the disparity, have adverse impact on industry and also increase the cases of non-compliance of the Regulation.**

**B. If you are of the view that the small DPOs should not be exempted from the mandatory audit, then**

- i. how should the compliance burden of small DPOs be reduced?**
- ii. should the frequency of causing mandatory audit by such small DPOs be decreased from once in every calendar year to say once in every three calendar years?**
- iii. alternatively, should small DPOs be permitted to do self-audit under Regulation 15(1), instead of audit by BECIL or any TRAI empanelled auditor?**

## **OUR REPLY**

In our opinion, there is not much difference in terms of cost, time and process for conducting financial audit as mandated in the Companies Act and DAS Audit as per TRAI Regulation. Rather financial audit would be more time-taking and would require more resources. We did not find that there would be a great burden on small DPOs for conducting only One Audit in one calendar year, as it would be less time taking, less consumption of resources and less financial burden than financial audit.

Regulation needs to be same for everyone and it shall not create disparity or an arbitrage situation between big and small DPOs. Hence, it is apparent that there is no such compliance burden on the smaller DPOs.

So far as conducting of self-audit is concerned, we would like to bring your attention, that a person who is providing the services (and maintaining the records) should not be appointed as auditor for his own function, which would defeat the purpose of Audit. Purpose of any audit is inspecting/scrutiny of data or system of any person/entity by a third party not involved in the affairs of the Entity/person so that a fair view could be drawn for fairness and correctness. In view of this - conducting of audit by same person who is doing the activity would defeat the purpose of audit.

In view of above, it is clarified that there is not much cost or time involved nor any complexity is there for conducting one audit, therefore non-conducting of audit or decreasing the frequency from one year to three years, will defeat the purpose of digitization and would also have the consequences as stated in previous paragraphs beside increasing the legal matters.

**We, therefore, suggest that there should neither be any exemption for small DPOs nor be change in the frequency of audit nor there should be self-audit.**

**Q3. As per the existing Interconnection Regulation, all the distributors of television channels have been mandated to cause audit of their system once in a calendar year. Should the existing provision of “calendar year” be continued or “financial year” may be specified in place of calendar year? Please justify your answer with proper reasoning.**

**OUR Response :**

The existing provision of calendar year may be replaced with financial year, which will bring conformity and similarity with other accounting and taxation practices and laws, as all the books of accounts and audits in India are based on the financial year. Continuing the period of calendar year will not be in synchronization with the annual financial year, therefore, calendar year may be replaced with financial year.

**Q4. As per the existing Interconnection Regulation, the annual audit caused by DPO under regulation 15 (1), shall be scheduled in such a manner that there is a gap of at least six months between the audits of two consecutive calendar years and there should not be a gap of more than 18 months between audits of two consecutive calendar years. Instead of above, should the following schedule be prescribed for annual audit?**

- i. The DPOs may be mandated to complete annual audit of their systems by 30th September every year.
- ii. In cases, where a broadcaster is not satisfied with the audit report received under regulation 15(1), broadcaster may cause audit of the DPO under Regulation 15(2) and such audit shall be completed latest by 31st December.
- iii. In case DPO does not complete the mandatory annual audit of their systems by 30th September in a year, broadcaster may cause audit of the DPO under Regulation 15(2) from 1st October to 31st December year. This shall not absolve DPO from causing mandatory audit of that year by 30th September and render the non-complaint DPO liable for action by TRAI as per the provisions of Interconnection Regulation 2017?

Justify your answer with proper reasoning.

## OUR Response :

We welcome the above said proposal and appreciate the same. This (being time bound) will bring seriousness and discipline in conducting audit. This will also reduce the conflicts and disputes between DPOs and broadcasters, as broadcasters seek queries even after 6 months or for the previous year from the audit.

We therefore agree with above proposal however, it is requested that this provision should be implemented strictly to bring positive results and true intent.

