



**INFORMATION AND COMMUNICATIONS TECHNOLOGY
AUTHORITY**

**LICENCE TO CABLE AND WIRELESS (CAYMAN ISLANDS)
LIMITED**

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LICENCE ISSUED TO

**Cable and Wireless (Cayman Islands) Limited
under Part III of**

THE INFORMATION AND COMMUNICATIONS TECHNOLOGY AUTHORITY LAW, 2002

The Information and Communications Technology Authority, in exercise of the powers conferred on it by Section 23 of the Information and Communications Technology Authority Law, 2002, grants to the Licensee a Licence to establish, operate and maintain the Information and Communications Technology Networks and/or Services as these terms are defined in the Conditions of this Licence, subject to the Conditions, all lawful directions of the Information and Communications Technology Authority, all applicable laws and regulations of the Cayman Islands and applicable tariffs.

**GRANTED BY THE INFORMATION AND COMMUNICATIONS
TECHNOLOGY AUTHORITY, the Cayman Islands, on this**

10th day of July 2003.



**Chairman
Information and Communications Technology Authority**

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PART I: THE LICENCE

CONDITIONS

1 DEFINITIONS AND INTERPRETATION

1.1 A word or expression used in the Licence and the Conditions and also used in the ICTA Law has the meaning ascribed to that word or expression by the ICTA Law. In addition, the following expressions shall have the following meanings given to them.

"Affiliate" in relation to the Licensee, means any holding company of the Licensee, any subsidiary of the Licensee or any subsidiary of any holding company of the Licensee.

"Annex" means one or more attachments to this Licence, all of which constitute a part of and are unique to this Licence.

"Authorised Frequencies" means those frequency bands of the spectrum set forth in Annex 4;

"Authority" means the Information and Communications Technology Authority;

"Compliance Plan" means a plan submitted to the Authority in accordance with Condition 10.5 and containing the information noted therein.

"Conditions" means all the clauses of this Licence, including any and all Annexes, as may be amended, revoked or added to in accordance with Condition 20 of this Licence.

"Development Plan" means a plan submitted to the Authority in accordance with Condition 10.4 and containing the information noted therein.

"Facility" or "Facilities" means any component of an ICT Network.

"Force Majeure" means any cause affecting the performance by the Licensee of its obligations arising from acts, events, omissions, occurrences or non-occurrences beyond its reasonable control, including (but without limiting the generality thereof) governmental regulations,

fire, flood or any disaster or an industrial dispute affecting a third party for which a substitute third party is not reasonably available.

"ICTA Law" means the Information and Communications Technology Authority Law, 2002, and any amendments or revisions thereto.

"Licence" means this licence authorising the Licensee specified herein to establish, operate and maintain the specified Licensed ICT Networks and/or the specified Licensed ICT Services, subject to the Conditions.

"Licence Commencement Date" means the date on which this Licence comes into force.

"Licence Fee" means the fee or fees prescribed by the Authority under the provisions of Section 30 of the ICTA Law and payable to the Authority by the Licensee.

"Licensed ICT Network" means an ICT network or Facilities specified by the Authority in a Notice published in the Gazette in accordance with Section 23(2) of the ICTA Law as requiring a Licence.

"Licensed ICT Service" means an ICT service specified by the Authority in a Notice published in the Gazette in accordance with Section 23(2) of the ICTA Law as requiring a Licence.

"Licensee" means Cable and Wireless (Cayman Islands) Limited;

"Number" means the code or Subscriber number allocated by the Authority and assigned by the Licensee to specific Subscribers or uses, and which is used to route Messages to a network termination point, subscriber, user, or item of ICT equipment in the Cayman Islands.

"Other Licensee" means any person, other than the Licensee, who has the benefit of a Licence granted under Part III of the ICTA Law.

"Subscriber" means a legal entity or natural person who has a contract with the Licensee to receive Licensed ICT Services.

"Term" means, pursuant to Section 28(a) of the ICTA Law, the period of time during which this Licence is valid as specified in Annex 1.

"Universal Service" means any of the categories of service specified by regulation made under Section 40 of the ICTA Law, when promulgated, and as further defined in Annex 3.

"Universal Service Fund" means the fund which may be established by the Authority to compensate licensees for carrying out the Universal Service Obligations;

"Universal Service Obligations" means the obligation to provide universal service as set out in Part II of this Licence and as set forth in Annex 3.

"User" means a legal or natural person who uses, or may use the networks or services of the Licensee, but is not necessarily a Subscriber.

- 1.2 In the Licence and these Conditions, unless the context indicates a contrary intention:
- (a) references to paragraphs and subparagraphs are to paragraphs and subparagraphs of the Conditions, as varied from time to time;
 - (b) a document will be incorporated into and form part of the Conditions if it is referred to in the Conditions and reference to such a document is to that document as varied from time to time;
 - (c) headings used for Conditions, paragraphs and subparagraphs are for ease of reference only and will not affect the interpretation of the Conditions;
 - (d) references to any law, rule, regulation or other legal instrument includes any modification, re-enactment or legislative provisions substituted for the same;
 - (e) use of the word "includes" or "including" should be construed as being without limitation; and
 - (f) the masculine gender shall include the feminine and neuter, and the singular shall include the plural, and vice versa, and words importing persons shall include firms or companies.

2 SCOPE OF THE LICENCE

- 2.1 In accordance with Section 23 of the ICTA Law, this Licence authorises and requires the Licensee to operate the Licensed ICT Networks and/or supply the Licensed ICT Services specified in Annex 1 for the Term specified in Annex 1.
- 2.2 In accordance with Section 23 of the ICTA Law, this Licence authorises the use by the Licensee of the Authorized Frequencies listed in Annex 4 for the Term listed in Annex 1, on an exclusive or non-exclusive basis as indicated in Annex 4. The Licensee shall pay an annual fee prescribed by the Authority for use of the Authorized Frequencies.
- 2.3 In accordance with Section 23 of the ICTA Law, this Licence authorises the Licensee to land and operate the Licensed Network, namely the submarine cable, identified in Annex 4 for the Term specified in Annex 1.
- 2.4 All ICT Services and all ICT Networks subject to licensure under the ICTA Law and operated by the Licensee are subject to regulation by the Authority. Nothing in this Licence shall be taken to mean or imply any derogation of, or limitation on, the exercise by the Authority of all its

duties, functions and responsibilities contained in the ICTA Law. The Authority's discretion to regulate the Licensee shall not be limited in any way, save and except, and only to the extent specifically stipulated in the Law and this Licence. This Licence supersedes all previous licences granted to the Licensee by the Government of the Cayman Islands.

- 2.5 The Licensee shall comply with any other requirement in law or practice to obtain any additional consents, permissions, authorisations or licences as may be necessary for the provision of the Licensed ICT Network or Licensed ICT Services and for the exercise of its rights or discharge of its obligations under this Licence and the ICTA Law.
- 2.6 The Licensee shall ensure that:
- (a) the Licensee shall maintain sufficient information systems, located or accessible from the Cayman Islands, as are reasonably necessary to enable the Licensee to respond in a timely manner to the information requirements of the Authority, including without limitation information relevant to business conducted between the Licensee and its Affiliates.
 - (b) the Licensee shall maintain within the Cayman Islands management systems and management (including an officer of the Licensee) accountable for meeting its obligations under this Licence; and
 - (c) its business is conducted in a manner which is in accord with applicable tariffs, if any.

3 LICENCE FEE

- 3.1 The Licence Fees payable by the Licensee for the operation of the Licensed ICT Networks and/or Licensed ICT Services specified in this Licence under the provisions of Section 30 of the ICTA Law shall be as specified in Annex 2.
- 3.2 The Licence Fees for each class of Licensee shall be non-discriminatory.
- 3.3 The Licence Fees referred to in Condition 3.1 shall be payable directly by the Licensee to the Authority on or before the payment dates specified in Annex 2, and in the case of those due at commencement of the licence, if any, the fees shall be paid prior to commencement of operations by the Licensee of the Licensed ICT Networks and/or Licensed ICT Services specified in this Licence, and thereafter for the Term(s).
- 3.4 The Authority may delegate the collection of any or all Licence Fees due in accordance with the provision of Condition 3.1 to an administrative unit of the Cayman Islands Government, and the Licensee shall pay to such unit

any and all fees owed on the same date as the fees are due to the Authority.

- 3.5 Without prejudice to any other remedies of the Authority under this Licence or the Laws of the Cayman Islands, if the Licensee fails to pay any amount due to the Authority or delegated administrative unit of the Cayman Islands Government under this Condition 3 by the due date, the unpaid amount will accrue interest daily from the due date to the date of payment at three percentage points above the published Cayman Islands Dollar Prime Rate published from time to time by the Authority's bankers, the Bank of Butterfield International (Cayman) Limited.

4 PROVISION OF INFORMATION

- 4.1 Any and all aspects of the Licensee's business shall be subject to examination, investigation and audit by the Authority. The Licensee shall provide to the Authority in the manner and at the times required by the Authority, on reasonable notice, any documents, accounts, returns, estimates, reports or other information so required, including but not limited to the documents, accounts, returns, estimates, reports and other information specified in this Licence.
- 4.2 Where the Licensee operates an ICT Network which makes use of a portion of the free space electromagnetic spectrum between 3 KHz and 300 GHz, the Licensee shall, within ninety days of the Licence Commencement Date, provide the Authority with a comprehensive report on its use of the radio frequency spectrum, and on its anticipated future use, and shall update the report as requested by the Authority from time to time.
- 4.3 The Authority may conduct, from time to time, or may delegate to a suitably qualified person as the Authority may decide, an examination, investigation or audit of any aspect of the Licensee's business or of its relationship with any Affiliate of the Licensee and of its compliance with the Conditions and the Laws.
- 4.4 The Authority shall notify the Licensee of the objectives and scope of any examination, investigation or audit carried out under Condition 4.3 in advance of the commencement of such examination, investigation or audit, except where the Authority has reasonable grounds for believing the Licensee is or has been acting fraudulently or contrary to law.
- 4.5 The scope of any examination, investigation or audit carried out under Condition 4.3 shall be no wider than is necessary to fulfil the objectives of the said examination, investigation or audit.

- 4.6 Any audit ordered under Condition 4.3 shall be limited to any activities or information relating to the Licensee's information no earlier than three (3) years prior to the date the audit is commenced under Condition 4.3.
- 4.7 The Licensee shall provide any and all assistance requested by the Authority in relation to any such examination, investigation or audit, such request to be made on reasonable notice, except where the Authority has reasonable grounds for believing the Licensee is or has been acting fraudulently or contrary to law.
- 4.8 The Authority may issue directions with regard to the manner in which such examination, investigation or audit is to be carried out and with which the Licensee shall fully comply.
- 4.9 Where the Authority conducts or delegates an examination, investigation or audit in accordance with Conditions 4.1 and/or 4.3, the Licensee shall allow the authorised representative of the Authority, or of its delegate as the case may be –
- (a) to attend at, enter and inspect any premises which are under the control of the Licensee or of any of its Affiliates;
 - (b) to take copies of any documents; and
 - (c) to acquire any information in the control of the Licensee or any of its Affiliates as may be required in order to carry out the examination, investigation or public interest audit;
 - (d) require that any information be formatted and conveyed in any manner deemed appropriate.
- 4.10 The Authority or such other person who has been delegated by the Authority to conduct an examination, investigation or audit under Condition 4.3 as the case may be and the Licensee shall each bear its own costs incurred in connection with the examination, investigation or audit, provided that, in the event the examination, investigation or audit reveals a material breach of the Licence, the ICTA Law or of any applicable regulations, the Licensee shall bear all reasonable costs associated with any reporting, examination, investigation or audit.

