

Conditions for Obtaining a License to Provide IoT-VNO Services in the Kingdom of Saudi Arabia

Issued by Communications and Information Commission (CITC)

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Conditions for obtaining a license to provide IoT-VNO Services in the Kingdom of Saudi Arabia

1) Eligibility for a Class (A) IoT-VNO Services License

- 1-1 Mobile FBPs in the Kingdom are not eligible to apply for the IoT-VNO License, be it directly or through a fully owned subsidiary.
- 1-2 The Applicant must inform the Communications and Information Technology Commission (CITC) (the "Commission"), in its application for a License (the "Application"), of any direct or indirect ownership links between the Applicant and any service provider in the Kingdom (see also 2-2-1 (b) below). In such a case, the Commission shall review such ownership links and may approve or reject the Application according to conditions determined by its absolute discretion.

2) Application for a License

The Application must include the following documents and information:

2-1 Part 1: Cover Letter

- 2-1-1 A duly completed Cover Letter Form, as per **Appendix "A"**, dated and signed by an authorized signatory of the Applicant.
- 2-1-2 Applicants should attach to the Cover Letter all the information that is required pursuant to Article 2-2 below.

2-2 Part 2: Main Proposal

The main proposal must include the following information:

- 2-2-1 Applicant's details, including:
 - a) Legal name or proposed legal name of the Licensee;
 - b) Details of the ownership structure or the proposed ownership structure of the Licensee;
 - c) Detailed information on the Applicant or on each member of the consortium, if the applicant consists of a consortium. Such details must include the name, legal status, registered office address, a description of the business of each consortium member, and the percentage ownership of the share capital held in the consortium;
 - d) The financial statements of the Applicant or any shareholder that owns, or any proposed shareholder that will own, five percent (5%) or more of the Applicant's shares if the Applicant consists of a consortium. These financial statements must be provided for

the preceding two (2) fiscal years and should include an audited or certified income statement and balance sheet;

- e) Either a certified resolution of the boards of directors of all proposed shareholders in the Licensee or a letter of authorization from each of the proposed shareholders in the Licensee which authorizes the Applicant to file the Application;
- f) A copy of any signed or draft IoT-VNO Agreement, letter of intent or other similar exchange between the Applicant and an existing or potential the Host FBP in the Kingdom, if such a document exists already. This document must be submitted in Arabic language but may be accompanied by an English translation or the English language original;
- g) The License Fee Bank Guarantee in accordance with the form enclosed in **Appendix "B"** of this document;
- h) The Financial Comfort Letter in accordance with the form enclosed in **Appendix "C"** of this document;
- i) A copy of the valid Commercial Registration; and
- j) A copy of the identity of the Applicant (or its representative).

2-2-2 Business Plan

The Applicant must provide information to show that the Applicant's overall business plan is viable, realistic and adequately funded, and is consistent with the details contained in its Technical Proposal. The Business Plan must include:

- a) Corporate Strategy: high level corporate strategy, including how and to what extent it would contribute to the Kingdom's telecommunications market;
- b) Market Study: market forecast, market segmentation, customer penetration and uptake, proposed services and associated prices, and covering the first five (5) years of planned operation;
- c) Customer Care and after sales support plan, proposed related service levels and the continuous service quality improvement plan;
- d) Services, including the planned services of the Licensee, the products, services or sectors for which the Applicant proposes to offer IoT-VNO services, the timing of the introduction of these services, and the Applicant's proposed approaches to service innovation;
- e) Organization, including management, marketing, sales, customer care, operations and maintenance;
- f) Human Resource Plan, detailed human resource plan and committed degree of Saudization in accordance with the Kingdom's laws, rules and regulations; and

- g) A financial summary of the proposed IoT-VNO Services business in the Kingdom covering each of the first five (5) years of operation. This will include a profit and loss statement, a balance sheet, a cash flow statement and a financing plan. The financial information provided should include a detailed set of key assumptions driving the revenue model as well as a bottom up analysis of capital and operating costs for the IoT-VNO services.

2-2-3 Technical Proposal

Applicants must submit a technical plan within their application for the license, which should include the following:

- a) A concise description of the proposed approach to the rollout and provision of IoT-VNO Services in the Kingdom;
- b) Proposed service launch date;
- c) A description and architecture of any infrastructure, systems and processes planned, including details of:
- Network operations;
 - Customer care and after sales support, and proposed service levels;
 - Service performance monitoring and the continuous improvement of service quality; and
 - Customer billing.

2-2-4 The Applicant shall pay to the Commission a non-refundable processing fee of fifty thousand Saudi Riyals (SAR 50,000) to cover the Commission's costs for processing the Application, by certified check drawn on a bank located in Saudi Arabia approved by SAMA in favour of the "Communication and Information Technology Commission", payable in Riyadh.

