

# REVIEW OF THE NCC LICENSE FRAMEWORK FOR THE ESTABLISHMENT OF MOBILE VIRTUAL NETWORK OPERATORS IN NIGERIA



## Introduction

In an increasingly digital world and fragmented telecoms industry, Mobile Virtual Network Operators (MVNOs) are on the rise, introducing new technology and offering value through the support of existing Mobile Network Operators (MNOs). The Nigerian Communications Commission (NCC), the primary regulator in the telecoms industry recently released the License Framework for the Establishment of Mobile Virtual Network Operators in Nigeria (“the Framework”). The objectives of the Framework include the provision of guidelines for MVNO operations in Nigeria, ensuring that all stakeholders are properly catered for and protected, allowing MVNOs contribute to the availability and expansion of quality mobile coverage through redundant capacity utilization, infrastructure sharing, national roaming, and other telecommunication elements.

## MVNO Defined

An MVNO is a telecommunications operator whose services and products are provided on the back of the capacity of a fully licensed Mobile Telecommunications Service provider or Mobile Network Operator (MNO). **Paragraph 4.1 of the Framework** describes MVNO in this manner: *“the MVNO reaches a “Wholesale Agreement” or “Revenue Sharing Agreement” with the telecommunications company (Telco) and delivers its services after bulk purchasing resources from the Telco. The defining difference between an MVNO and an MNO is the simple fact that an MVNO has no ownership whatsoever of spectrum elements, irrespective of its operational model.”* In essence, MVNOs do not own any spectrum frequency but they provide several telecommunications services by entering into a contract with an MNO, who already has a radio frequency spectrum. Depending on the nature of the contract and the capacity of the MVNOs, the MVNOs can provide any or all of the following services:

- a. Provision of SIM card sales and distribution channels, registration of subscribers, sales and distribution of devices;
- b. Development of an efficient tariff structure, ensuring adequate and accurate billing systems;
- c. Provision of necessary customer relationship management systems for catering to customers and their needs, resolving issues and disputes with customers;



- d. Provisioning of Application and Value-Added Services, ensuring proper SIM management
- e. operations, meeting Quality of Service Key Performance Indicators with regards to Value-Added Service and related services;
- f. International Data and Voice services;
- g. Ensuring that devices and facilities meet the technical standards set by the Nigerian Communications Commission;
- h. Provisioning of network access to ensure quality delivery of mobile telecommunications services to the end users, ensure frequency standards are met for spectrum access, etc.

The Framework provides for a 4-tier system with a fifth tier Unified Virtual Operator that can decide the level of service it desires to offer ranging from tier – 1 to tier – 4. This permits a Tier 5 operator freedom of choice to deploy its services the way it deems fit as long as it has a valid license.

### **1. Tier 1 – Services Virtual Operator**

MVNOs under this Tier offer services to its customers without owning any switching or intelligent network infrastructure and does not control numbering resources. The Host Network (HN) provides wholesale capacity to it for delivery of its products and services. The main differentiator are VAS services, and they rely on a revenue sharing model for calls as its pricing infrastructure is strongly tied to that of the HN. The license subsumes a VAS providers' license and applicable conditions within VAS license must be adhered to while providing VAS services. They can run their own Short Message Service Centre, distribute and own their own content, as well as offer basic network services such as voicemail to their customers.

The Operator is free to operate in at least one of the following areas: its own brand; own sales and distribution channels; device and phone sales and management; limited tariff control; customer relation platform; its own Content/Applications; host and distribute VAS; run SMSC for SMS. The license fee is ₦30,000,000.00 (Thirty Million Naira) (71.860.86 USD).

### **2. Tier 2 – Simple Facilities Virtual Operator**

The MVNO does not have Core Switching and Interconnect capabilities but can set up its own Intelligent Network (IN) to provide IN services to its customers. If it desires, it can own more of the customer segment than Tier-1 operators with the capacity of establishing its own Home Subscriber Register or Authentication Centre, Equipment Identity Register, and Home Location Register. Its capacity to control its own tariff structure and packages to a high degree allows it to generate its own revenue through traffic from its own customers but relies on a shared revenue structure with the host



for inbound calls. In addition to Tier 1 areas, it can participate in at least one of the following areas- own and issue its SIM; own and operate its own Intelligent Network; own and operate Home Subscriber Register or Authentication Centre, Equipment Identity Register, and Home Location Register. The license fee is ₦65,000,000.00 (Sixty-Five Million Naira) (155,698.53 USD).

### **3 Tier 3 - Core Facilities Virtual Operator**

The Tier 3 MVNO can launch and operate a full core network with switching and interconnect capabilities. It however relies on its host to provide Radio Access capacity at wholesale to deliver its products and services to its customers and generates revenue from both outbound and inbound calls which gives it full control over its tariff structure. It can engage in interconnect agreements with other network providers.

The Tier 3 operator is encouraged to target underserved and unserved areas with subsidized requirements to operate in those areas. They are permitted by the NCC to engage in a “Shared Rural Coverage Agreements” with their hosts which must align with the active infrastructure sharing regulations and guidelines set out by the NCC. Subject to its region of operations, it can co-own and co-manage Radio Access Network elements to provide coverage for underserved and unserved regions of the market

In addition to Tier 2 areas, they can manage at least one of the following areas- owns and manage core network elements (switching and interconnections including: IP Multimedia Subsystem; Mobile Switching Center and Gateway Mobile Switching Centre, PGSN/Packet Data Network Gateway; Serving GPRS Support Nodes/Serving Gateway; Mobility Management Entity. The license fee is ₦100,000,000.00 (One Hundred Million Naira) (239,536.20 USD).