5 COMPLIANCE

- 5.1 In addition to complying with the Conditions of this Licence, the Licensee shall comply with:
- (a) any obligation imposed on it by any law, regulation or rule of the Cayman Islands that is applicable;

- (b) any direction, determination, decision request or order duly issued by the Authority under the ICTA Law, this Licence, or any law, regulation or rule of the Cayman Islands that is applicable;
- (c) the Plans submitted pursuant to Condition 10; and
- (d) applicable tariffs, if any.

6 EXCEPTIONS TO AND LIMITATIONS ON THE LICENSEE'S OBLIGATIONS

- 6.1 If the Licensee is prevented from performing any of its obligations under this Licence because of *force majeure* -
- (a) the Licensee shall notify the Authority of the obligations which it is prevented from performing, and the reason why, as soon as reasonably practicable; and
 - (b) the Authority may suspend those obligations and the Licensee will not be liable to perform those obligations, for so long as the force majeure continues, only if and to the extent that the inability to perform could not have been prevented by taking steps specifically required under this Licence or other reasonable precautions and the inability cannot reasonably be circumvented by the Licensee at its expense through the use of alternate sources, work-around plans or other means.

7 DURATION AND RENEWAL

- 7.1 This Licence commences on the Licence Commencement Date and continues, subject to the Licensee's compliance with the Conditions and the Laws of the Cayman Islands, directions issued by the Authority and applicable tariffs, if any, and subject to any revocation or suspension by the Authority, for the Term.
- 7.2 Pursuant to Section 29 of the ICTA Law, the Licensee may serve notice on the Authority requesting a renewal of this Licence.
- 7.3 Within one hundred and eighty days of receiving a notice under Condition 7.2, or such further period as may be agreed with the Licensee, the Authority shall notify the Licensee whether it agrees to a renewal of the Licence subject to the same Conditions or any modified, amended or additional Conditions, and subject to the Licensee providing all necessary information to the Authority to enable it to make the notification within the required time.

PART II: SERVICE OBLIGATIONS

8 UNIVERSAL SERVICE

- 8.1 In accordance with Section 42 of the ICTA Law and with the Universal Service Regulations, the Licensee shall provide those services, if any, listed in Annex 3 to the Users listed in Annex 3 on such terms as are specified in Annex 3 of this Licence. In such a case, the Licensee will be designated a Universal Service provider for those services.
- 8.2 In accordance with Section 43 of the ICTA Law and with the Universal Service Regulations, the Licensee shall contribute to the cost of the provision of the Universal Service Obligation as, and if, required by the Universal Service Regulations, unless the Licensee is exempt from that requirement in accordance with a direction from the Authority to that effect and as may be set out in Annex 3 of this Licence. The Authority may require the Licensee to contribute to the cost as provided herein at any time during the term of the Licence.

9 911 SERVICE

- 9.1 The Licensee shall provide, at no cost, to the Emergency Communications Centre (ECC) all information required to administer 911 Service in the Cayman Islands in the form and format and at the time intervals required by the ECC for an effective 911 Service, as amended from time to time by the ECC. Additionally, and at a minimum, the Licensee shall comply with the National Emergency Number Association Recommended Technical Standard "02-010 Standards for Recommended Formats and Protocols for Data Exchange".

10 DEVELOPMENT OF LICENSED ICT NETWORKS AND LICENSED ICT SERVICES

- 10.1 The Licensee shall develop and operate the Licensed ICT Networks and Licensed ICT Services according to standards of performance in line with international best practices.
- 10.2 The Licensee shall comply at all times with relevant standards established by the Authority.
- 10.3 The Licensee shall submit to the Authority a Development Plan and a Compliance Plan, together known as "the Plans". Any and all matters to be included in these plans may be added to, deleted or substituted by the

Authority at any time during the Term of this Licence. The Plans may be submitted in confidence in accordance with the Confidentiality Rules.

10.4 The Development Plan shall describe the following:

- (a) the target levels of performance which the Licensee will achieve for the Licensed ICT Networks and Licensed ICT Services, the time within which those targets will be achieved and how actual performance will be monitored;
- (b) anticipated introduction of new Facilities and new ICT services, including geographic coverage;
- (c) the manner in which financial data, including costs and revenues, will be collected, recorded and reported for the Licensees business and individual ICT services or categories of services; and
- (d) the manner in which financial data will be captured and reported for purposes of the Licence Fee, including providing the Authority with audited financial statements within a time frame that is no later than four (4) months from financial year end.

10.5 The Compliance Plan shall describe the manner in which the Licensee intends to comply with the terms of its Licence and shall also address how the Licensee intends to address:

- (a) the extent to which it has met, exceeded or failed to meet the various categories in the Development Plan.
- (b) all financial data pertinent to the amount of Licence Fees to be paid;
- (c) interconnection and infrastructure arrangements and disputes;
- (d) performance levels achieved and major service interruptions and reasons therefore;
- (e) broad categories of Subscriber complaints, the manner resolved and the time frames involved;
- (f) confidentiality of information and the extent to which it has been safeguarded; and
- (g) tariff violations, voluntary or otherwise.

10.6 The Authority may direct the Licensee to update and resubmit the Plans from time to time.

10.7 The Authority may direct the Licensee as to matters to be included in the Plans and may amend or replace such direction from time to time.

10.8 The Authority may include as a Condition of this Licence the targets specified by the Licensee in the Plans and the Licensee shall be deemed to

be in breach of its Licence if such target levels are repeatedly not achieved.

- 10.9 Within fifteen days of the end of each six-month period during the Term, the Licensee shall, unless otherwise directed by the Authority, provide the Authority with a written report on its achievements under the Plans during the preceding six-month period, which shall address, at a minimum, all the items in Conditions 10.4 and 10.5.
- 10.10 The Licensee shall comply with any directions issued by the Authority from time to time regarding any other quality of service indicators, measurement methods and compliance requirements, as may be reasonably required, for the Licensed ICT Networks and Licensed ICT Services.
- 10.11 The Licensee shall on request by the Authority supply the results of its measurements of actual performance against any quality of service indicators and measurements which the Authority may publish or require publication of such information as it considers appropriate.

11 LICENSEE'S OBLIGATIONS TO USERS

- 11.1 The Licensee shall, in accordance with the ICTA Law, take such steps as are reasonably necessary to ensure that, in relation to its Licensed ICT Networks and/or Licensed ICT Services as applicable, Users can reasonably and reliably have access to information services to assist them with queries relating to the Licensed ICT Services.
- 11.2 The Licensee shall use its best endeavours to meet the quality of service commitments set out in the Development Plan and a repeated failure to meet such quality of service obligations shall be regarded as a breach of this Licence.
- 11.3 The Licensee shall, no later than thirty (30) days after the Licence Commencement Date, develop, implement and publish procedures for responding to complaints from and disputes with Subscribers related to the quality of any Licensed ICT Services, to statements of charges and to prices, and Licensee shall respond quickly and adequately to any complaints but, in no event, later than one (1) month after the filing of such complaint with the Licensee.
- 11.4 The Licensee shall be subject to the Authority's procedures for resolving such complaints from and disputes with Subscribers as are submitted to the Authority, where such disputes arise out of the Licensee's exercise of its rights and obligations under this Licence, in accordance with the Dispute Resolutions Rules.

- 11.5 The Licensee shall, no later than three (3) months after the Licence Commencement Date, submit to the Authority for its approval, terms of service for the provisioning of ICT Services to Subscribers and file forms of its standard customer agreements, containing the terms and conditions for the provision of Licensed ICT Services to Subscribers and shall, thereafter, keep such filings updated on a reasonably timely basis.
- 11.6 The Licensee shall notify all Subscribers of Licensed ICT Services of the terms and conditions of the applicable standard customer agreements in the manner specified by the Authority and shall thereafter provide Licensed ICT Services based upon the applicable agreement.
- 11.7 Subject to Annex 5, in addition to its obligations under Condition 11.5, the Licensee may from time to time modify its standard customer agreements subject to notifying the Authority of such modification.
- 11.8 The standard customer agreements and any modifications made under Condition 11.7 shall be compliant with the ICTA Law and any other applicable laws, directives and regulations of the Authority. In the event that the standard customer agreements or modifications do not comply with the ICTA Law and any other applicable laws, the Authority shall instruct the Licensee to make appropriate amendments. Such amendments shall be notified to Subscribers and shall not have retroactive effect.
- 11.9 The Licensee shall publish the prices, terms and conditions for its Licensed ICT Services within 60 days from the Licence Commencement Date and thereafter annually and, in addition, upon any change thereof, in such manner as the Authority shall prescribe. However, the Licensee will not be required to publish the price, terms and conditions for the Licensed ICT Services listed in Annex 5 and identified as not required to be published, which Annex may be amended from time to time.
- 11.10 The Licensee shall not require retail Subscribers to deposit as security an amount of money in excess of two month's charges for all services, including reasonably anticipated domestic and international charges, except as otherwise approved by the Authority. Upon termination of service, the Licensee shall within one hundred and twenty (120) days refund to any such Subscriber all monies deposited including interest thereon as provided in the terms of service for that subscription, less any monies owed by the Subscriber for unpaid bills.

12 PRIVACY AND CONFIDENTIALITY

- 12.1 The Licensee shall maintain the confidentiality of, and refrain from using or disclosing, unless consent has been given to such use or disclosure by the person entitled to the confidentiality of that information:

- (a) any confidential, personal and proprietary information obtained in the course of its business from any Subscriber, where such information originates from any such Subscriber;
 - (b) any information regarding usage of a Licensed ICT Network or a Licensed ICT Service; or
 - (c) any information received or obtained as a result of or in connection with the operation of a Licensed ICT Network or the provision of a Licensed ICT Service.
- 12.2 Notwithstanding Condition 12.1, the Licensee is permitted to use such information to operate its Licensed ICT Networks or Licensed ICT Services, bill and collect charges, protect its rights or property or prevent the fraudulent use of the Licensed ICT Networks or the Licensed ICT Services.
- 12.3 The Licensee shall establish and implement procedures for maintaining the confidentiality of information subject to this Condition 12.

13 OTHER LICENSEE CONFIDENTIAL INFORMATION

- 13.1 In the event the Licensee receives information from an Other Licensee for the purposes of interconnection, infrastructure sharing or the provision of ICT Services generally, where such information received is of a competitive nature, such as customer orders, market forecasts, plans for the development of new services, network plans, new customers and current or proposed business plans, the Licensee shall treat such information in confidence and shall share it only amongst those employees who have a need to know for provisioning services to the Other Licensee disclosing such information and shall not provide such information to personnel involved in the provision of ICT services offered in competition, and shall use such information solely for the purpose for which such information is received.
- 13.2 The Authority may establish rules and procedures it deems necessary to prevent the misuse of licensee confidential information.

14 ANTI-COMPETITIVE PRACTICES: AGREEMENTS

- 14.1 Agreements between licensees or between one or more licensees and any other person or persons, decisions by associations of licensees or concerted practices which:
- (a) may affect trade within the Cayman Islands, and
 - (b) have as their object or effect the prevention, restriction or distortion of competition within the Cayman Islands,

are prohibited.

- 14.2 Condition 14.1 applies, in particular, to agreements, decisions or practices which:
- (a) directly or indirectly fix purchase or selling prices or any other trading conditions;
 - (b) limit or control production, markets, technical development or investment;
 - (c) share markets or sources of supply;
 - (d) apply dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;
 - (e) make the conclusion of contracts subject to acceptance by the other parties supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.
- 14.3 Condition 14.1 applies if the agreement, decision or practice impacts, or is intended to impact, competition in the Cayman Islands.
- 14.4 Any agreement or decision which is prohibited by Condition 14.1 is void.
- 14.5 A provision of this Condition which is expressed to apply to, or in relation to, an agreement is to be read as applying equally to, or in relation to, a decision by an association of licensees or a concerted practice, but with any necessary modifications.
- 14.6 Condition 14.5 does not apply where the context otherwise requires.
- 14.7 Condition 14.1 does not apply where the impact of the agreement, decision or practice on trade or competition is not appreciable.
- 14.8 In this Condition, "the Cayman Islands" means, in relation to an agreement which operates or is intended to operate only in a part of the Cayman Islands, that part.
- 14.9 This Condition 14 shall cease to apply in the event legislation of general application addressing such agreements, decisions, or concerted practices as are defined in Condition 14.1 comes into force and effect. In such case the legislation of general application shall be substituted for this provision.