2-2-5 The Licensee is bound, and shall continue to be bound throughout the period of the License granted to it, by the information provided and by all representations, undertakings and commitments made by it and contained within any part of the Application. Any breach or non-performance of any such representation, undertaking or commitment shall be deemed to be a breach of a condition of such a License.

2-2-6 Unless specified otherwise in this document, the original of all documents and information provided by the Applicants must be in Arabic. Supporting documents may be provided in English, but must be accompanied by an Arabic translation or (if so accepted by the Commission) an Arabic language summary.

Procedure for Filing an Application

1. The first and final pages of the original Application must be signed by an Authorized Signatory. Each of the other pages must be stamped and/or initialled by the Authorized Signatory.

2. The total size of the Application should not be greater than one hundred (100) pages of A4 in type no less than twelve (12) points and all pages must be numbered (e.g. page 15 of 100). Applicants may attach additional information as appendices to the Application.
3. Applicants must deliver the Application by hand or by courier to the Commission at the following address:

Governor Office

Communications and Information Technology Commission
Imam Saud Ibn Abdulaziz Ibn Mohammed Road

P O Box 75606, Riyadh 11588

Kingdom of Saudi Arabia
4. Applications must be valid for a period of one hundred and eighty (180) days from their receipt by the Commission.
5. Failure by any Applicant to provide all of the information required in the Application or any additional information required by the Commission may lead to the rejection of such Application in its entirety.

LIST OF APPENDICES

Appendix "A" Cover Letter Form

Appendix "B" License Fee Guarantee Form

Appendix "C" Financial Comfort Letter

Appendix A

Cover Letter Form

Appendix "A"

[Note to Applicants: please print and complete this Cover Letter Form]

COVER LETTER FORM

Communications and Information Technology Commission
Imam Saud Ibn Abdulaziz Ibn Mohammed Road
P.O. Box 75606, Riyadh 11588
Kingdom of Saudi Arabia
[Insert Date]
Name of Applicant

Dear Sirs,

Re: Request for a Class (A) License to provide IoT-VNO Services in the Kingdom of Saudi Arabia

1. We the undersigned hereby submit an Application for the grant of a License to provide IoT-VNO Services.

[Note to Applicant: If the applicants consist of a consortium, please provide a description of each of the consortium members]

2. We have duly completed this letter and enclose herewith:
 - a) Main Proposal;
 - b) The [powers of attorney/notarized certificates] that clearly evidence the authority to sign of the signator[y/ies] of this cover letter and other documents filed with our Application that require signature;
 - c) A Financial Comfort Letter (using the Financial Comfort Letter Form attached as Appendix "C" of this document);
 - d) A separate envelope marked "Application Processing Fee" of fifty thousand Saudi Riyals (SAR 50,000) to cover CITC's cost of processing the Application by certified check drawn on an approved bank located in Saudi approved by SAMA in favour of "Communication and Information Technology Commission" payable in Riyadh;
 - e) A Bank Guarantee for the License Fee (using the Bank Guarantee Form attached as Appendix "B" of this document);
 - f) A signed or draft copy of the IoT-VNO Agreement, or other related document (e.g., a Memorandum of Understanding or Letter Exchange), if already available; and
 - g) Details of the experience of our IoT-VNO partner(s), if there is/are any.
3. We confirm that our Application is open for acceptance by CITC for one hundred and eighty (180) days.
4. We confirm our agreement to the terms, conditions and provisions of the Rules and Conditions for MVNO Services and IoT-VNO Services Provision and those of the Class (A) IoT-VNO Services License.
5. We accept full responsibility for applying and implementing our business plan, as indicated in this document.

6. We confirm that all information provided in our Application and all associated documentation is complete, true and accurate in every detail and by virtue of having submitted an Application, we are bound by the information and commitments made by us.
7. For the avoidance of doubt:
 - a) In this letter, words and expressions shall have the same meanings as are respectively assigned to them in the Rules and Conditions for MVNO Services and IoT-VNO Services Provision and any other Commission Statutes it refers to.
 - b) This letter and all other documents comprising our Application shall be governed by and construed in accordance with the laws of the Kingdom.
8. We undertake that, if we are selected as a Successful Applicant, we shall:
 - a) Pay all required fees and amounts stipulated in any applicable Commission Statute; and
 - b) Perform all other obligations required by the Rules and Conditions for MVNO Services and IoT-VNO Services Provision and the Class (A) IoT-VNO Services License.