### **Q5. In case you do not agree with schedule mentioned in Q4, then you are requested to provide your views on the following issues for consultation:**

- i. As per the existing Interconnection Regulation, the annual audit caused by DPO under regulation 15(1), shall be scheduled in such a manner that there is a gap of at-least six months between the audits of two consecutive calendar years and there should not be a gap of more than 18 months between audits of two consecutive calendar years. Does the above specified scheduling of audit need any modification? If yes, please specify the modifications proposed in scheduling of audit. Please justify your answer with proper reasoning.
- ii. For the audit report received by the broadcaster from the DPO (under regulation 15(1)), should the broadcasters be permitted to cause audit under regulation 15(2) within a fixed time period (say 3 months) from the date of receipt of that report for that calendar year, including spilling over of such period to the next year?
  - If yes, what should be the fixed time period within which a broadcaster can cause such audit. Please support your answer with proper justification and reasoning.
  - If no, then also please support your answer with proper justification and reasoning?
- iii. **In case a DPO does not cause audit of its systems in a calendar year as specified in Regulation 15(1) then should broadcasters be permitted to cause both subscription audit and/or compliance audit for that calendar year within a fixed period (say 3 months) after the end of that calendar year?**
  - **If yes, what should be the fixed time period (after the end of a calendar year) within which a broadcaster should be allowed to get the subscription audit and/or compliance audit conducted for that calendar year? Please support your answer with proper justification and reasoning.**
  - **If no, then also please support your answer with proper justification and reasoning?**

**OUR RESPONSE :** As we are in agreement with above proposals and hence this question is not applicable for us.

**Q6. What measures may be adopted to ensure time bound completion of audits by the DPOs? Justify your answer with proper reasoning.**

**OUR RESPONSE :**

In order to ensure time bound completion of audits by the DPOs, we suggest the following measures:

1. TRAI should take strict action against defaulting stakeholders, as it is observed that there is hardly any penal is action by TRAI, which has caused in increased number of defaults. We therefore suggest that a strict action to be taken by TRAI against defaulters by imposing financial disincentives to the tune of Five lacs on first default and 10 lacs on second default and one lac per day on continuing default and if the default is continued despite reminders and notices by TRAI, in such a case TRAI should suggest cancellation of their license.
2. Not only this, but some imposition should be there on Broadcasters also, that despite knowing that any DPO is defaulting in audit and no audit report is being sent to the Broadcasters, but broadcasters are continuing providing signals to those defaulting DPOs and not disconnecting their signals which means that the broadcasters are also abetting the default and hence there should be financial disincentives against those broadcasters also.
3. In addition, all their queries from the broadcasters related to Audit should be provided by the broadcaster to the DPO/Auditor within 15 days of receipt of audit report. This will help in reduction of significant time of the audit as well as it will also ensure time bound completion.

**Q7. Stakeholders are requested to offer their feedback on the amendments proposed in the Audit manual in this consultation paper (CP) in the format as given in Table 2.**

Table 2: Format for stakeholders' response on issues related to audit manual raised in this consultation paper



**OUR REPLY :**

S. No	Page number of the existing Audit Manual	Clause number of the existing Audit Manual	Do you agree with the amendment proposed in this CP (Yes/No)	If you do not agree with the amendment proposed in this CP, then provide amended Clause proposed by you	Reasons with full justification of your response
1.	23	7.B.11	No	Auditor should obtain fingerprint Schedules from some ( <b>maximum</b> 2 broadcaster channels distributed by the DPO.	The purpose of this clause to ensure by the Auditor that the system of FP is working properly, asking FP of many broadcasters would create complexities, hence it should confine to certain numbers, which we suggest 2.
2	Page 24	7.B.14	No	To be removed	This Contradicts with Infra-Sharing Guidelines (details of which is mentioned in Answer 9)
3.	26	7.C.8	No	To be modified	This should not be applied for the STBs deployed before 2017.

4.	26	7.C.9	No	To delete the last sentence	Before 2012 BIS Certification was not required, in such a case only certificate from Vendor should be required
5	37-38	18.A.2	No		Should be in accordance with the new proposed suggestion in this CP for Financial year

**Q9. In light of the infrastructure sharing guidelines issued by MIB, should clause D-14 (CAS & SMS) of Schedule-III of Interconnection Regulation 2017, be amended as follows:**

*“The watermarking network logo for all pay channels shall be inserted at encoder end only.*

*Provided that only the encoders deployed after coming into effect of Telecommunication (Broadcasting and Cable) Services Interconnection (Addressable Systems) (Amendment) Regulations, 2019 (7 of 2019) shall support watermarking network logo for all pay channels at the encoder end.*

*In case of infrastructure sharing, the infrastructure sharing provider shall insert its watermarking network logo for all pay channels at encoder end while each DPO taking services from infrastructure provider distributor shall insert its own watermarking network logo for all pay channels at STB end.”*

Please support your answer with proper justification and reasoning. If you do not agree then suggest an alternative amendment, with proper justification?