15 ANTI-COMPETITIVE PRACTICES: CONDUCT

- 15.1 Any conduct on the part of one or more licensees which amounts to the abuse of a dominant position in a market for ICT networks or ICT services is prohibited if it may affect trade within the Cayman Islands.

- 15.2 Conduct may, in particular, constitute such an abuse if it consists in:
- (a) directly or indirectly imposing unfair purchase or selling prices or other unfair trading conditions;
 - (b) limiting production, markets or technical development to the prejudice of consumers;
 - (c) applying dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;
 - (d) making the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of the contracts;
 - (e) using revenues attributed to a particular ICT service to cross subsidize unfairly or affect competition for another ICT service, unless otherwise approved or directed by the Authority.

15.3 In this Condition:

“dominant position” means a dominant position within the Cayman Islands; and

“the Cayman Islands” means the Cayman Islands or any part of it, including the territorial waters surrounding the Cayman Islands.

- 15.4 Condition 15.1 does not apply where the impact of the conduct in question on trade or competition is not appreciable.
- 15.5 This Condition 15 shall cease to apply in the event legislation of general application addressing the conduct defined in Condition 15.1 comes into force and effect. In such case the legislation of general application shall be substituted for this provision.

16 NUMBER ALLOCATION

- 16.1 The Licensee shall operate its Licensed ICT Networks and provide its Licensed ICT Services in accordance with a numbering plan established pursuant to Section 49 of the ICTA Law.
- 16.2 Subject to Section 49 of the ICTA Law, when required to do so by the Authority, the Licensee shall provide Number portability in accordance with any requirements specified by the Authority.
- 16.3 The Licensee shall have no proprietary or ownership rights to central office codes or Numbers.

17 INTERCONNECTION AND INFRASTRUCTURE

- 17.1 Interconnection charges shall be reciprocal such that the Licensee and all interconnecting Other Licensees shall charge each other the same rate for the same service.
- 17.2 A licensee may not deny access to its infrastructure or infrastructure arrangements, save and except when there is insufficient capacity, taking into account its reasonably anticipated requirements, or for reasons of safety, security or difficulty of a technical or engineering purpose.

18 REGULATORY TREATMENT

- 18.1 The Licensee's Licensed ICT Services will be regulated in accordance with the provisions of Annex 5 to this Licence.

PART III: GENERAL PROVISIONS

19 ASSIGNMENT

- 19.1 The Licensee may not assign, convey or transfer this Licence, in whole or in part, without the prior written consent of the Authority.
- 19.2 Condition 19.1 shall not apply where the assignment, conveyance or transfer results from an internal reorganization of a body corporate that involves no change in the beneficial ownership thereof. The Licensee shall give prior notification to the Authority of the nature and extent of such assignment, conveyance or transfer.

20 LICENCE COMMENCEMENT DATE

- 20.1 This Licence shall take effect on the date granted by the Authority.

21 AMENDMENTS

- 21.1 Subject to Section 31 of the ICTA Law, no amendments or additions to this Licence shall be valid unless in writing and signed by the Authority.

22 COMPLIANCE WITH LAWS

- 22.1 The Licensee shall comply at all times with applicable laws and regulations of the Cayman Islands.

ANNEX 1

1 LICENSED ICT NETWORKS AND ICT SERVICES

- 1.1 The Licensee is authorised to operate the following ICT Networks as defined by the Authority under the provisions of section 23(2) of the ICTA Law and published in a Notice in the Gazette:

Type	Description	Term
A	Mobile (cellular) 2G	15years
B	Mobile (cellular) 2.5G	15 years
J	Fixed or "wire line" network	15 years
K	Wireless network	15 years
L	Microwave network	15 years
Q	Cable network (other than fibre)	15 years
R	Cable network (using lit fibre)	15 years
S	Cable network (using unlit or "dark" fibre)	15 years
T	Satellite network	15 Years

- 1.2 The Licensee is authorised to supply the following ICT Services as defined by the Authority under the provisions of section 23(2) of the ICTA Law and published in a Notice in the Gazette:

Type	Description	Term
1	Fixed ("wire line") telephony	15 years
2	Wireless telephony (other than mobile)	15 years
3	Mobile telephony	15 years
4	Resale of telephony	15 years
5	Internet telephony	15 years
9	Internet or Applications Service Provision	15 years
12	Retail sale of ICT equipment	15 years
13	The Publication of Directories Derived from ICT Subscriber Records	15 years

ANNEX 2

1 LICENCE FEES

1.1 Definitions:

“Annual Revenue” means, for any Licensee Financial Year, the Annual Turnover less:

- (a) payments made to Other Licensees for interconnection, infrastructure, and wholesale services and settlement payments made to international carriers for international traffic, including adjustments to payments for such traffic (if any of these payments are made to an Affiliate, they shall be excluded from Annual Revenue only to the extent that those payments are made at open market value on a arm’s-length basis.); and
- (b) Non-recurring extra-ordinary items of receipt (including real estate) not made in the ordinary course of business.

“Annual Turnover” means the total amount of receipts in money or money’s worth received by the Licensee from all sources arising out of or in connection with the Licensee’s business in or from the Cayman Islands in any Licensee Financial Year of this Licence;

“Audit” means an audit performed by a professionally qualified external auditor and certified by an independent firm of chartered accounts.

“Audited Financial Statements” means audited: balance sheet, profit and loss statement, cash flow statement, detailed Annual Turnover and Annual Revenue statements and such other statements as the Authority may reasonably prescribe, all in respect of the Licensee’s business in the Cayman Islands for a Licensee Financial Year during the Term of the Licence.

“Dispute Notice” shall have the meaning set out in section 2.1.

“ICT Sector One” shall mean all those activities identified as Type 1, 2, 3, 4, 5, and 9 (limited to Internet Service Providers) ICT Services, as set out in the first Section 23(2) notice issued by the Authority, as a minimum, and such others as the Authority may prescribe from time to time.

“Licensee Financial Year” means the Licensee’s financial year.

"Quarter" or "Quarterly" means a period of three (3) calendar months commencing 1 July, 1 October, 1 January and 1 April. For purposes of the initial quarter it shall mean the period from the Licence Commencement Date to the end of the applicable Quarter.

"Quarterly Revenue" means the Quarterly Turnover less:

- (a) payments made to Other Licensees for interconnection, infrastructure and wholesale services and settlement payments made to international carriers for international traffic, including adjustments to payments for such traffic (if any of these payments are made to an Affiliate, they shall be excluded from Annual Revenue only to the extent that those payments are made at open market value on an arm's-length basis); and
- (b) Non-recurring extra-ordinary items of receipt (including real estate) not made in the ordinary course of business.

"Quarterly Turnover" means the total amount of receipts in money or money's worth received by the Licensee from all sources arising out of or in connection with the Licensee's business in or from the Cayman Islands in any Quarter.

"Regulated Financial Year" means a period of twelve (12) months commencing 1 July and ending on 30 June.

"Regulatory Fee" means a fee payable to the Authority which is determined by multiplying the Authority's costs, for a Quarter, which the Authority has determined should be paid by Licensees in ICT Sector One, by the Quarterly Revenue of the Licensee, divided by the total Quarterly Revenue of all licensees in ICT Sector One. The amount of the fee shall be established and published by the Authority thirty (30) days prior to each Quarter, and shall be based on data from the Quarter immediately preceding the Quarter in which the date of publication falls. The specific calculation and filing procedures shall be prescribed and published by the Authority in a licence fee guidelines document to be issued within sixty (60) days from the Licence Commencement Date. At the same time the Authority shall publish the Regulatory Fees payable for the Quarter beginning July 1, 2003. For the Licensee, this fee shall not exceed six hundred thousand dollars (\$600,000.00) for any Regulated Financial Year.

"Turnover" shall mean Quarterly Turnover and/or Annual Turnover, as applicable in the circumstances.

“Unaudited Financial Statements” means a balance sheet, profit and loss statement and a cash flow statement, that have not been audited, all in respect of the Licensee’s business in the Cayman Islands.

1.2 Licence Fee Procedures and Payment

(a) Not later than fifteen (15) calendar days following the end of the Quarter the Licensee shall deliver to the Authority a licence fee report showing the amount of Quarterly Turnover broken down in a manner prescribed by the Authority, Quarterly Revenue and all calculations applied, and Unaudited Financial Statements. The said licence fee report shall be reviewed by the Authority which may require the Licensee to provide further information in respect of the Licence Fee calculated.

(b) At the same time as provision of the information specified in subsection (a) the Licensee shall deliver a cheque payable to the Authority which shall be equal to six per cent (6%) of the Quarterly Revenue together with an amount equal to the Licensee’s Quarterly Regulatory Fee.

(c) The Licensee shall include, when providing the information specified in subsections (a) and (d), an affidavit signed by an officer of the Licensee attesting to the veracity and completeness of the information provided and that the Licensee has reported all Turnover.

(d) The Licensee shall deliver to the Authority within three (3) months of the end of the Licensee’s Financial Year a full set of Audited Financial Statements. If the Audited Financial Statements, as accepted by the Authority, show that the Licensee has under paid the Licensee Fee a further sum in the amount of the under payment shall be paid to the Authority. In the event the Audited Financial Statements show that the Licensee has overpaid a credit shall be applied to the subsequent years License Fee.

2. Dispute Resolution

2.1 Within 28 days of the receipt by the Authority of the Licensee’s Unaudited Financial Statements in accordance with clause 1.2(a) of this Annex or the receipt of the Licensee’s Audited Financial Statements in accordance with clause 1.2(d) hereof (as the case may be), the Authority may serve the Licensee with a Dispute Notice stating the grounds upon which the Authority disputes the exclusion of any item from Turnover or the inclusion of any item as a deductible from Turnover for the purposes of calculating Quarterly Revenue or Annual Revenue as (the case may be) in accordance with the terms of this Annex.

- 2.2 The Licensee and the Authority shall thereupon use their reasonable endeavours to reach a settlement in writing of the said Dispute Notice provided that where such dispute has not been resolved to the reasonable satisfaction of the Authority within 28 days of the receipt by the Licensee of the Dispute Notice the dispute shall be referred to an independent accountant to be agreed between the Licensee and the Authority within 14 days thereafter.
- 2.3 In the event that the Authority and the Licensee are unable to agree on the identity of such independent accountant the Licensee and the Authority shall refer the choice of accountant to the President for the time being of the Cayman Islands Chamber of Commerce whose decision shall be final and binding.
- 2.4 The decision of the independent accountant in respect of the Dispute Notice shall be final and binding and the costs of the referral of the said Dispute Notice including the fees charged by the independent accountant for adjudicating on the Dispute Notice shall be awarded by the independent accountant to the party in whose favour the said Dispute shall be resolved.

3. Authorised Frequencies Fee

- 3.1 Notwithstanding Clause 2.2, the Licensee shall pay an annual Authorised Frequency Fee not exceeding \$90 per radio transmitter per year for the first five years following the Licence Commencement Date.
- 3.2 The Authorized Frequencies Fees are to be set on the following principles:
 - (a) the total amount collected each Regulated Financial Year for Authorized Frequency Fees from all Licensees (including the Licensee) shall not exceed the Authority's annual estimated cost of electromagnetic spectrum management and other related activities.
 - (b) The Authorised Frequencies Fee shall be set to be the same for all transmitters, irrespective of the use of the transmitter or the type of spectrum used by the transmitter.

ANNEX 3

1 UNIVERSAL SERVICE

- 1.1 The Licensee shall provide Category 1 services to Users, in accordance with the Universal Service Regulations.

