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**Bhutan InfoComm and Media Authority**  
**Royal Government of Bhutan**



**Rules and Regulations for Licensing and  
Operation of Multi-Service Operator (MSO)  
2020**

First edition 2020

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**All inquiries should be addressed to:**

Bhutan InfoComm & Media Authority  
Post Box No. 1072  
Thimphu: Bhutan

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## Chapter: Preliminary

### 1.1 Legal Basis

This Rules and Regulations is issued as per Sections 90 to 128 of the Information, Communications and Media Act of Bhutan 2018 ("the Act") by the Bhutan InfoComm and Media Authority ("the Authority") after it is been approved by the Ministry of Information and Communications ("the Ministry) for licensing and operation of Multi-Service Operator (MSO) within the Kingdom of Bhutan.

### 1.2 Title and Commencement

This Rules and Regulations shall be called as "Rules and Regulations for Licensing and Operation of Multi-Service Operator" and shall come into force on the 4th day of June 2020 corresponding to the 14th day of 4th month of the Bhutanese Iron Male Rat Year.

### 1.3 Scope of Application

This Rules and Regulations shall apply for the establishment and distribution of Cable television content to the Local Cable Operators (LCOs) within the Kingdom of Bhutan and shall be read in conjunction with all other existing codes of practice and Rules issued by the Authority.

### 1.4 Amendments

Amendment to this Rules and Regulations shall be made according to the needs and changes in national priorities, policies and industry trends. The amendment of this Rules and Regulations by way of addition, variation or repeal may be affected, as and when required by the Authority upon approval by the Ministry.

### 1.5 Interpretation

The power to interpret this Rules and Regulations shall vest with the Authority who may issue such instructions as may be necessary to give effect to and implement the provisions of this Rules and Regulations.

### 1.6 Rules of Construction

In this Rules and Regulations, unless the context indicates otherwise, the masculine gender shall include the feminine gender and the singular shall include the plural and vice versa.

### 1.7 Definition

In addition to the following terms, or unless the context requires otherwise, the words and terms used in this Rules and Regulations shall have the same meaning as assigned in the Act.

**Adjusted Gross Revenue** is defined as the Licensee's annual gross revenue generated before tax from Licensed Services minus payments made by the Licensee for interconnection and other inter-operator services that are acquired by the

Licensee in connection with the provision of the Licensed Services determined for the most recently completed financial year of the Licensee.

**Alternative Dispute Resolution Centre** means the Bhutan Alternative Dispute Resolution Centre established as per Alternative Dispute Resolution Act 2013.

**Authority** means the Bhutan InfoComm and Media Authority as established under the provision of the Act.

**Cable Television Service** means the distribution of programmes produced by television broadcasters and other value-added services approved by the Authority through cable and/or wireless systems. This shall not include broadcasting services.

**Cable Television System** means a facility consisting of a set of closed transmission paths and associated signal generation, control and distribution equipment designed to provide cable television service for reception by multiple subscribers within a community.

**Channel** means a television programme distributed by a broadcaster.

**Head-end** means a television operations facility which will serve as a central space where a physical facility or physically dispersed television content can be monitored and controlled before being distributed to the customers.

**Cable Television Systems Operator or Local Cable Operator (LCO)** means any person or group of persons who operates and manages the cable television system.

**Multi-Service Operator (MSO)** means the television content distributor that receives television broadcasting services from broadcaster (national or international content provider) or other value-added services approved by the Authority, and then re-process and transmits the same to one or more licenced cable television operators. This shall not include broadcasting services.

**Subscriber** means an individual, firm, corporation, or any other entity that receives the cable television service from a licensed Cable Television Systems Operator or Local Cable Operator (LCO).

**Value Added Services** means and includes any other additional services approved by the Authority to the existing services provided/distributed through MSO.



## Chapter 2: Licensing Procedure

### 2.1 Requirement of License

Any person who intends to establish, maintain or operate MSO shall acquire a valid license from the Authority. The license granted under this Rules and Regulations shall be non-exclusive.

### 2.2 Eligibility for Licence

Any person who:

- i. Is a citizen of Bhutan,
- ii. Is of sound mind, and
- iii. Has not been, under the laws of Bhutan, declared insolvent, and/or found guilty of a criminal offence concerned either under the Act or any other Act, or his reputation has been restored through due process of the law shall apply.