Yours faithfully,

[Signature of Authorized Signator[y/ies]
[Name of Authorized Signator[y/ies]
[Name of Applicant]

[Date]

Appendix B:

Licensee Fee Bank Guarantee Form

Appendix B

LICENSE FEE BANK GUARANTEE FORM

Communications and Information Technology Commission
Imam Saud Ibn Abdulaziz Ibn Mohammed Road
P.O. Box 75606, Riyadh 11588
Kingdom of Saudi Arabia
[Insert Date]

Name of Applicant

Dear Sirs,

Re: Applications for a Class (A) License to provide IoT-VNO Services in the Kingdom of Saudi Arabia

Since *[insert name of applicant]* have submitted their Application to provide IoT-VNO Services in the Kingdom of Saudi Arabia, we, *[Name of Issuing Bank]*, hereby unconditionally and irrevocably undertake to pay you the sum of one million Saudi Riyals (SAR 1,000,000) in accordance with the following:

1. We shall pay you immediately upon your written demand and irrespective of any objection by the Applicant or any other party such amount or amounts as you may demand not exceeding in the aggregate the above mentioned amount, namely one million Saudi Riyals (SAR 1,000,000) by transfer to your account at any bank in the Kingdom of Saudi Arabia or in any other manner acceptable to you;
2. All payments made based on your demand shall be free and clear, without any present or future deduction for payment of any taxes, levies, duties, charges, fees, deductions or withholding of any nature whatsoever and by whomsoever imposed;
3. The undertakings contained in this License Fee Bank Guarantee constitute direct and fundamental obligations of ours and are unconditional and irrevocable. We shall not be excused from any or all of these obligations for any reason or reasons of whatever nature or source, such as change in the conditions of the licensing process or extension thereof or change in the scope or nature of work to be performed, or any omission, act or proceeding by you or by a third party which would excuse or discharge us from the obligations and liabilities stated in this Bank Guarantee;
4. This License Fee Bank Guarantee is of a continuing nature and shall remain valid and in full force and effect until *[insert date]* pursuant to the conditions of this bank guarantee. If you provide us with a written and signed notice on or before the date specified for the expiration of this bank guarantee (or any subsequent extensions pursuant to the conditions hereof) that we should extend the bank guarantee, we shall:
 - a) Automatically extend this bank guarantee for the required period from the original expiration date of this bank guarantee or from the expiration date of any subsequent extensions, as specified in the extension request; or
 - b) Pay you the value of the bank guarantee.
5. We represent and confirm that the amount of this bank guarantee does not exceed twenty percent (20%) of the total paid-up capital and reserves of the bank; and
6. Any dispute with respect to this bank guarantee shall be resolved exclusively by the

competent authorities in the Kingdom of Saudi Arabia and according to the Saudi laws, regulations, decisions, rules and instructions.

Yours faithfully,

[Signature of Authorized Signator[y/ies]
[Name of Authorized Signator[y/ies]

[Name of Issuing Bank]

[Date]

Appendix C:

Financial Comfort Letter

Appendix “C”

[Note to Applicant: please print and complete this form]

FINANCIAL COMFORT LETTER FORM

Communications and Information Technology Commission
Imam Saud Ibn Abdulaziz Ibn Mohammed Road
P.O. Box 75606, Riyadh 11588
Kingdom of Saudi Arabia
[Insert Date]

Name of Applicant:

Dear Sirs,

Re: Application for a Class (A) License to provide IoT-VNO Services in the Kingdom of Saudi Arabia

We, [insert name of signing bank] understand that [Name of Applicant] has made an offer to acquire an IoT-VNO License in the Kingdom of Saudi Arabia.

Based on our thorough review of the following:

- Rules and Conditions for MVNO Services and IoT-VNO Services Provision and the Class (A) License to provide IoT-VNO Services;
- The Application for the grant of a Class (A) License to provide IoT-VNO Services including the Applicant’s Business Proposals for the IoT-VNO service operation in the Kingdom of Saudi Arabia; and
- The financial resources available to the Applicant.

We are confident that the Applicant will have sufficient access to funding to meet its peak financing requirements of SAR [.....] during the first five (5) years of the business plan, inclusive of the proposed License Fees.

Our review and assessment is based on the information that was available to us at this date, and is subject to various conditions. These include: no substantial delays in the License award process; conclusion of an IoT-VNO Agreement between the Applicant and at least one Host FBO by a date and under terms that are at least broadly consistent with the assumptions made in the Applicant’s Business Proposals; execution of documentation in satisfactory form; satisfactory conditions in the domestic and international debt capital markets; and no change in the terms of the License to be issued.

This letter is not intended to create legal relations between us and is not a commitment to provide financing to the Applicant.

This letter is governed by the laws of the Kingdom of Saudi Arabia and the courts of the Kingdom of Saudi Arabia shall have exclusive jurisdiction to settle any disputes arising out of or in connection with this letter. The parties accordingly submit to the exclusive jurisdiction of the courts of the Kingdom of Saudi Arabia.

Yours faithfully,
[Signature of Authorized Signator[y/ies]
[Name of Authorized Signator[y/ies]
[Name of Issuing Bank]
[Date]