**OUR REPLY :**

Inserting logos through encoder, in case of infrastructure sharing will not only complicate the scenario but also have additional cost. In our opinion the issue of piracy can also be addressed by DPO triggered Fingerprint. By such Fingerprinting broadcaster shall be able to identify the Infrastructure Provider using Broadcaster triggered Fingerprint This can still serve the purpose in the following way in case someone is able to alter/ mask the watermark logo:

Not only the intricacies, this will irritate the viewers also, as he will see THREE Logos (one of broadcaster, and two of service providers beside running of messages and scroll.

We therefore suggest that Encoder Level Logo Insertion should not be mandated and only STB Level Logo insertion can serve the purpose of Infrastructure sharing needs and Anti-Piracy requirements

**Q10. In case of infrastructure sharing, if it is decided that the infrastructure sharing provider shall insert its watermarking network logo for all pay channels at encoder end while each DPO taking services from infrastructure provider distributor shall insert its own watermarking network logo for all pay channels at STB end**

- i. does the specification of the logos (transparency level, size, etc), of both Infrastructure provider and infrastructure seeker distributors, need to be regulated? If yes, please provide detailed specification (transparency level, size, etc) of the logos of both Infrastructure provider and infrastructure seeker distributor
- ii. Since appearance of the logos of more than one DPO on the TV screen may compromise the quality of the video signal at the subscriber's end, what measures such as overlapping logos of the DPOs or any other solution, should be adopted to ensure that while logo of the DPO (infrastructure seeker) is prominently visible on the subscriber's TV screen, the objective of tracing piracy is also met through watermarking the network logo of the infrastructure provider DPO suitably? Please provide details of measure proposed.

Please support your answer with proper justification and reasoning

#### **OUR REPLY :**

- Insertion of two logos will not only lead to complexities and complications but also irritate and disturb the subscriber viewing experience. This would mean that the subscriber will be watching three logo (i) one from the Infra Service Provider, (ii) other from the Infra Service receiver and (iii) From the Broadcaster. This will be in addition to the forced messages or scroll to be run by the DPOs.
- This will not only deteriorate the customer viewing experience but also confuse him that who is the real service provider.
- The purpose of controlling the piracy can be tackled by the flashing of FP at Broadcaster level and STB level
- We suggest that current level of transparency around 80% is to be maintained for DPO logo. Further in our opinion, that logos of both the DPOs be
- In view of above, it is suggested that two logos should not be inserted.

Q11. In light of the infrastructure sharing guidelines issued by MIB, should clause C-14 (CAS & SMS) of Schedule-III of Interconnection Regulation 2017), be amended as follows:

*“The CAS shall be independently capable of generating, recording, and maintaining logs, for a period of at least immediate preceding two consecutive years, corresponding to each command executed in the CAS including but not limited to activation and deactivation commands issued by the SMS.*

*In case Infrastructure is shared between one or more distributors, the CAS shall be capable of generating, recording, and maintaining logs for each distributor separately for the period of at least immediate preceding two consecutive years, corresponding to each command executed in the CAS including but not limited to activation and deactivation commands issued by the SMS.”*

Please support your answer with proper justification and reasoning. If you do not agree then suggest an alternative amendment, with proper justification?

**OUR REPLY :** The proposed amendment is agreeable from our side.,

**Q12. For those cases of infrastructure sharing where the CAS and SMS are not shared by the infrastructure provider with the infrastructure seeker,**

- i. do you agree that in such cases, the audit of the infrastructure seeker so far as the shared infrastructure is concerned, should extend to only those elements of the infrastructure of the provider which are being shared between the DPOs?
- ii. should a broadcaster be permitted to cause the complete technical audit of all the DPOs, including the audit of the shared infrastructure, as a precondition for the broadcaster to provide the signals of television channels, if the broadcaster so decides?

Please support your answers with proper justification and reasoning.

**OUR REPLY :**

- i) We agree that the audit of the infrastructure seeker so far as the shared infrastructure is concerned, should extend to only for those elements of the infrastructure of the provider which are being shared between the DPOs, otherwise it would not only lead to duplication of work but also complicate the situation, which otherwise will waste time, energy and resources, beside financial burden.
- i) No, in our opinion this should not be a precondition, as audit of the infrastructure provider has already been taken place, hence it should not be a precondition, which will save time & resourced or otherwise delay the process.