ANNEX 4

1 AUTHORIZED FREQUENCIES

FREQUENCY	TYPE OF SERVICE
835-845 MHz (excl)	RX "B" band TDMA-800
880-890 MHz (excl)	TX "B" band TDMA-800
845-849.97 MHz (excl)	RX "B" extended TDMA-800 *
890-893.97 MHz (excl)	TX "B" extended TDMA-800 *
1870.2-1884.8 MHz (excl)	RX "B" band GSM-1900
1950.2-1964.8 MHz (excl)	TX "B" band GSM-1900
1450-1525 MHz (non excl)	Point to Point Links (CYB-LYB Micro Wave) Operational Fixed Mobile
3700-4200 MHz (non-excl)	VSAT, RX (Point to Multi Point Links) Land Earth Station Service
5925-6425 MHz (non excl)	VSAT, TX (Point to Multi Point Links) Land Earth Station Service
816.9875-820.9875 MHz (non-excl)	UHF, RX Trunked Radio Specialized Mobile Radio Service
861.9875-865.9875 MHz (non-excl)	UHF, TX Trunked Radio Specialized Mobile Radio Service

* The Licensee has determined that TDMA 800 based services can reasonably be accommodated within the "B" band and a portion of the "A" Band. This migration has been determined not to involve a significant expense to the Licensee if a sufficient amount of spectrum in the "A" band is allocated to replace the "B" extended band.

2 SUBMARINE CABLES

Cable System	Landing Points	Type	Capacity
CJFS CS	Seven Mile Beach (near Marriot Hotel) Grand Cayman / Stake Bay, Cayman Brac	Digital (Fibre)	STM-4
	Half Moon Bay, Grand Cayman / Montego Bay, JA / Kingston, JA	Digital (Fibre)	STM-16
MAYA-1 CS	Half Moon Bay, Grand Cayman / Puerto Cortez, Honduras, /Puerto Limon, Costa Rica/ Maria Chiquita, Panama / Tolu, Colombia / Hollywood, Florida (Flat Ring)	Digital (Fibre)	STM-16 X 3

3 NUMBER ALLOCATIONS

- 3.1 The Licensee shall be permitted to use those Numbers, and to have exclusive use of the central office codes ("COCs") identified in this Annex 4. The Licensee shall, within thirty (30) days following the Licence Commencement Date, return all other COCs or Numbers not currently in use by the Licensee or not reasonably required to meet future demand forecasted over a three (3) year period.
- 3.2 All COCs not contained in this Annex are returned to the Authority (for example, all 1000 number blocks in the 345-816 COC).

Fixed Network Central Office Codes

PREFIX	STATUS	COMMENTS	IN SVC DATE
345-222+	Assigned	GTNH 1 number active 222-2222	01-Aug-01
345-244	Assigned	Government COC	Prior 2000
345-266	Assigned	Only 266-6328 used for Easy Access (Internet)	Prior 2000
345-444+	Assigned	GTNH 1 number active 444-4444	01-Jun-01
345-638	Assigned	Only 638-7873 and 638-4638 used for Internet.	Prior 2000
345-730	Assigned	BTNH for RMATS closed user group	Prior 2000
345-747*	Assigned	BTNH	
345-777+	Assigned	GTNH 1 number active 777-7777	01-Jan-02
345-800	Assigned	GTNH 1 number active 800-8477	Prior 2000
345-814	Assigned	D.I.D	Prior 2000
345-815	Assigned	D.I.D	01-Oct-02
345-848*	Assigned	Cayman Brac/Little Cayman	
345-849*	Assigned	D.I.D. (for Paging service providers)	
345-888+	Assigned	GTNH 1 number active 888-8888	01-Mar-01
345-914	Assigned	D.I.D.	Prior 1995
345-930	Assigned	GTNH for RMATS closed user group	Prior 2000
345-940	Expansion	GTNH	
345-943	Assigned	GTNH	01-Nov-00
345-945	Assigned	GTNH	Prior 1995
345-946	Assigned	GTNH	Prior 2000
345-947	Assigned	BTNH	Prior 1980
345-948**	Assigned	Little Cayman & Cayman Brac (from 0000 to 5999)	Prior 1980
345-948**	Assigned	D.I.D (for Paging service providers) (from 6000 to 9999)	Prior 1995
345-949	Assigned	GTNH	Prior 1980
345-976	Assigned	Only 976-4638 or 976-INET, Internet Access Open	18-Jun-95
345-990	Assigned	National 800 Service	01-Aug-00
345-995	Assigned	"Stop Line" allocation	01-Jun-03

Mobile Network Central Office Codes

PREFIX	STATUS	COMMENTS	IN SVC DATE
345-916	Assigned	Mobile-Post Paid TDMA	01-May-95
345-917	Assigned	Mobile-Pre Paid TDMA	01-Aug-99
345-919	Assigned	Mobile-Temporary Location Directory Number	01-Mar-99
345-924	Expansion	Mobile-Post-Paid GSM	
345-925	Assigned	Mobile-Post-Paid GSM	01-Jun-03
345-926	Assigned	Mobile-Post Paid TDMA	01-Feb-00
345-927	Assigned	Mobile-Pre Paid TDMA	01-Feb-00
345-928	Assigned	Mobile-Pre Paid TDMA	01-Oct-02
345-929	Assigned	Mobile-Pre Paid GSM	01-Jun-03
345-938	Expansion	Mobile-Pre Paid TDMA	
345-939	Expansion	Mobile-Pre Paid GSM	

* Expansion Next Generation Network Project scheduled completion 2004.

** Central Office Code (COC) split between Sister Islands and Paging Services.

+ C&W will not issue any other numbers in this range without ICTA approval. As codes become vacant C&W will return them to the ICTA Numbering Pool.

Short/Service Codes (non exclusive)

Short/Service Code	Use
0	Local Operator
1	World Zone 1 designator
010	International Operator
011	International Access Code
101	Test Tone
102	Test Tone
103	Test Tone
104	Test Tone
105	Test Tone
106	Test Tone
107	Test Tone
108	Test Tone
109	Test Tone
269	Voice Mail Access
311	Reserved Police Non Emergency
411	Directory Information
500	Emergency Services (Call FWD-911)
511	Customer Service (Disconnected)
555	Emergency Services (Call FWD-911)
611	Fault Reporting
711	911 Emergency Fax
811	Customer Service
844	Local Time and Temperature
911	Emergency Services (Call FWD-911)
999	Emergency Services (Call FWD-911)

Special Services Codes

Number	Special Services
10-10-269	International Discount Calls (excl)
10-10-335	International Discount Calls (excl)
10-10-729	International Discount Calls (excl)
800-8477	800-TIPS (Police Service) (non-excl)
1-800-744-xxxx	International Toll Free Service (excl)
1-800-534-xxxx	National Toll Free (excl)
2-800-xxx-xxxx	National Toll Free (to be phased out over three years)
1-900-222-xxxx	900 Services (excl)

Fixed Network Vertical Service Codes (non exclusive)

Code	Use
	Alarm Call (PSTN)
* 55 (*) HHMM #	Book Casual Alarm Call
# 55 (*) HHMM #	Cancel specific Casual booking
# 55 #	Cancel all Casual bookings
* # 55 (*) HHMM #	Interrogate specific Casual booking
* # 55 #	Interrogate all Casual bookings
	Call Waiting (PSTN)
* 43 #	Activation
# 43 #	Deactivation
* # 43 #	Interrogation
R 0	Reject incoming call
R 1	Release original call
R 2	Hold original call
	Outgoing Call Barring Service Fixed (PSTN)
* 33 ((*) kw) #	Activation - Prearranged
# 33 (*) kw #	Deactivation - Prearranged
* # 33 #	Interrogation - Prearranged
	Outgoing Call Barring Service Variable (PSTN)
* 34 ((*) kw) (*) bp #	Activation - Selective
# 34 (*) kw #	Deactivation - Selective
* # 34 #	Interrogation - Selective
	Call Forwarding Unconditional service Variable (PSTN)
* 21 (*) C-number #	Activation variable service
# 21 #	Deactivation variable service
* # 21 #	Interrogation variable service
* #21 (*) C-number #	Verification variable service
	Call Forwarding Unconditional service Fixed (PSTN)
* 27 #	Activation fixed service
# 27 #	Deactivation fixed service
* # 27 #	Interrogation fixed service
# 22 #	Deactivate fixed and variable
* # 22 #	Interrogate fixed and variable

Fixed Network Vertical Service Codes (non exclusive) (continued)

Code	Use
	Call Forwarding No Reply (PSTN)
* 61 (*) C-number #	CFNRV - Activation
* 61 (*) C-number * rtime #	CFNRV - Activation with ringtime
# 61 #	CFNRV - Deactivation
* # 61 #	CFNRV - Interrogation
* # 61 (*) C-number #	CFNRV - Verification
* 62 #	CFNRF - Activation
* 62 (*) rtime #	CFNRF - Activation with ringtime
# 62 #	CFNRF - Deactivation
* # 62 #	CFNRF - Interrogation
# 63 #	Deactivate fixed and variable services
* # 63 #	Interrogate fixed and variable services
	Call Forwarding Busy (PSTN)
* 67 (*) C-number #	CFBV - Activation
# 67 #	CFBV - Deactivation
* # 67 #	CFBV - Interrogation
#67 () C-number #	CFBV - Verification
* 68 #	CFBF - Activation
* 68 (*) rtime #	CFBF - Activation with ringtime
# 68 #	CFBF - Deactivation
* # 68 #	CFBF - Interrogation
# 69 #	Deactivate fixed and variable services
* # 69 #	Interrogate fixed and variable services

Mobile Vertical Service Codes (non exclusive)

Code	Use
*0	811 Customer Service
*18	Mobile Call Delivery Activate
*19	Mobile Call Delivery De-activate
*20	Transfer Busy Variable
*21	Transfer Busy Variable
*22	Transfer Busy Variable
*23	Transfer Busy Variable
*24	Transfer Busy Variable
*25	Transfer Busy Variable
*26	Transfer Busy Variable
*27	Transfer Busy Variable
*28	Transfer Busy Variable
*29	Transfer Busy Variable
*2*62	Transfer Busy Variable 28006245269 (Voicemail)
*30	Transfer Busy Variable
*31	Transfer Busy Variable
*32	Transfer Busy Variable
*33	28001234567 (Police Service)

Mobile Vertical Service Codes (non exclusive) (continued)

Code	Use
*34	Transfer Busy Variable
*35	Mobile Call Delivery Activate
*350	Mobile Call Delivery De-activate
*36	Transfer No Answer Activate
*37	Transfer No Answer Activate
*38	Transfer No Answer Activate
*39	Transfer No Answer Activate
*3*62	Transfer No Answer Activate 28006245269 (Voicemail)
*3733	PrePaid IVR Access
*41	Conference Calling Activate
*42	Change Call Forward number
*43	Drop last caller on conference calling
*51	Last Number Callback
*52	Call Hold
*56	Change Call Forward number
*611	611 Fault Reporting
*62	269 - Voice Mail
*66	Automatic Callback Activation
*660	Automatic Callback De-activation
*661	Automatic Callback De-activation
*67	Calling Number Indicator Off
*71	Transfer Variable Activate
*710	Transfer Variable De-activate
*72	Transfer No Answer Variable Activate
*720	Transfer No Answer Variable De-activate
*73	Transfer Busy Variable Activate
*730	Transfer Busy Variable De-activate
*74	Transfer No Answer Variable Activate
*740	Transfer No Answer Variable De-activate
*746	Inbound Roaming Activate
*81	Call Waiting Activate
*810	Call Waiting De-activate
*90	Transfer Busy Variable Activate
*92	Transfer No Answer Variable De-activate
*93	926-7626 Local Roaming
*99	9496666 (Radio Z-99)
#99	9496666 (Radio Z-99)

Proposed GSM Vertical Service Codes (non exclusive)