### **4 Tier 4 – Virtual Aggregator/Enabler**

The MVNO is responsible for aggregating services and/or Enabling other virtual operator’s services within the market and it stands as a middleman between the host and multiple MVNOs. It purchases bulk capacity from licensed network operators, and resells to multiple MVNOs, therefore streamlining the process of negotiating capacity agreements with the network operators.

It can determine what level of the value chain it wishes to aggregate. This means that an aggregator can rely on its host for switching and interconnect purposes but control its intelligent networks and content delivery platforms, therefore only capable of aggregating VOs from Tier – 2. Enablers on the other hand enable MVNO’s to focus on sales, marketing, and distribution while they provide a

platform on which the MVNOs can “outsource” the heavy lifting of B/OSS (Business/Operations Support Systems) processes.

The enablers are permitted to directly engage customers within an underserved and unserved region through a “Shared Rural Coverage Agreement” with a licensed spectrum owner. Within congested and urban markets, they can only perform the role of aggregation and enabling of MVNOs. The Aggregator/Enabler is permitted to - Install capacity to serve its aggregation/enabling platform as it deems fit; perform the role of a Core Facilities Virtual Operator (Tier – 3) where the region being served is underserved or unserved. A licensee with aggregating permissions can obtain a VAS aggregators license. The license fee is ₦150,000,000.00 (One Hundred and Fifty Million Naira) (359,304.30 USD).

## **5 Tier 5 - Unified Virtual Operator**

The operator in this category as earlier stated can decide the level of service it wishes to offer ranging from Tier – 1 to Tier – 4. It therefore has the freedom to deploy its services the way it deems fit as long as it has a valid license, in line with the License Framework and applicable laws and regulations. The license fee is ₦250,000,000.00 (Two Hundred and Fifty Million Naira) (598,840.50 USD).

An administrative award of a license will be made on application and upon completion of the requirements stipulated in clauses 6.3(b) and (c) of the Framework. The license is valid for a period of ten (10) years with an option to renew for the same term upon the request of the licensee not later than twelve (12) months before the current license tenure expires. The licensee must ensure that its services are rolled out within twelve (12) months of obtaining its license. The License can be revoked or suspended if the Licensee violates the MVNO agreement between itself and the MNO, or violates any of the conditions stated in the Framework. The License can be revoked if Licensee operates beyond the scope of the Tier in respect of which it obtained its license.

An MVNO must enter into a Commercial Wholesale Agreement with a Host Network Operator which is to be filed with the Nigerian Communications Commission (NCC) prior to the application for an MVNO license. The negotiation of the Commercial Wholesale Agreement is to be completed within a period of One hundred and Twenty (120) days from the beginning of negotiations. Where the MVNO and the MNO fail to come to an agreement within the stipulated timeline, the NCC reserves the right to mediate in line with the current provisions in the regulatory statutes.

A service agreement detailing terms and conditions for provision of services to the customers must be submitted to the NCC within 75 (Seventy-Five) days after commercial launch. All services to be provided by the MVNO and MNO must be clearly defined in the MVNO agreement

Licensees are to comply with the provisions of the National Communications Act, 2003, the Licensing Regulation, 2019, the Numbering Plan Regulations, Infrastructure Sharing and Collocation Guidelines, Type Approval Regulations and Guidelines, Consumer Code of Practice and Regulations, NCC Competition Practices Regulation and other applicable regulations and Guidelines. The licensee is further required to comply with other regulatory authorities such as the CBN, CAC, etc.

The MVNO license has the following licenses subsumed under it - Sales and Installation license; VAS provider license; Internet Services license and International Data Access license. In effect the MVNO licensee can provide the services permitted by these licenses. VAS is a primary differentiator for MVNOs service providers and as such the VAS license is subsumed under the MVNO license, permitting an MVNO to host and distribute its own content to the customers. Licensees are however forbidden from distributing VAS content created and managed by other VAS providers

## Conclusion

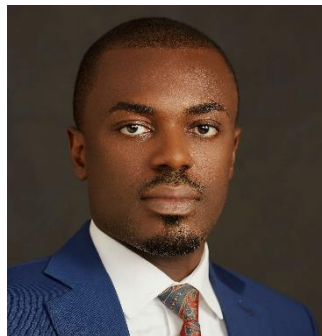
The Framework provides an outline for an MVNO agreement which is to serve only as a guideline to the contents of an MVNO agreement and there is an expectation that some elements in the outline will be incorporated into the final agreement. MVNO is a new phenomenon within the Nigerian telecommunication industry and it creates fresh opportunities for both the subscribers and other stakeholders. It is expected that the implementation of the Framework will positively affect the economy.

**For further enquiries, please contact:**



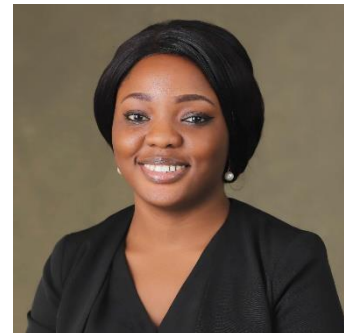
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