**Q13. In case CAS and SMS are shared amongst service providers,**

- i what provisions for conducting audit should be introduced to ensure that the monthly subscription reports made available by the distributors (sharing the**

**infrastructure) to the broadcasters are complete, true, and correct, and there are no manipulations due to sharing of CAS/DRM/SMS?**

- ii should a broadcaster be allowed to simultaneously audit (broadcaster-caused audit) all the DPOs sharing the CAS/DRM/SMS, to ensure that monthly subscription reports are complete, true, and correct in respect of all such DPOs, and there are no manipulations due to sharing of CAS/DRM/SMS? Support your answer with proper justification and reasoning.

**OUR REPLY :**

- i The existing provisions for conducting audit are sufficient to ensure that the monthly subscription reports made available by the DPO to the broadcasters which are complete, true, and correct, and there are no manipulations due to sharing of CAS/DRM/SMS, Similar provisions may be applied in case of infra-sharing service provider.
- ii Broadcaster may be allowed to simultaneously audit (broadcaster-caused audit) all the DPOs sharing the CAS/DRM/SMS,

Q14. Do you agree that in case of infrastructure sharing between DPOs, suitable amendments are required in the Schedule III of the Interconnection Regulation and the audit manual for assessment of multiplexer's logs during audit procedure? If yes, please suggest the proposed amendment(s), keeping in mind that no broadcaster should be able to see the data of another broadcaster. Please support your answer with proper justification and reasoning. If you do not agree, then also please support your answer with proper justification and reasoning?

**OUR REPLY :**

We suggest that if multiplexer is common & we are doing Simulcrypt of signal in such a case broadcaster can see the logs during audit. However, if the DPO is running both feed separately with two different MUX then broadcaster should be allowed only to see his own part.

In addition, it should be mandated that broadcaster should not require the service provider to show the data of other broadcaster.

**Q15. In light of infrastructure sharing, does clause 4.5 of the existing Audit Manual require any amendment? If yes, please suggest the amended clause. Please provide proper justification for your response. If no, then also please support your answer with proper justification and reasoning?**

**OUR REPLY :** The existing provisions may be continued however we need to add "as per infra-sharing declaration done for the respective DPO" in the last of the existing sentence.

**Q16. In light of the infrastructure sharing guidelines issued by MIB, should clause 5.3 and clause 5.4 of Audit Manual be amended to read as follows:**

*“5.3 Certificate from all the CAS vendors (Format as in Annexure 1).*

*5.4 Certificate from SMS vendors (Format as in Annexure 2).*

*Note: In case of Infrastructure sharing, all the certificates/ documents related to CAS and SMS, should be given by the infrastructure provider distributor on the basis of certificate issued to it by CAS and SMS vendor.”*

**OUR REPLY :** We agree with the proposed amendment.

**Q19. Stakeholders may also provide their comments on any other issue relevant to the present consultation.**

**OUR REPLY**

1. As DPO we face a serious problem with respect to Broadcasters audit. They misuse the power granted to them under clause 15(2) which gives them unfettered rights to conduct the audit. They take it as a tool to press upon their certain unfair conditions. Despite the audit done by empanelled auditor of TRAI under clause 15(1), They raises multiple questions which are either trivia or not relevant. Hence the following sentences of clause 15(2) of the regulation be modified:

*In cases, where a broadcaster is **not satisfied with the audit** report received under sub-regulation (1) or, if in **the opinion of a broadcaster** the addressable system being used by the distributor does not meet requirements specified in the Schedule III*

2. The two sentences of clause 15(2) – (i) “*Not satisfied with the audit report*” and (ii) “*in the opinion of a broadcaster*” to be modified and deleted, as this gives unfettered rights to the broadcasters and broadcasters take arbitrary stand.
3. We propose, the revised clause 15(2) should be:

**In cases the Auditor incorporates certain qualifications in his audit report with respect to the subscription reports submitted by the DPO to the broadcaster or with respect to non-confirmation of the requirements** specified in the Schedule III or the Schedule X or both, as the case may be, it shall be permissible to the broadcaster, to conduct the audit provided the DPO could not satisfy the queries of the Broadcaster.

However, in case there is a variation in subscriber base less than 0.5%, then audit should not be allowed.

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