Code	Use
321	Call Centre IVR
411	Directory Assistance
611	Repair Service
811	Customer Care
911	Emergency Fire & Ambulance
*111	Access WorldTalk
*112	Call Centre/Emergency
*116	Weather Service
*117	Time
*123	VOICE MAIL RETREIVAL
**04*	Changing PIN Numbers Activate
**05*	Changing PIN Numbers Deactivate
*228	Over the air provisioning number
*33	Polics Services
35	MOBILE CALL DELIVERY Activate
#35##	MOBILE CALL DELIVERY Deactivate
*3733	PrePaid IVR Access
41	Activate Conference Calling Activate
90	VOICE MAIL TRANSFER - BUSY Activate
#41##	Activate Conference Calling Deactivate
#91##	VOICE MAIL TRANSFER - BUSY Deactivate
*43	Drop Last Caller Conf Call Activate
#43##	Drop Last Caller Conf Call Deactivate
*51	Last Number CallBack
51	VOICE MAIL TRANSFER - NO REPLY Activate
*52	Call Hold
#52##	VOICE MAIL TRANSFER - NO REPLY Deactivate
61	CALL WAITING Activate
#660##	Automatic Call Back Deactivate
65	Call Number Indicator Activate
*66	Automatic Call Back Activate
68	CALL TRANSFER - BUSY Activate
72	CALL FORWARD- ALL CALLS Activate
#73##	CALL FORWARD- ALL CALLS Deactivate
78	DO NOT DISTURB Activate
#79##	DO NOT DISTURB Deactivate
#81##	CALL WAITING Deactivate
#85##	Call Number Indicator Deactivate
#88##	CALL TRANSFER - BUSY Deactivate
92	CALL TRANSFER- NO REPLY Activate
#93##	CALL TRANSFER- NO REPLY Deactivate
*94	Local Roaming
*99	Local Radio Station Z99

Annex 5

TARIFF REGULATION AND OTHER MATTERS

Part 1 – C&W's Retail Prices

1. With effect from the dates specified below, the rates set out below shall be the maximum rates which C&W shall charge retail consumers for the specified services. Percentage reductions where indicated are from C&W's existing standard rates as at 31st December 2002.

(i) **IDD (International Direct Dial) calls**

- An overall reduction in the existing standard rates of 40% with effect from 1st December 2003 (i.e. a weighted average decrease in the price of IDD by 40%).

(ii) **Monthly Line Rental (Access charge)**

- Residential \$9 (from 1st January 2004)
\$12 (from 1st April 2004)
- Business (incl. Government) \$30 (from 1st Dec 2003)

The amended business rate shall be used to re-calculate the tariff for PRI access that is based on multiples of the business line rental (which becomes \$648 (being 30 x 0.72 x \$30)).

(iii) **Local Calls (i.e. Calls throughout the Islands) – with effect from 1st November 2003**

- Voice:

Fixed to fixed (1 st minute incl. set-up)	9¢
Fixed to fixed (per minute thereafter)	2¢
Fixed to mobile (per minute)	27¢
Postpaid mobile to fixed (per minute)	27¢
Prepaid mobile to fixed (per minute)	45¢
- Data per minute (PSTN dial up calls to an ISP) 5¢

(iv) **Light User Scheme**

- A Light User Scheme ('LUS') shall be introduced by C&W, with effect from 1st January 2004, with the following characteristics:
 - a. Participants in the LUS shall receive a restricted version of a basic local access package, designed to permit access to the PSTN and emergency services. The following restrictions shall apply:
 - 1. only Residential customers shall be eligible to participate in the LUS;
 - 2. participants shall receive the limited service set out below. Each participant shall have no more than one fixed line service in their name or at any one address;
 - 3. that single fixed line shall not have any enhanced features (e.g. Call Waiting, Call Forwarding, Voice Mail, etc.) or packages (SmartChoice, etc.) applied to it;
 - 4. each participant shall have no Data Services as outlined in Part 2, Category 1, Section (c) to this Schedule (see paragraph 4), nor any Special Service as outlined in Part 2, Category 2 Sections (b) and (c) (see paragraph 12) to this Schedule.
 - b. Each recipient shall pay a basic access charge of \$8 per month and pay call tariffs at the rate applicable for residential access.
 - c. Each recipient shall receive a rebate to their account (of up to \$3) each month, to be offset against the cost of fixed-to-fixed domestic calls incurred during the month. The full cost of fixed-to-fixed calls shall be displayed on the bill with any amount of the rebate (of up to \$3) displayed separately.

- d. On the first anniversary of the launch of the LUS, the Authority and C&W shall jointly review the LUS. The target take up rate of the LUS is anticipated to be approximately 5% of those accounts that are categorised as Residential. The LUS shall be reviewed and re-adjusted if the take up rate materially differs from this target. If the take-up rate is materially more than 5% then C&W shall be permitted to make reasonable amendments to the scheme so as to reduce the take-up rate, provided that C&W and the Authority shall agree on the methodology of any changes and provide reasonable notice to participants of any changes to the LUS. If the take-up rate is materially less than 5% then C&W shall make reasonable amendments to the scheme so as to increase the take-up rate, provided that C&W and the Authority shall agree on the methodology of any changes. In either case, C&W shall provide reasonable notification of any changes to the LUS.
- e. The deposit policy (as may be amended from time to time) that applies for standard fixed line service will also apply to each participant in this scheme.
- f. The LUS shall only be provided to a Subscriber once a written request is received from a Subscriber who meets all the criteria as herein described.
- g. Any Subscriber that meets all the above criteria is eligible to participate in the LUS.
- h. Should any participant cease to meet all the criteria as outlined herein, C&W shall take reasonable steps to inform Subscribers as to when they may become ineligible. If they leave the LUS, they shall receive service at the standard fixed line rate then applicable from the date that they are informed.

(v) **Customer Premises Equipment**

- From 1st December 2003 for business customers, and from 1st January 2004 for residential customers, C&W shall cease to charge or be responsible for inside wiring and single line "customer premises equipment" for customers, e.g. handsets, additional sockets and extensions, etc and similar single-line equipment. Such existing equipment and inside wiring shall be left in place at no cost to the subscriber.
- For greater certainty, "Public access" single-line equipment provided by C&W such as payphones and Internet kiosks are not included in the definition of "Customer Premises Equipment".

Part 2 – Retail Price Regulation

2. **Price Cap Regimes.** The following arrangements apply to the regulation of C&W's retail prices. From the Effective Date until the date that the Initial Price Cap is set, C&W shall comply with the Interim Price Restrictions as set out in paragraph 35. The Authority shall conduct a public proceeding to set the Initial Price Cap consistent with the principles set out in this Agreement. From the date that the Initial Price Cap is set, C&W shall comply with the Initial Price Cap and the Interim Price Restrictions shall no longer apply.
3. **ICT Services Categories.** C&W's retail ICT Services are divided into the following six (6) categories:
 - Category 1 - Price Cap Services
 - Category 2 - Special (i.e. Fixed Internet Connectivity , Mobile, and IDD calls)
 - Category 3 – Other
 - Category 4 - Bundled services containing services from Categories 1 and 2 or 3
 - Category 5 - Bundled services containing services from Categories 2 and 3
 - Category 6 - New ICT Services

Category 1 – Price Cap Services

4. The following ICT Services are 'Category 1 Services':

a. Line Rental

- (i) Business.
- (ii) Residential.
- (iii) Installation and Reconnection Charges (including maintenance and repair) for Line Rental, both standard working hours rates, and after hours and weekend rates.
- (iv) Light User Scheme.

b. Domestic Calling Rates

- (i) Fixed Originated Domestic Voice calls (including Fixed Wireless Originated Domestic voice calls and 800 Domestic calls).
- (ii) Fixed Originated Domestic Data calls (e.g. domestic calls from a fixed line to an Internet Service Provider (ISP)).
- (iii) Fixed to Mobile (FTM) calls (i.e. domestic calls from a fixed line to a mobile line).
- (iv) Local Payphone calls (i.e. domestic calls made from a payphone).

c. Data Services

- (i) International Private Leased Circuits (IPLCs).
- (ii) Domestic Leased Circuits (DLCs).
- (iii) Frame Relay.
- (iv) ISDN (excluding Internet access charges above and beyond the data charge).
- (v) Very Small Aperture Terminals (VSATs).

- d. Others
 - (i) Custom Calling Features (e.g. Voicemail), subject to review by the Authority in the Initial Price Cap proceeding.
- 5. **Tariff Filing.** Within thirty (30) days of the Effective Date, C&W and the Authority shall finalize the form of tariffs to be filed. Within sixty (60) days of the Effective Date, C&W shall file tariffs for all the Category 1 ICT Services complete with all terms and conditions with the Authority. C&W shall publish those tariffs.
- 6. **Rate Decreases.** C&W may decrease the price of any Category 1 Service, provided that the rate decrease complies with the ex ante Imputation Test. The Authority may elect to exempt certain ICT Services from the requirement to have an imputation test. The process for any such decrease shall be as follows:
 - a. C&W files a proposal with the Authority in complete confidence (even its existence is not disclosed on the public record).
 - b. Unless more information is requested by the Authority and provided C&W does not make more than two (2) tariff filings within any ten (10) business day period, the Authority shall issue a ruling within ten (10) business days. Where that proposed price decrease meets the Imputation Test, the Authority will grant interim approval. With interim approval, C&W may implement that price decrease.
 - c. C&W shall submit, on or before the date the proposed rate decrease becomes effective, each proposal to the Authority in an abridged form, including the imputation test, in a format that permits the Authority to place the abridged form of that proposal on the public record (together with any claim to be made under the Confidentiality Rules in respect of the application).
 - d. If no significant comments are received from interested parties and the Authority does not raise any concerns, within thirty (30) calendar days of the initial filing, final approval shall be granted.

- e. In respect of the time periods set out in sub-sections (b), (c) and (d) above, these periods shall be reviewed jointly by the parties twelve (12) months after the Effective Date. Any changes to these time periods shall be as agreed by the parties.
- 7. **Rate Increases.** C&W may raise the price of any Category 1 Service only with the prior written consent of the Authority.
- 8. **Changes.** C&W may change any term or condition in respect of a Category 1 Service only with the prior written approval of the Authority.
- 9. **Withdrawal of Service.** Proposals by C&W to withdraw existing Category 1 Services, either wholly or in part, (for example, if the service was unavailable on a going forward basis), other than ICT Services required to be provided as part of any Universal Service Obligation applying to C&W, shall be governed by the following principles:
 - a. Prior to the Effective Date, C&W shall provide the Authority with details of any Category 1 Service that it intends to withdraw within six (6) months of the Effective Date.
 - b. Unless permitted by the Authority, C&W shall not withdraw any Category 1 Service in the period from the Effective Date to the first anniversary of the Effective Date.
 - c. Following the first anniversary of the Effective Date, C&W may withdraw Category 1 Services with prior written notice to the Authority. Unless the Authority agrees to a shorter notice period, C&W shall provide twelve (12) months notice to the Authority.
 - d. In withdrawing any Category 1 Service, C&W shall consult with the Authority and provide the Authority with information reasonably required to allow the Authority to assess the likely impact on the market of the withdrawal of that Service, including, without limitation, technical details of the Service, the proposed process to notify affected customers and any proposed close substitutes of the ICT Service.
- 10. **Bundling.** Bundles of price cap services will be permitted subject to the Authority's imputation test requirements.

