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The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

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PART I : SECTION (I) — GENERAL

Government Notifications

SRI LANKA TELECOMMUNICATIONS ACT, No. 25 OF 1991

REGULATIONS made by the Minister of Technology under Section 71(1) read with Section 22 (7) of the Sri Lanka Telecommunications Act No. 25 of 1991 as amended by the Sri Lanka Telecommunications (Amendment) Act, No. 27 of 1996 and the Sri Lanka Telecommunications (Amendment) Act, No. 39 of 2024.

RANIL WICKREMESINGHE,
President,
Minister of Technology.

Colombo,
06th August, 2024

1. These regulations may be cited as **Radio Frequency Spectrum Auction Regulations No. 02 of 2024**.
2. These regulations shall come into effect on 06th August, 2024.
3. The Commission shall conduct auction under these Regulation for the assignment of radio frequency spectrum for broadband services.



4. The objective adopting a competition-based methodology of auctioning by the Commission is to;
 - 4.1 ensure a transparent, and non-discriminatory radio frequency spectrum assignment framework
 - 4.2 promote competition in the usage of radio frequency spectrum and facilitate access to radio frequency spectrum
 - 4.3 establish a transparent, fair, competitive and non-discriminatory pricing methodology to determine the economic value of radio frequency spectrum based on the market demand.
5. The Commission shall publish a notice in the official website:-
 - 5.1 describing the parts of the spectrum to be auctioned; and
 - 5.2 giving a brief description of the way the auction will be conducted ; and
 - 5.3 inviting people to apply to the Commission to take part in the auction; and
 - 5.4 stating the closing date and time for applications; and
 - 5.5 stating that assignment will be issued in terms of these rules ; and
 - 5.6 stating that application information can be obtained from the Commission at the address given in the notice or downloaded from the link.
6. The Commission shall publish the Notice of Assignment (NoA) for each auction and shall contain but not limited to the persons qualified to become eligible, auction format, conditions, period of assignment, procedures and instructions for bidders how to participate.
7. Only registered bidders will be allowed to participate in the auction and the registration of the eligible bidders will be made on the payment of entry fees of Rs. 100,000/- for each auction.
8. The Spectrum lots shall be assigned to the winning bidder for a specified period as set out in the NoA.
9. The winning bidder shall deposit 10% of the winning bid price at the close of the auction and the balance bid price shall be paid as per a schedule determined by the Commission.
10. The winning bidder ceases to have all rights to the spectrum lots in case of non-payment within the specified time period. Such spectrum slots will be made available by the Commission for new assignments.
11. The winning bidder shall pay all government taxes in addition to the bid price.
12. The Commission shall determine the reserve price for each lot and will be specified in the NoA.
13. The Commission shall issue an identification for each registered bidder.
14. The Winning bidder shall be required to obtain a frequency licence in terms of section 22 of the Act on the payment of the charges as per the rules or regulations in force at the time of application in addition to the payment of winning bid price.
15. Non-payment period the Commission is free to auction the frequency lots for new assignments.
16. The Auctioneer will be a person appointed by the Commission to conduct the auction or a committee appointed by the Commission to conduct the auction.
17. The Auctioneer will:-
 - 17.1 invite bids for each lot;
 - 17.2 identify the registered bidder who makes the highest bid for the lot.

In the event of a disputed bid:

- 17.3 the Auctioneer is the sole arbiter; and
- 17.4 the Auctioneer's decision is final.

18. The following suitable auction formats shall be adopted by the Commission for the frequency lots considering number of potential bidders, level of competition, market maturity and availability of spectrum. NoA shall be published on the Commission website.

Auction Formats ;

18.1 Single-Round Sealed-Bid Auctions (Regular)

- 18.1.1 Single-round auctions give bidders only one chance to submit an offer for the spectrum they are interested in.
- 18.1.2 The Auctioneer shall announce the reserve price for each spectrum lot on offer through the NoA.
- 18.1.3 The Auctioneer shall allow bidders to submit their bids within designated time period.
- 18.1.4 Within the designated time period, a bidder shall submit his/her bids for the different spectrum lots in a bid form - either on paper which shall then be placed in a sealed envelope and handed over to the Auctioneer, or via an electronic bidding system where a bidder's bids are invisible to the other bidders. A bid value of zero shall be written for lots that a bidder is not interested in.
- 18.1.5 Withdrawals or changes shall not be permitted once the bids have been submitted.
- 18.1.6 When the designated time period for bidding has ended, the Auctioneer shall evaluate the results.
- 18.1.7 The highest bid for a lot wins that lot, and the winning bidder shall pay the bid value submitted by him/her for that lot.
- 18.1.8 Identical (ties) price bids for a lot, by two or more bidders, shall be resolved by a lottery.

18.2 Single-Round Sealed-Bid Auctions-(SRSB) - Vickery Auction

- 18.2.1 This auction allows for a single-round sealed-bid with second-price.
- 18.2.2 The Auctioneer shall announce the reserve price for each spectrum lot on offer in the NoA.
- 18.2.3 The Auctioneer shall allow bidders to submit their bids within designated time period.
- 18.2.4 Within the designated time period, a bidder shall submit his/her bids for the different spectrum lots in a bid form - either on paper which shall then be placed in a sealed envelope and handed over to the Auctioneer, or via an electronic bidding system where a bidder's bids are invisible to the other bidders. A bid value of zero shall be written for frequency spectrum lots that a bidder is not interested in.
- 18.2.5 Withdrawals or changes shall not be permitted once the bids have been submitted.
- 18.2.6 When the designated time period for bidding has ended, the Auctioneer shall evaluate the results.
- 18.2.7 The highest bid for a lot wins that lot, and the winning bidder shall pay the second highest bid received for that lot. If there is no second highest bid, the winning bid amount shall be paid.
- 18.2.8 Ties, i.e. identical prices bid for a lot by two or more bidders, shall be resolved by a lottery.