### 2.3 Application Procedure

- 2.3.1 The application shall be submitted to the Authority along with the Detail Project Report (DPR) for establishing MSO. The format for the DPR shall be as per **Annexure A** of this Rules and Regulations.
- 2.3.2 The Authority shall review the application and require the applicant to make a presentation on their proposal. The presentation shall be part of the assessment of the application.
- 2.3.3 The Authority shall intimate the decision on the application in writing within seven (7) working days after the presentation made by the applicant.
- 2.3.4 The fee for the operation of MSO shall be applicable as prescribed in **Annexure C** of this Rules and Regulations.
- 2.3.5 The Authority shall issue in-principle approval for establishment of MSO system before issuance of MSO operational license. The establishment of MSO head-end system shall be completed on or before one hundred and eighty (180) days from the date of issuance of the in-principle approval.
- 2.3.6 In the event the applicant fails to establish the MSO system within the stipulated time frame, the Authority shall have the right to deny the issuance of the MSO operational license.
- 2.3.7 The applicant shall be issued with a MSO operational license only after the conduct of field verification by the Authority.
- 2.3.8 The applicant shall commence the MSO service only after obtaining formal MSO operational license from the Authority.

### 2.4 Period of licence

The licence shall be issued for a period of ten (10) years counted from the date of issuance of licence by the Authority.

## **2.5 Renewal of License**

The Authority may renew the licence after its expiry based on fulfilment of the license terms and conditions by the Licensee.

## **2.6 Fees**

- 2.6.1 An initial licence fee of Ngultrum Two Hundred thousand (Nu. 200,000) shall be applicable. This fee shall be paid to the Authority while obtaining the formal licence for operation of the MSO.
- 2.6.2 After obtaining the formal licence, the Licensee shall be subject to payment of one percent (1%) of its Annual Adjusted Gross Revenue (AGR) or Ngultrum One Hundred Thousand (Nu.100,000.00), whichever is greater as an annual license fee to the Authority.
- 2.6.3 The annual licence fee shall be paid on or before 31<sup>st</sup> of July of every year. In the event, the Licensee fails to pay the fee within this stipulated time, a penalty of Nu. 50 per day shall be levied for a maximum period of 90 days after which the licence shall be cancelled.





## **Chapter 3: Operation of MSO System**

### **3.1 Provision of Service**

- 3.1.1 The Licensee shall ensure to obtain and submit to the Authority the legitimate distribution right of the approved cable television contents from any foreign/local content providers or from its authorized distributors.
- 3.1.2 The Licensee shall only distribute the television channels approved by the Authority.
- 3.1.3 The Licensee shall restrict provisioning of its service only to the licensed LCOs.
- 3.1.4 The Licensee shall only engage in wholesale services and shall be restricted from engaging in retail services.
- 3.1.5 Distribution of other value added services shall only be permissible after obtaining prior approval of the Authority.

### **3.2 Tariff**

- 3.2.1 The Licensee shall obtain prior approval of the tariff from the Authority for distribution of cable television channel to the LCOs.
- 3.2.2 The cost of distribution of cable television channels to the LCOs shall be on whole-sale rate.
- 3.2.3 The tariff for value added services, if approved by the Authority, shall be unbundled from the approved cable television services.

### **3.3 Accounting Separation**

- 3.3.1 The Licensee shall maintain separate accounts (costs and charges) for different services it offers.
- 3.3.2 Annually an audited accounts details shall be submitted to the Authority.
- 3.3.3 There shall be no cross-subsidy by the MSO made to any entity.

### **3.4 Discontinuation of the Service**

- 3.4.1 In the event of the Licensee deciding to discontinue the operation of the license, the Licensee shall inform the Authority three months in advance and shall continue to provide the service until formal approval is accorded.
- 3.4.2 The application for discontinuation of service shall be submitted in writing along with tax clearance from the Department of Revenue and Customs.

### **3.5 Inspection of records**

- 3.5.1 The Licensee shall maintain a record of operation and shall be made available to the Authority as and when required. The record shall include, but not be limited to

subscriber details, revenue earnings from both cable television services and other value-added services, number of channels, operation and maintenance record, and network details.

3.5.2 The Authority shall have the right to inspect and examine at any time during normal business hours, all books & records of the Licensee

### **3.6 System and Service Standards**

3.6.1 The Licensee shall ensure that the Head-end system has re-processing capability to filter out un-authorized and unwanted television content.

3.6.2 The Licensee shall establish its digital cable television transmission system based on the standards approved by the Ministry.

3.6.3 Any change in standards and technological updates shall be made only with prior approval from the Authority.

3.6.4 The Licensee shall draw and maintain a detailed Service Level Agreement (SLA) with the LCOs.

### **3.7 Safety**

3.7.1 The Licensee shall ensure that its facility is:

- i. Electrically safe for users, subscribers or the employees of the information and communications;
- ii. Electromagnetically compatible with the equipment of LCOs to which it is or will be connected; and
- iii. Fitted with devices that protect radio communications/ICT systems of which it is a part or to which it is connected against electrical, electromagnetic or other similar damages.