Category 2 – Special (Internet Connectivity, IDD and Mobile)

12. **Interim Regime.** The following ICT Services are 'Category 2 Services':
 - a. all Mobile services (including GPRS or any method of accessing Internet through a mobile phone)
 - b. Low Speed Fixed Internet (both wireless or wire line) (56k and below)
 - c. High Speed Fixed Internet (both wireless or wire line) (above 56K)
 - d. IDD (including voice over Internet Protocol (VOIP) and 1010 service offerings and similar discount long distance plans)
13. **Tariff Filings.** Within thirty (30) days of the Effective Date, C&W and the Authority shall finalize the form of tariffs to be filed. Within sixty (60) days of the Effective Date, C&W shall file tariffs for all the Category 2 Services complete with all terms and conditions. C&W shall publish those tariffs.
14. **Geographic Averaging for Mobile and High Speed Internet.** C&W's rates for Mobile and High Speed Internet ICT Services shall be geographically averaged.
15. **Rate Increases.** C&W shall not increase the price of a Category 2 Service without the prior written approval of the Authority.
16. From the date that any Other Licensee starts to Commercially Provide any ICT Service defined in each of the sub-paragraphs 12(a) to (d) above, the services defined under that sub-paragraph shall be 'Category 3 Services'. (For example, until a mobile competitor starts commercial operations in the Cayman Islands, C&W cannot raise Mobile rates without the Authority's prior approval. Once there is a mobile competitor, Mobile services moves to Category 3, and C&W is permitted to raise its Mobile rates without the Authority's prior approval (see details below detailing the regulatory restrictions for C&W's Mobile and High Speed Internet pricing in Category 3)).
17. **Rate Decreases.** C&W may decrease the price of a Category 2 Service. C&W shall provide the Authority with three (3) business days' notice of any such decrease. The Authority may, in respect of any

such decrease, require C&W to demonstrate to the Authority that the proposed new price passes the Imputation Test. If the new price does not pass the Imputation Test, C&W shall amend the rate (or take other steps such that the Category 2 Service does not fail an Imputation Test). The ability to require such an imputation test is limited to the first six months after the rate for the ICT Service in question has been launched in the market.

18. **Changes to Terms and Conditions.** C&W may change the terms or conditions of any Category 2 Services only with the Authority's prior written approval.
19. **Withdrawal of Service.** Proposals by C&W to withdraw existing Category 2 Services shall be subject to the same principles governing withdrawal of Category 1 Services.

Category 3 – Other

20. **Services.** The following services are 'Category 3 Services':
 - a. Payphone IDD calls.
 - b. Value Added Services including IP/VPN (Internet Protocol/Virtual Private Network), MIR (Managed Internet Router), MIF (Managed Internet Firewall), Email, Web Hosting, Credit Card Processing (excluding connectivity), Domain Name, Evault/Disaster Recovery, E-Account, Conference calling and Global IPass.
 - c. Paging.
 - d. Telex and Telegram.
 - e. Operator Assisted Calls, Credit Card Calls, Calling Card Calls, and Collect Calls.
 - f. Premium Rate Information or Entertainment services (e.g. 900 services).
 - g. Equipment and Wiring Servicing and Consulting Services.
 - h. Installation and Repair Charges (except for monthly line rental).

- i. Training and Consulting.
- j. Equipment Sales and Rentals.
- k. Directory Advertising and Enhanced Directory Listings.

20.1 There will be 2 **sub-categories** of Category 3 Services:

- a. **Sub-category A** – are ICT Services for which C&W is required to publish all of its rates, terms and conditions (in a manner that is easily accessible and clearly indicates to users what terms and conditions apply to each ICT Service). C&W is permitted to offer customer specific pricing for these sub-category A ICT Services that differ from the published rates, provided that C&W files those arrangements with the Authority within a reasonable timeframe. The Authority may, on a service by service basis, exempt C&W from this requirement.
- b. **Sub-category B** – will be ICT Services whose rates, terms and conditions C&W will not be required to publish (i.e. those Category 3 Services not in sub-category A, and all Category 3 Services that are not ICT Services).

C&W and the Authority shall agree to the Category 3 services that shall be assigned to each sub-category.

- 21. **Rate Increases.** Rate Increases for Sub-category A do not require the Authority's approval, however, C&W must notify the Authority at least three (3) business days before that rate comes into effect.
- 22. **Rate Decreases.** Rate Decreases for Sub-category A do not require the Authority's approval. However, C&W must notify the Authority at least three (3) business days before that rate comes into effect. The Authority may require C&W to demonstrate that the new rate passes an ex post imputation test, if the Authority states in writing that it has concern that the new rate fails the imputation test, and provided that it does so within 180 days of the decrease taking effect.
- 23. **Terms and Conditions.** C&W may change its terms and conditions for Sub-category A services with appropriate notice to customers, in addition to the three (3) business days' notification to the Authority, prior to those changes coming into effect.
- 24. **Consumer Protection.** If the Authority determines that there is not

sufficient competition for an ICT Service and that it is the type of ICT Service that the Authority determines is of a non-discretionary nature such that regulation is appropriate, the Authority may take action in relation to that ICT Service, but that ICT Service will not be included in the Initial Price Cap plan.

25. **Exclusions from Paragraph 24.** For the avoidance of doubt the provisions of Paragraph 24 can be applied only to Category 3 services and so do not apply to Category 2 services. However, if competition ceases to exist in any one of the four (4) sub-categories listed in Category 2, then that sub-category service shall become subject to regulation under the rules of Category 2 until such time as another competitor offers a competing service.

- 25.1 **Geographic Averaging for Mobile and High Speed Internet.** C&W's rates for Mobile and High Speed Internet ICT Services shall be geographically averaged.

Category 4 - Bundles of Category 1 Services with Items of Category 2 or 3

26. Category 4 Services (being bundles comprising Category 1 Services with either Category 2 or Category 3 Services) shall be subject to an ex-ante imputation test. Bundling of these ICT Services shall be allowed. However, if the bundle contains a price cap service, then the rules found in Category 1 shall apply.
27. For Category 4 services, the Authority shall establish the manner in which the proportion of the revenues from the price cap service(s) element of this bundle will be credited towards compliance with the Initial Price Cap.

Category 5 - Bundles of Categories 2 and 3 Services

28. Category 5 Services are bundles comprising two or more Category 2 or 3 Services (that do not include a Category 1 Service). Bundling of these ICT Services shall be allowed, subject to the rules found in Category 2.

Category 6 - New ICT Services

29. If a New ICT Service is developed, the Authority shall determine in which Category that ICT Service belongs.

30. **Periodic Meetings.** C&W shall meet with the Authority at an agreed upon frequency for the purpose of C&W outlining its plans to adopt any New ICT Services, without reference to pricing. C&W shall file a list of those New ICT Services to be considered at least two (2) business days prior to each meeting. If the Categories can readily be determined, the Authority will give a ruling on the Category in which the ICT Service belongs on that same day.
31. **Rulings.** In addition to above, C&W may apply to the Authority in writing at any time for a ruling on an ICT Service categorization, in which case the Authority shall make such a determination within ten (10) business days, unless more information is required.
32. **Category 1 Inclusions.** An ICT Service shall only be included as a Category 1 Service if the Authority determines that there is not sufficient competition for the ICT Service and that the ICT Service is of a non-discretionary nature such that price cap regulation is appropriate.
33. New Mobile, Internet Connectivity and IDD ICT Services will not be included in Category 1.
34. **Category 1 Rate Proposals.** For new Category 1 ICT Services, C&W may propose rates for that service, which the Authority shall deny only if it determines that the proposed rate is not commercially reasonable. For all other categories, C&W shall be permitted to set the rates.

Interim Price Restrictions

35. Until such time as the Initial Price Cap plan is finalized and implemented, the following Interim Price Restrictions shall apply:
 - Stage 1: Rate changes for ICT Services as set out in Part 1 to this Schedule take effect.
 - Stage 2: For the first twenty-four (24) months after the Effective Date, unless the Initial Price Cap comes into effect earlier, there will be two (2) baskets:
 - a. Frozen Basket, no rate increases permitted¹:

¹ With the possible exceptions that C&W anticipates that it may make applications to the Authority for approval to:

- (i) Line Rental (business and residential).
- (ii) Line Rental installation and reconnection, maintenance and repair.
- (iii) Domestic calling (Fixed to Fixed domestic calls, including Fixed Wireless domestic calls, 800 Domestic calls, Data (Fixed to ISP) calls, Fixed to Mobile (FTM), Local Payphone). Note: The Authority will consider an application to increase the FTM rate if the interconnection rate for mobile termination is set at a rate that would make such a change appropriate.
- (iv) Light User Scheme.

b. Other Basket, subject to an overall constraint equal to the Consumer Price Index of the Cayman Islands ("CPI"):

- (i) This will consist of all Category 1 Services other than those listed in a. above.
- (ii) No rate element can increase per year by more than CPI.
- (iii) Bundling is permitted as per Category 4.

Stage 3: Commencing two (2) years after the Effective Date, unless the Initial Price Cap regime is in effect:

a. Frozen Basket: no rate increase shall be permitted, except:

- (i) Monthly rates for residential line rentals shall be permitted to increase by a maximum of \$1, for each year after the first two years after the Effective Date.

b. Other Basket: subject to an overall constraint of CPI.

-
- raise the reconnection fee to \$30 as the current rate of \$10 is below the monthly line rental fee,
 - raise the line installation rate from \$30 to \$50, and
 - create a rate for directory assistance charges as follows:
 - 2 free directory assistance calls per month from fixed phones; thereafter \$0.25 per call for directory assistance calls from fixed phones,
 - \$0.5 per call for directory assistance calls from mobile phones,
 - 2 listing per call.

- (i) Carryover of unused headroom from the previous two (2) years is permitted, consistent with any applicable rules on headroom that the Authority has determined, if any. For the avoidance of doubt, if no such rules apply, carry-over may still occur.
- (ii) No rate element can increase in any one year by more than CPI.

Principles to apply to the Initial Price Cap

36. In setting the Initial Price Cap, the following principles shall apply:

Going-in Rates

- a. The rates used at the start of the Initial Price Cap ("Going-in rates") for Category 1 Services shall be the rates in effect for the relevant services on the day before the Initial Price Cap is introduced. While the Authority can set the price cap factor ("X") to adjust prices over time (provided that such adjustment enables C&W to maintain a reasonable rate of return), one time adjustments to any of the Going-in rates will not be required for any Category 1 ICT Service when the Initial Price Cap regime is created.
- b. For Monthly Line Rental and Domestic calling rates, C&W will not be required to lower these over the course of the Initial Price Cap regime, below the Going-in rates.
- c. Carryover of unused headroom from the Interim Price Cap regime will be permitted into the Initial Price Cap subject to the rules set out in the Authority's Initial Price Cap decision.

Other principles:

- a. Each period of the Initial Price Cap Regime shall last for a pre-determined period of years. Each such year is a "Price Cap Year". Each Price Cap Year begins on the date of the implementation of the Initial Price Cap Regime or the applicable anniversary date thereafter. Each period of the Initial Price Cap Regime should preferably have a duration of three to five years.

- b. The Authority shall determine which ICT services shall be included in the Initial Price Cap Regime (the "Price Cap Services").
- c. The Initial Price Cap Regime will be based on regulating the prices of a basket or baskets of ICT services, which basket(s) shall be determined by the Authority following a public consultation proceeding. A simple Initial Price Cap Regime, with one or a small number of baskets, is preferable. Sub-baskets may also be established.
- d. In general, the Initial Price Cap Regime shall consist of a formula, which ties permitted price changes for the ICT services in the basket(s) to the Consumer Price Index of the Cayman Islands ("CPI") less an "X" factor intended to promote efficiency. The formula should also include appropriate provision to take account of costs required by certain unanticipated events over which C&W has no control (sometimes referred to as the "Z" factor).
- e. In determining the methodology and the value of X, the following factors, among others, are to be taken into account, with respect to that part of C&W's business used to provide services regulated under the Initial Price Cap:
 - (i) Existing and projected: revenues, financial and operating expenses, depreciation charges and capital employed;
 - (ii) Projected volume growth for services within the overall basket(s) or sub-basket(s);
 - (iii) Cost/volume and asset/volume relationships;
 - (iv) Projected unit input cost changes; and
 - (v) Weighted average cost of capital (WACC) in the Cayman Islands.