18.3 Simultaneous Multiple-Round Auctions (SMRA)

- 18.3.1 The Auctioneer shall announce the reserve price for each spectrum lot on offer through the NoA, and also on a display in an electronic bidding system.

- 18.3.2 In the first round, a bidder shall place his/her initial bids for the different lots on a bid form, or through an electronic bidding system where a bidder's bids are invisible to the other bidders, within a designated time period announced by the Auctioneer. A bid value of zero shall be written for lots that a bidder is not interested in.
- 18.3.3 Withdrawals or changes shall not be permitted once the bids have been submitted.
- 18.3.4 At the end of the first round, the leading bid amount for each lot shall be disclosed to all bidders.
- 18.3.5 After a time period announced by the Auctioneer, during which the bidders shall plan their strategy for the next round, the second round shall be opened and conducted in the same way as the first round, and so on.
- 18.3.6 The durations of the rounds and the pauses shall be varied, depending on the experience of the bidders and the complexity of the decisions they need to make after each round.
- 18.3.7 The auction shall end when there are no bids for a lot in a round. The highest bids of the previous round shall win the respective lots and the winning bid values shall be paid.
- 18.3.8 The auction shall also end when there is a single bid for a lot in a round. The bid of the respective lot shall win and bid value shall be paid.
- 18.3.9 In order to speed up the process, Auctioneer shall impose minimum bid increments from round to round, typically ranging from 1% to 15% of the highest bids from the previous round, depending on auction progress.

18.4 Clock Auctions (CA)

- 18.4.1 In the first round, the reserve price per lot shall be shown on the clock (the clock price)
- 18.4.2 Within a designated time period announced by the Auctioneer, bidders shall state that how many lots they would buy at this price - either on paper which shall then be placed in a sealed envelope and handed to the Auctioneer, or via an electronic bidding system where a bidder's stated demand shall be invisible to the other bidders.
- 18.4.3 A demand of zero shall be written to state that a bidder exits the auction. Such a bidder shall not be eligible to bid in subsequent rounds.
- 18.4.4 In the first round, bidders shall also specify their Minimum Spectrum Requirement (MSR), which is the minimum number of lots they need.
- 18.4.5 This is to ensure that bidders will not win an amount of spectrum they consider insufficient when the lots are distributed among the winning bidders at the end of the clock stage.
- 18.5.6 At the end of the first round the bidders shall be informed whether the aggregate demand exceeds the available supply or not, either verbally by the Auctioneer or on an electronic display, without disclosing the individual bids.
- 18.4.7 If the aggregate demand equals or is less than the available supply, this is the end of the clock stage and the lot quantities shall be assigned to the bidders according to their expressed demand.
- 18.4.7.1 If the aggregate demand exceeds the available supply, another round with a higher clock price shall follow.
- 18.4.7.2 If the aggregate demand exceeds the available supply at the reserve price, the clock price shall be increased for the second round. Clock price increments from round to round shall vary depending on auction progress, typically ranging from 5% to 15%. The second round is opened after a time period announced by the Auctioneer during which the bidders have time to plan their strategy for the next round.

- 18.4.7.3 In the second round, bidders shall be again invited to state their demand (the number of lots they would buy at the new clock price) within a designated time period. They shall state the same demand as in the first round or less or they shall increase the demand.
- 18.4.7.4 In the second round and subsequent rounds, “intra-round bidding” shall be allowed, which means bidders shall express demand not only at the current clock price, but at any price between the current and the last clock price. However, they shall express demand at the current clock price to be eligible to bid in the next round.
- 18.4.7.5 The duration of the rounds and the pauses between them may be varied, depending on the experience of the bidders and the complexity of the decisions they need to make after each round.
- 18.4.7.6 Withdrawals or changes of bids shall not be permitted once the bids have been submitted.
- 18.4.7.7 The clock stage shall end when the aggregate demand at the clock price in a round equals the available supply or falls below it.
- i. If demand at the clock price equals supply at the end of the last round, the available lots shall be distributed among the bidders according to their expressed demand.
 - ii. If demand at the clock price fell below supply, lots shall be assigned to the bidders according to their expressed demand.
- 18.4.7.8 To assign lots that shall remain unsold at the end of the clock stage, a single-round sealed-bid auction with second price rule shall be used, with a reserve price that shall equal to the last clock price at which demand exceeds supply.
19. In Package bidding, Auctioneer shall allow package bidding in some auctions depending on the spectrum availability and spectrum utilization. Auctioneer shall offer predefined packages of spectrum lots or allow any combination of lots.
20. Auctioneer shall set spectrum caps for the auction and shall be stipulated in NoA. To ensure an equitable distribution of spectrum and to prevent market distortions by an undue concentration of spectrum in the hands of one or a few operators.
21. The Reserve price shall be determined by the Auctioneer based on the Frequency Licence Fee Rules/Regulations published by the Commission from time to time.

Definitions:

- Reserve Price - means the reserve prices are the minimum bids TRCSL shall accept for the different lots.
- Auctioneer - means the person designated by the Commission to conduct the auction or by a committee appointed by Commission to conduct the auction.
- Specific Lots - Spectrum lots in an auction which is tied to a specific frequency be offered as specific lots.
- Generic Lots - Spectrum lots in an auction which is not tied to a specific frequency be offered as generic lots.
- Commission - shall mean the Telecommunications Regulatory Commission established under the Act.
- Package Bidding - Bidders bid for predefined packages of spectrum lots or allow any combination of lots.
- Bidder - is a person who has registered as a bidder.
- Bid - means a bid made on a single lot/package.