3.7.2 In the event of damages caused due to negligence of safety provisions, the Licensee shall bear the cost of repair, replacement or compensation to the LCOs.



## **Chapter 4: Obligations of the MSO**

### **4.1 Obligations of the MSO**

- 4.1.1 Any changes affected to this rules and regulations, shall be adopted by the MSO within a reasonable time frame stipulated by the authority.
- 4.1.2 The Licensee shall ensure subscriber's interests through a Conditional Access System (CAS), which is compatible with an open Architecture (non-proprietary) Set Top Box.
- 4.1.3 The Licensee shall ensure subscriber's interest through a Subscriber Management System (SMS) for an efficient, responsive and accurate billing and collection system.
- 4.1.4 The Licensee shall make adequate provisions for customer care service with a dedicated complaint handling system for twenty-four hours. All complaints shall be recorded and maintained at least for a period of six (6) months.
- 4.1.5 The Turn-Around Time (TAT) for addressing all complaints shall be specified in the licensing terms and conditions between the Authority and the MSO, and SLA executed between the MSO and the LCOs.
- 4.1.6 The Licensee shall ensure that the Bhutan Broadcasting Service channels are included in their channel bouquet free of cost.
- 4.1.7 The Licensee shall disseminate notification on social cause or public interest.
- 4.1.8 In the event of disasters, emergencies, or widespread public disorder, the Licensee shall disseminate notifications free of charge in the public interest as directed by the Ministry.
- 4.1.9 The Licensee shall promote local content to protect the identity, unity and sovereignty of the nation.

### **4.2 Publication of Charges, Terms and Conditions**

The Licensee shall maintain a dedicated website and publish information about the Services it provides, covering inter alia, descriptions and pricing of the Services available and the terms and conditions thereof and any other commercial and technical services.

### **4.3 Service continuity**

The licensee shall be responsible for providing continuous service until the Authority approves discontinuity of the service.

### **4.4 Resolution of Disputes**

The Licensee shall establish a dispute resolution mechanism to look into the issues associated with its customers relating to its services and billing. In the event, if such arrangement fails, the Authority shall determine the matter as per Section 65 of the Act.

## Chapter 5: Compliance, Penalties and Appeal

### 5.1 Compliance

- 5.1.1 In addition to this Rules and Regulations, the Licensee shall comply with relevant laws, codes, standards, orders, directives, notifications and guidelines.
- 5.1.2 The Licensee shall permit any official of the Authority or an authorized representative to enter into any premises that may be used by the Licensee in connection with cable TV system for the purpose of verifying compliance with the standards, lawful orders, instructions or requirements of the Authority.

### 5.2 Penalties

- 5.2.1 The Authority shall, subject to the degree of violation, impose the following penalties:
- i. Issue a written warning for the first violation.
  - ii. Impose a penalty equivalent to a maximum of six (6) months daily national minimum wage depending on the gravity of the offence for the second violation.
  - iii. Impose a penalty equivalent to one (1) year daily national minimum wage depending on the gravity of the offence for third violation.
  - iv. The license shall be cancelled automatically upon the fourth violation.
  - v. Notwithstanding the above provisions, if the violation is proven to be severe, the Authority may impose a penalty up to one (1) year daily national minimum wage or cancel the licence.
  - vi. In the event, if the licence is cancelled, the defaulter shall not be eligible for the licence for a period of three (3) years.

### 5.3 Appeal

If aggrieved by the decision of the Authority, the Licensee may appeal against such decision to the Alternative Dispute Resolution Centre within ten (10) days from the date of such decision.

### 5.4 Indemnification

- 5.4.1 The Licensee shall indemnify, defend and hold harmless the Authority and its officials, agents, attorneys and representatives against any and all costs, damages, expenses, claims, suits, actions, liabilities and judgments for damages, including but not limited to, expenses for legal fees, whether suit be brought or not, and disbursements and liabilities incurred or assumed by the Authority in connection with:

- i. Damage to persons or property, in any way arising out of or through the acts or omissions by the Licensee, its officials, agents, attorneys, representatives or employees;
- ii. Requests for relief arising out of any Licensee's action or inaction which results in a claim for invasion of the right of privacy; for defamation of any person, firm or corporation; for the violation or infringement of any copyright, trademark, trade name, service mark or patent; or of any other right of any person, firm or corporation; or
- iii. Any or all claims arising out of Licensee's failure to comply with the provisions of these Rules and Regulations or any other law, or Rules applicable to Licensee.



## Annexure A: Detail Project Report

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### 1. Application Procedure

- 1.1 The applicant wishing to establish MSO shall submit the application to the Authority along with the detail project report (DPR).
- 1.2 Failure to furnish any mandatory information and documents shall lead to disqualification of an application. In case the application is rejected, the applicant will be informed in writing along with reasons for the rejection.