- f. The weighted average price change for the Price Cap Services must not exceed CPI – X (and taking account of any other factors) for the Price Cap Year. C&W shall comply with the price cap in each Price Cap Year based on data from its previous financial year. Compliance shall be measured using revenue weights.
- g. Before implementing any changes in prices of Price Cap Services, C&W shall provide sufficient advance notice, as determined by the Authority, to Subscribers and the Authority.
- h. C&W shall file compliance statements with any price changes to Price Cap Services to ensure that, during any Price Cap Year, any changes in the prices of Price Cap Services comply with the requirements of the Price Cap Regime.
- i. In the case of a new ICT service that comprises both a Price Cap Service(s) and any other service, the Authority shall establish the manner in which the proportion of the revenues from the Price Cap Service(s) element of this new service will be credited toward compliance under the Initial Price Cap Regime.
- j. The Initial Price Cap Regime may provide that the price for any Price Cap Service or Services (singly or applied to a sub-basket) shall not increase by more than a set percentage in any one Price Cap Year.
- k. A mechanism will be developed which will allow C&W to “carry over” from one Price Cap Year to the next changes that were permitted (but not made) in the prices of ICT services subject to the Initial Price Cap Regime.
- l. Promotional discounts for Price Cap Services may be permitted subject to rules of the Authority.

Part 3 - Imputation Test

- 37. In this Agreement, where a reference is made to an imputation test, that refers to:
 - a. (from the Effective Date) the Interim Imputation Test set out below; and

- b. (from the date, after the FLLRIC model is developed, that the Authority makes a determination to replace the Interim Imputation Test) the test as set out in the relevant determination by the Authority. That imputation test shall be based on the FLLRIC model.
38. The imputation test shall be applied on an ex ante basis for Category 1 Services, or Category 4 Services (ie., bundles that contain Category 1 Services). The imputation test shall be applied on an ex post basis, if the Authority requires an imputation test, for all other services. In each case the Imputation Test shall be administered by the Authority. C&W shall provide information to enable the Authority to conduct the Imputation Test and C&W bears the onus to demonstrate that it has satisfied the Imputation Test.
39. The Interim Imputation Test is set out below.
40. The Authority has the right to require that a retail rate passes the imputation test and has the discretion to waive the requirement for a retail rate to pass the imputation test. (E.g. the Authority may determine that it is appropriate to exempt time limited promotions from an imputation test requirement.)

Interim Imputation Test

41. This Interim Imputation Test is to be used from the Effective Date until the Authority has determined the form of the Imputation Test.
42. The Interim Imputation Test identifies a floor price for downstream services included in the pricing proposal, based on the measure set out in Table 1, for purposes of determining whether C&W is engaging in anti-competitive behaviour. Table 2 defines the terms used in Table 1. A proposal passes the Interim Imputation Test if the proposed retail price is equal to or greater than the floor price that the Imputation Test identifies. For a bundle of services, the imputed floor price is the sum of the floor prices for all of elements of that bundle.
43. For the purposes of this section, Stages 1 and 2 are set out in Table 1 below.
- The Interim Imputation Test shall be calculated at either of Stage 1 or Stage 2.
44. In respect of each service, the floor price shall be calculated as at

Stage 1 unless and until the Authority has made a determination that the service should be treated under Stage 2. The Authority may make such a determination conditionally or unconditionally, and, where the Authority elects to make a conditional determination, that service shall only be treated under Stage 2 to the extent stated and under the circumstances identified in the Authority's determination.

45. In determining whether to treat a service under Stage 2, one of the factors that the Authority shall have regard to, among others, in making such a determination shall be whether there is effective competition in relation to the relevant service market.
46. In making an application for changing the treatment of a service to Stage 2, C&W bears the onus to provide to the Authority that the test for the change in treatment has been met. The Authority will make a finding in relation to an application within three (3) months of receipt of said application.

Interim Imputation Test measures for determining floor prices

Table 1:

Service	Stage 1	Stage 2
Business line rental	Wholesale	Cost
Residential line rental	Retail	Retail
Light User Scheme	Retail	Retail
Fixed Domestic Voice Calls (including 800 domestic calls)	Interconnect plus Retail costs	Interconnect plus Retail costs
Fixed Domestic Data Calls (domestic calls from a fixed line to an ISP)	Wholesale	Wholesale
Fixed to mobile	Interconnect plus Retail costs	Interconnect plus Retail costs
International Private Leased Circuits	Wholesale	Cost
Domestic Leased Circuits	Wholesale	Cost
Custom Calling Features (eg Voicemail)	Cost	Cost
Mobile	Cost	Cost
Low Speed Fixed Internet	Wholesale	Cost
High Speed Fixed Internet	Wholesale	Cost
International Direct Dial	Wholesale	Cost
Equipment	Cost	Cost
Directory Enquiries	Retail	Retail

Definition of Terms used in Table 1

Table 2:

Term	Meaning
Retail	The price charged by C&W to its own retail customers, as set out in C&W's retail tariffs
Interconnection plus retail costs	The price being the sum of the interconnection charge for interconnection services used in the production of that service, plus the direct costs (i.e. excluding common costs) associated with the retail provision of that service.
Wholesale	The price charged by C&W to Other Licensees who are purchasing wholesale service as contemplated in this Schedule 4.
Cost	<p>Cost calculated using the adjusted FAC model, unless the FLLRIC model has been developed, in which case FLLRIC model shall be used.</p> <p>The FAC model costs shall be the sum of the network costs associated with the provision of the service and a contribution to common costs, and the costs associated with the direct retail functions of the service (i.e. excluding the associated common costs).</p> <p>If the adjusted FAC model does not provide costing information that is disaggregated to the level of the service(s) in question, the Imputation Test will use the results from the FAC Proxy Allocation. The FAC Proxy Allocation uses the results from the C&W adjusted FAC model to identify the network costs, retail costs, common costs and profit associated with the service category in which the service(s) in question is included. The values to be used in the imputation test will be derived from applying these percentages to the existing retail charge(s) of the service(s) in question. This means that the network cost associated with the service will be estimated through applying the percentage of cost associated with network functions for the relevant service group to the retail charge for the relevant service. The common costs will be split in the same proportion as the costs of the network and retail functions, and those associated with network functions will be included.</p> <p>In cases where C&W's FAC model does not include sufficient cost information, (e.g. when the service did not exist or had only</p>

been offered for a short when C&W's FAC model was developed) then C&W's business cases and analysis will provide costing information to be used in the imputation test.

47. For ICT Services not listed in Table 1, the Authority shall determine the appropriate price floor calculation method to apply, if the Authority believes it necessary to do so.

Part 4 - FLLRIC Model

48. C&W commits to building a forward-looking long-run incremental cost (FLLRIC) model within an agreed time frame. The parties intend that the form of the FLLRIC model may draw on elements of the Canadian Phase II methodology. In establishing prices for interconnection services and access deficit, if any, the Authority shall include a mark-up to provide a contribution towards the recovery of C&W's fixed and common costs. In establishing floor prices for imputation test purposes, the Authority shall decide whether to include such a mark-up.
49. Once built, the FLLRIC model shall be used for:
- (a) Interconnection Rates
 - (b) Determining whether Access Deficit exists, and if so, setting Access Deficit Contributions (ADCs)
 - (c) Imputation Tests
50. Process:
- (a) Two (2) months following the Effective Date, C&W shall submit a proposal on FLLRIC principles and parameters, the length of time and estimated costs to implement the proposed FLLRIC methodology.
 - (b) The Authority shall have ten (10) months thereafter to run a proceeding and make a decision (the period can be extended or shortened at the Authority's discretion).

- (c) The Authority shall determine the type of FLLRIC model (and the level of granularity to be required) to be built taking into account the benefits to be derived as compared to the expense associated with achieving that level of detail.
 - (d) As part of its decision regarding the nature of the costing model to be implemented, the Authority shall provide a reasonable time frame within which C&W shall implement the Authority's determinations. It is estimated, at present, that it will take C&W one (1) year to implement a FLLRIC model.
 - (e) The Authority reserves the right to conduct, from time to time, additional processes that are required to determine the reasonableness of the results, and where necessary, to require adjustments to the model.
51. **Cost Recovery.** The Authority will consider an application from C&W for the recovery of start up costs for building the model. If the Authority determines that the costs were reasonably incurred, the Authority will set up a mechanism to allow C&W to recover its costs.

Part 5 – Interconnection

52. From the date that model is developed, interconnection rates shall be based on the FLLRIC model.
53. Until the FLLRIC model is built, costs calculated for imputation tests and interconnection rates shall be based on C&W's Fully Allocated Cost model with the following adjustments:
- (a) updating that model to include 2002/03 financial data and traffic data;
 - (b) adjustment to include the licence fee as an expense;
 - (c) adjustments to reflect the effects of the tariffs noted above (ie rebalancing);
 - (d) adjustments to reflect the following allocation of cellular antenna and tower costs: 80% cellular, 10% distribution; 10% switching;

- (e) assumptions concerning directory assistance, reconnection and installation charges as contemplated in the footnote 1 to this Schedule 4; and
 - (f) adjustments to treat the licence fee (assumed to be a constant level) as an expense, therefore reducing the weighted average cost of capital to 13.5%.
54. In lieu of updating the model in each subsequent (C&W) financial year, C&W agrees to apply:
- a productivity improvement assumption of 4.8% to the fixed termination rate excluding the call-set up component (for example, $\$0.0105 \times (1-4.8\%) = \0.0100 , thereby reducing a rate of $\$0.0105$ to $\$0.0100$), excluding the call set up component;
 - a productivity assumption of 25% to the transit rate excluding the call set up component.
- For greater clarity, after the above adjustments are made there shall be no further adjustments to the above rates until FLLRIC is implemented.
55. C&W shall provide the Authority on a timely basis the information the Authority reasonably requires to enable it to verify the output interconnection rates using the methodology set out in paragraph 53.
56. C&W may propose to the Authority that interconnecting Licensees should pay an Access Deficit Contribution (ADC). If the Authority is satisfied that C&W suffers an access deficit, C&W may charge interconnecting carriers an ADC. The question of whether an access deficit exists will be reassessed using the FLLRIC model. If the FLLRIC model, as verified by the Authority, confirms that an access deficit exists, then a mechanism to recover the access deficit in a manner consistent with competitor equity will be created.
57. All interconnection rates are to be reciprocal (i.e. all licensees will charge each other the same rate for the same service – except for any applicable contribution towards an Access Deficit).
58. Other Licensees, if they take the service, will pay C&W for its directory assistance and 9-1-1 service at cost-based rates to be approved by the Authority, despite the fact that it may be offered free or at a reduced rate to C&W's retail customers.
59. Prior to April 1 2004, the Authority shall conduct a proceeding to establish whether and the extent to which the mobile termination rate

should be amended until a FLLRIC model is created. Any such determination can only result in no greater than a 25% increase or decrease to the mobile termination rate charged by mobile Licensees at that time. Any change shall take effect on or after April 1, 2004 as specified by the Authority and shall be superseded by FLLRIC rates when available.

60. If the international settlement payment on a carrier route basis received by C&W is less than the mobile termination rate to be paid to deliver that traffic plus C&W's cost of transiting and delivering the call to the mobile Licensee, C&W shall first attempt to negotiate or otherwise obtain a higher international settlement payment. In the event that C&W is unsuccessful in obtaining a higher settlement payment, then C&W and the mobile Licensee ("the parties") are to negotiate an arrangement for the splitting of the international settlement payment. In the event that the parties are not able to reach an agreement, then:
- (a) the mobile Licensee may opt to refuse the use of C&W's facilities to terminate the international mobile traffic, without penalty, provided it receives a higher international settlement payment itself (or through third party) and therefore is able to terminate international mobile traffic itself; or
 - (b) Either party may refer the dispute to the Authority for determination. If the mobile Licensee has exercised its option to refuse the traffic, the need for the dispute to be resolved by the Authority is negated.

The arrangements listed in this section also apply, with the necessary changes, when C&W is the mobile carrier and the other Licensee is the transiting international carrier seeking to terminate the call on C&W's mobile network.