### 2. Information required in the DPR

To facilitate easy assessment of the application, the applicant shall submit DPR in the following format and order of information:

#### 2.1 Organization, Corporate information and experience

- i. Name of the applicant with physical address, contact telephone number, facsimile number, e-mail address, and name and designation of a contact person within the applicant's organization;
- ii. Comprehensive curriculum vitae of the applicant including details of the applicant's current activities; and
- iii. Name of the organization (company) proposed.

#### 2.2 Project Management and Implementation Plan

The applicant shall submit detail information on:

- a. Engineering design
  - i. Location of the MSO and its interconnection plan with Local Cable Operators; and
  - ii. Transmission link to the signal distributor's head-end.
- b. Implementation and Management Plan
  - i. Establishment Plan should include implementation schedule in Gantt chart within eighteen months from the date of authorization; and
  - ii. Management strategy should include human resource requirement and development strategy to provide technical backstopping for Cable Television Systems Operators within the first three years of the issuance of license.

#### 2.3 Infrastructure and Technologies

Among other information, the infrastructure and technology details shall include:

- i. Detail block diagram of system network with descriptions;

- ii. Detail on the re-processing system to filter out unauthorized content;
- iii. Technical system configuration including technical specification of the major equipment;
- iii. Network connectivity with Local Cable Operators;
- iv. Quality of Service Obligation fulfilment plan including Monitoring and compliance detail;
- v. System arrangement to identify, block and eliminate unauthorized traffic; and
- vi. Network security including risk identification and risk response strategy and plan.

#### **2.4 Financial Information**

The financial information shall include:

- a. Initial required capital investment which includes estimate cost of:
  - i. Equipment;
  - ii. Renting of space;
  - iii. Content Acquisition; and
  - iv. Project management and other cost of establishing MSO
- b. Forecast financial statement for the first three years of operation, to include:
  - i. Projected operating and capital expenditure;
  - ii. Income statement;
  - iii. Balance sheet;
  - iv. Cash flow statement;
  - v. Statement on financing its capital investment and operation; and
  - vi. Investment in Human Resource development
- c. Source of financing

Sufficient documentary evidence to prove that the applicant has the financial capacity to meet the capital investment required in carrying out the proposed activity. Additionally, include details of proposed financing structure including proposed source of funds.

#### **2.5 Market and Business Plan**

The market plan should include:

- a. Market Analysis to clearly demonstrate the understanding of the market it intends to enter.
- b. Marketing plan: Plan to promote and gain market share.

Among other things, Business Plan information shall include:

- i. Comprehensive business plan including projected volume of business,

indicative prices for the services and market share for the first five years of operation;

- ii. Projected profit and loss account including details of revenue (the method of calculation should be clearly outlined), balance sheet and budgeted cash flow statements, showing the amount of capital to be invested on an annual basis for five years. All assumptions used (asset depreciations policies, annual increase/decrease in operating expenditure) shall be clearly explained;
- iii. The forecast of internal rate of return and payback period of the investment;
- iv. The segment of the market that the applicant will target (e.g. specific geographical area, activity, viewership or other service providers); and
- v. Distribution, marketing and promotion strategy.

## **2.6 Promotion of Local Content**

The applicant shall submit its plan of action for the promotion of the local content.

## **2.7 Strategic partnership**

The description of each partnership including the foreign television content providers as well as local content providers shall be submitted.

## **2.8 An Impact Report**

An impact analysis report on the following subject shall also be submitted:

- a. How the applicant's operations will benefit/impact the country, people and ICT sector.
- b. Strategies that will be employed to compete effectively in the Bhutanese ICT sector.
- c. Details of any initiatives that would be undertaken towards sharing of infrastructures.





**Annexure B: Form for Annual Fee**

The Director  
Bhutan InfoComm and Media Authority  
Thimphu

Subject: Annual fee for the year.....

Sir,

Kindly find below the detailed information required for the determining the annual fee of the MSO licence for the year.....

Sl. No	Number of customers	Annual Revenue earned (A)	Interconnection and other inter-operator expenses (B)	Adjusted Gross Revenue (=A-B)

Thanking you.

Yours sincerely,

(affix legal stamp)  
(Chief Executive Officer)  
MSO



### Annexure C: Fees

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Sl.No	Particulars	Fees
1	New MSO Licence	Nu. 200,000.00
2	Annual License fee	One percent (1%) of the Annual Adjusted Gross Revenue or Nu. 100,000 whichever is greater.
3	Late payment of annual License fee	A fine of Nu.50 per day shall be levied for late renewal for a period of 90 days.