61. For the avoidance of doubt, nothing in this section prevents C&W from agreeing with another Licensee to use a different mobile termination rate for international originated calls from that of domestically originated calls, provided that C&W acts in a non-discriminatory manner with its own international mobile terminated traffic.
62. Within thirty (30) days of the Effective Date, C&W shall provide to the Authority an indicative non-binding Legal Framework document, being the non-technically-specific portion of a proposed draft

interconnection agreement.

63. The first time that C&W responds to a written request from a Licensee under section 44(3) of the Law, C&W shall provide a copy of the response to that request to the Authority.

Part 6 –Wholesale Services

64. **Authority may mandate resale.** From the Effective Date, C&W shall offer any service to other licensed operators on a wholesale basis if the Authority has issued a written direction requiring C&W to do so. The wholesale price of any service that is required to be offered for resale shall, subject to any specific exemptions in section 66. below, be:
- (a) (in the case of a service covered by the commitments given in Attachment 1) as calculated in this Agreement; and
 - (b) (in all other cases) C&W's retail price less a discount to reflect the avoided retail costs to C&W of providing that service.
65. **Rate changes.** Wholesale rates shall be adjusted with effect from the date that changes to the relevant retail rate take effect, save and except that wholesale rates shall not increase more than once in each calendar year without the prior written approval of the Authority. In the case of rates given conditional on a term commitment, those rates shall remain as agreed during the life of that commitment unless similarly situated existing retail customers of C&W receive a rate reduction.
66. **Specific exceptions.** If the wholesale price is lower than the cost of providing that service, the wholesale price shall be the retail price of that service (i.e. no discount applies to such services). ('Cost' shall have the same meaning as in Table 2 but excluding common costs).
- 66.1 C&W shall not be required:
- (a) to offer wholesale access for traffic that neither originates, nor terminates, in the Cayman Islands;
 - (b) to make available on a wholesale basis any service which it does not itself offer to retail customers; and

(c) to make available wholesale services for which there is insufficient demand to justify the cost of development.

67. **Costs associated with wholesale services.** With the exception of the services set out in Attachment 1, C&W shall be entitled to recover all material costs, if any, it incurs in developing the product capabilities necessary to provide an ICT service on a wholesale basis. Such costs should be shared amongst all purchasers of the resale service in an equitable manner.

68. **Bundling.** Where retail services are offered together to create a bundled service, both the retail services included in the bundle and the bundled service itself shall be made available as wholesale services unless the Authority has granted an exemption.

69. **Mobile not mandated for wholesale.** The Authority agrees to grant C&W an exemption from the requirement to offer mobile services on a wholesale basis regardless whether such services are offered on a bundled or unbundled basis, unless, at a date after the first anniversary of the Effective Date:

(a) C&W is the only operator of a mobile network in the Cayman Islands and (b) wholesale mobile services are reasonably requested by another Licensee which, in the Authority's view, such request would promote competition in the mobile market.

Notwithstanding the above, any requirement that C&W shall offer mobile services on a wholesale basis shall cease to apply once C&W is no longer the only mobile network operator in the Cayman Islands. If the conditions in (a) and (b) were met and another Licensee had obtained wholesale mobile services, its commercial arrangements with C&W shall continue for the length of the existing agreement.

70. **C&W Commitments.** Without being specifically required to do so by the Authority, C&W shall, from the dates specified in Attachment 1, make the wholesale services available to ICT licensees on request as set out in the Attachment 1 to this Schedule 4.

Part 7 - Corporate Choice

71. As part of its performance of this Agreement, C&W shall cease to offer 'Corporate Choice' contracts on the Effective Date, provided that each Corporate Choice customer elects to take service under the standard terms and conditions including the new pricing for IDD calls as set out in this Agreement. The parties agree that C&W shall not apply

cancellation fees to customers. The parties agree that the IDD discounts set out in this Agreement are not cumulative with any discounts received by customers who elect to remain on Corporate Choice contracts. For further clarity, the new rates for IDD set out in this Agreement shall not apply to any Corporate Choice customer that elects to remain on its Corporate Choice contract.

Part 8 – Internet Pricing

72. On 1 November 2003, C&W shall change its retail rate for internet access services to offer the following two plans:
- (a) an unlimited dial-up Internet package at \$17 per month plus usage charge of \$0.05 per minute; and
 - (b) 10 hours for \$29.00 plus \$2.90 per hour thereafter.

Part 9 – Bypass

73. C&W will continue to implement its existing policies with respect to Bypass of the international voice gateway. The parties further acknowledge that, from 1 April 2004, all such arrangements shall be subject to and governed by the relevant provisions of the ICTA Law.

Part 10 – Directories

74. C&W acknowledges that the Authority has authority over its contract terms with publishers and suppliers of directories.

Part 11 – Submarine Cable Assets

75. C&W acknowledges that the references in section 44(1) to an ICT Network include, in the case of C&W, submarine cable systems operated by C&W and, therefore, references in the Law to C&W's obligations in relation to interconnection and infrastructure include reference to obligations in relation to those facilities.
76. C&W acknowledges that its offering of interconnection services shall include capacity between Grand Cayman and each of Little Cayman and Cayman Brac (subject to capacity being available) and that, under the terms of any indicative interconnection offer made by C&W, such capacity shall be made available at a rate that is cost-based (meaning FAC as adjusted until FLLRIC is available, and FLLRIC thereafter)

using either cable or microwave link as appropriate.

Interpretation

- "bypass" means the commercial use or supply of either:
- (a) the passing of an international voice service (including the carriage of a reconstructable voice channel within a data or mixed voice/data service) without passing through the international gateway switch of a licensed voice network; or
 - (b) the termination of international voice services on the domestic switched telecommunications network by a person who does not originate the call or possess a valid interconnection agreement with that domestic operator with respect to international voice services;
- "C&W" means the Licensee;
- "commercially operate" means to use an ICT Network to provide an ICT Service to any person (with the exception of their own employees) or Licensee, charging a fee for that service;
- "Effective Date" has the same meaning given in the 2003 Agreement between Cable & Wireless (Cayman Islands) Limited and the Governor in Cabinet of the Cayman Islands and the Information and Communications Technology Authority;
- "IDD" means the service comprising circuit-switched international voice telephony, and, where relevant, a reference to an IDD call shall mean a call provided using IDD between a place in the Cayman Islands to or from a place that is not in the Cayman Islands;
- "interconnection" has the meaning given in the Law and hence a reference to interconnection in this Agreement includes a reference to infrastructure sharing under section 48 of the Law;

“local calls”	means voice calls between places within the Cayman Islands;
“New ICT Service”	means an ICT Service that the Authority determines to be materially different in one or more of its fundamental features from any ICT Service previously offered by C&W;
“Other Licensee”	means a Licensee other than C&W;
“publish”	means, in respect of a tariff, to make that tariff available on the Internet and available for inspection to people who visit each of C&W’s public offices; and
“retail”	means in respect of any price, the published tariff rate of C&W not including any plans or discounts for that service.

**SERVICE OUTLINE: OUTGOING IDD CARRIER
WHOLESALE**

Overview

Provides circuit switched IDD services to interconnected 3rd party fixed or mobile carriers. The call originates on the network of the 3rd party fixed or mobile carrier and is passed to C&W through a standard interconnect joining service, from where C&W carries the call to the relevant international destination. This wholesale service is covered outside of the interconnect agreement in a Wholesale Service Agreement

C&W will have documentation for the Outgoing IDD Carrier Wholesale service available from 25 July 2003.

Charges

Service	Charge
Interconnect Joining Service	Standard joining service rate
Outgoing IDD Carrier Wholesale	20% reduction from C&W's standard per minute IDD rates

SERVICE OUTLINE: IDD RESALE

Overview

Provides circuit switched IDD services to service provider for resale to end users who are directly connected to C&W's network through the use of C&W's 800 Access Service. Access and egress connectivity to the service provider platform is provided over channelised E1s. Once the service provider authenticates the call, it is handed to C&W's international switch over a channelised E1, from where C&W carries the call to the relevant international destination.

C&W will have documentation for the IDD Resale service available from 25 July 2003.

Charges

Service	Charge
800 Access Service	A 15% reduction from the standard domestic per minute calling rates
Channelised E1	A 15% reduction from the standard PRI rental charges which is currently \$649 therefore current wholesale prices would be Installation \$500 Monthly rental \$550
IDD Resale Service	20% reduction from C&W's standard per minute IDD rates

SERVICE OUTLINE: DOMESTIC LEASED CIRCUIT (DLC)

Overview

Dedicated bandwidth is provided between two carrier locations or from carrier to end customer

Case No	Service	Capacity provided
1	Customer to Customer	Nx64 kbit/s, NxE1
2	Customer to Carrier	NxE1
3	Carrier to Carrier (Approach links)	NxE1

C&W will have documentation for the Customer to Customer and Customer to Carrier services available from 15 September 2003 and documentation for the Carrier to Carrier (Approach links) service available from 1 October 2003.

Charges

Service	Charge
Nx64 kbit/s	10% reduction from the standard domestic leased circuit charge
NxE1	20% reduction from the standard domestic leased circuit charge

SERVICE OUTLINE: INTERNATIONAL PRIVATE LEASED CIRCUIT (IPLC)

Overview

International bandwidth is facilitated between domestic carrier location and international location to notional midpoint on international facility. The far end half circuit is alternatively sourced

C&W will have documentation for the IPLC for data services available from 15 September 2003 and documentation for the IPLC for voice services available from 1 February 2004.

Charges

Service	Charge
Domestic tail	10% reduction from the standard domestic leased circuit rental charge for Nx64kbit/s 20% reduction from the standard domestic leased circuit rental charge for Nx E1
International half circuit	20% reduction from the standard international half circuit rental charge

SERVICE OUTLINE: INTERNET ISP CONNECT AND DIAL UP ACCESS SERVICE

Overview

Provides IP Port connectivity from ISP premises to C&W ISP network. ISP may purchase channelised E1s for 800 dial up access for end customers.

C&W will have documentation for the Internet ISP Connect services available from 15 September 2003.

Charges

Service	Charge
Dial up service	A 20% reduction from standard Dial up internet access service which is currently 5 cents per minute therefore current wholesale prices would be 4 cents per minute
Channelised E1	A 15% reduction from the standard PRI rental charges which is currently \$649 therefore current wholesale prices would be Installation \$500 Monthly rental \$550
ISP Connect 64 kbit/s 128 kbit/s 256 kbit/s 512 kbit/s 1024 kbit/s 1536 kbit/s 2048 kbit/s	Installation \$660, Monthly rental \$674 Installation \$660, Monthly rental \$1,236 Installation \$660, Monthly rental \$2,153 Installation \$660, Monthly rental \$3,598 Installation \$660, Monthly rental \$5,806 Installation \$660, Monthly rental

	\$7,543 Installation \$660, Monthly rental \$8,890
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SERVICE OUTLINE: RETAIL ADSL INTERNET SERVICE RESALE

Overview

Enables the resale of C&W's retail ADSL Internet offering, consisting of four distinct packages as determined by the uplink and downlink speeds.

C&W will have documentation for the Retail ADSL Internet Service Resale offering available from 5 August 2003.

Charges

Service	Charge
Ultra (128/64 kbit/s)	A 15% discount on the monthly rental charge which is currently \$74 therefore the current wholesale price would be Installation \$120 Monthly rental \$63
Select (256/64 kbit/s)	A 20% discount on the monthly rental charge which is currently \$99 therefore the current wholesale price would be Installation \$120 Monthly rental \$79
Premium (768/128 kbit/s)	Which is a 20% discount on the monthly rental charge which is currently \$199 therefore the current wholesale price would be Installation \$120 Monthly rental \$159
Deluxe (1544/256 kbit/s)	Which is a 20% discount on the monthly rental charge which is currently \$349 therefore the current wholesale price would be Installation \$120 Monthly rental \$279