São Paulo, 29 August 2017

The **Brazilian Association of Online to Offline** (hereafter ABO2O) appreciate the opportunity to respectfully presents its considerations regarding the Public Consultation held by the International Telecommunications Union and recognizes the ITU for its effort to determine what Over-the-tops (hereafter OTTs) are and whether they should be addressed by this Organization or not.

The ABO2O congregates innovative companies that provide disruptive services over the internet to benefit users offline. Most of these companies were founded in Brazil and other Latin American countries and are generating financial inclusion, economic growth and social opportunities in economies that have been struggling in difficult macro and microeconomic environments.

Some of the novel services provided by ABO2O companies are related to the segments of beauty, fashion, food, financial services, logistics, healthcare, and e-commerce.

All members of ABO2O are forward-looking companies which reach to their end users through the internet. These users benefit from the companies' online services at their offline lives, however none of the companies provides any services that compete with the traditional telecommunication business.

Considering that there is no clear and agreed upon international definition of OTT, the ABO2O must express its concerns with the terms of the public consultation as they may lead to distorted conclusions.

The risk of reaching precipitated and potentially erroneous conclusions at this point in time may lead to a number of unwanted consequences, such as:

- interfere with the companies' business models and plans therefore hindering their capacity to innovate and produce the disruptions that are enhancing the global economic scenario;

- prevent companies from delivering the beneficial effects from what they have been achieving in the fields of financial inclusion, labor inclusion, revenue generation, economic growth, knowledge dissemination and a large number of social benefits derived from connecting people to one another as well as to the services they need.

- conflict with the ongoing work in other fora, such as the Internet Engineering Task Force (IETF), W3C, ICANN, the Internet Governance Forum, the World Trade Organization, the World Customs Organization, UNCTAD, among others at regional and sub-regional levels.

1. What are the opportunities and implications associated with OTT?

The Internet has changed the way we interact with each other both economically and socially, not only as individuals but as groups as well. It has drastically reduced the

distances between regions, cultures and individuals in a way that only the progress in transportation had been able to achieve.

This result is not only due to the expansion of the infrastructure but also, and mainly, to the services accessible by people at all times and the benefits generated by them.

A study published in May 2017 concludes that every time the use of Internet-based services and applications grows 10%, an average US$5.6 trillion is added to GDP[1]. Both the advanced[2] and the large emerging[3] economies have reaped great benefits in economic growth from the expansion of the internet supporting the development of the content and services made available online.

Online content and application providers are the essence of the Internet as they provide the services users go online for and generate the demand for traditional telecommunication providers to position their own products.

Considering that, there is no doubt that the expansion of the services offered by telecommunications and infrastructure providers and the increased revenue obtained by these providers must be regarded as a direct effect of the lever OTTs represent for the economy. The Brazilian Telecommunications Agency (ANATEL) released a survey stating that between 1Q2013 and 1Q2015, revenues obtained by the telecommunications grew by 128%[4].

If the services and content offered today on the Internet did not exist, there would be no need for broadband connections or fiber covering the last mile. Had the online service providers not invested in adapting their content to the mobile devices user like the most, there would be no need for mobile broadband (3/4/5G).

All in all, online service and application providers have been offering the strongest opportunities in terms of access to knowledge, social progress, employment, wealth generation and economic growth in general. It is unquestionable that the traditional telecommunications providers have benefitted from this lever, as the revenue they generated by positioning their connectivity products has been steadily increasing over the past few years.

Online service and application providers are also helping bridge the digital gap by reaching the furthermost corners of the planet, where traditional telecommunication

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[1] www.late.online

[2] Manyika, James y Charles Roxburgh. 2011. “The great transformer: The impact of the Internet on economic growth and prosperity”, McKinsey Global Institute (octubre de 2011) <http://www.mckinsey. com/industries/high-tech/our-insights/the-great-transformer>

[3] Manyika, J., M Chui, J. Bughin, R. Dobbs, P. Bisson y A. Marrs. 2013. “Disruptive Technologies: Advances that Will Transform Life, Business, and the Global Economy”. McKinsey Global Institute <http://www.mckinsey.com/insights/business_ technology/disruptive_technologies>

[4] https://cloud.anatel.gov.br/index.php/s/VxuWaQltgEeQKyU/download?path=%2F&files=Relat%C3%B3rio%20de%20acompanhamento%20SMP%20-%201T16.pdf

service providers did not have the economic interest nor the incentives to deliver their services, thus leaving these regions and their populations at the margin of economic and social development for too long.

2. What are the policy and regulatory matters associated with OTT?

Whereas no definition of OTT has been able to gather a consensus, identifying clearly which policies are impacted by the OTTs is unattainable.

Therefore, it is reasonable to assume that any policy that touches or takes advantage of the internet will sustain damage from any attempt to regulate OTTs. From streaming to blogging, from e-commerce to public services, all activities regardless of their nature will receive unwarranted interference, potentially limiting the benefits they provide.

OTTs are key actors in contributing to bridge the digital gap as they provide means to connect isolated users who crave access to digital services and content formerly unavailable to them either because of the distance from the traditional infrastructure or the costs associate with its use.

Indeed, the traditional telecommunications providers are subject to burdensome regulations that address the particularities and requirements of their market. The traditional telecommunications environment has nothing in common with the disruptive, innovative and greatly competitive market OTTs have created and are born into. It does not make sense to discuss levelling the playing field[5] if there is not only one but clearly two playing fields.

Nevertheless, both worlds are symbiotic and must be seen and treated as such, in particular when addressed from a regulatory standpoint.

The traditional telecommunications market suffers from a lack of competition that hinders its growth and financial sustainability, directly impacting the online market where OTTs thrive and, at the end of the day, directly impacting the consumers who pay for infrastructure and do not receive the expect services.

It is, therefore, critical that regulators begin to look at the environment in which the traditional telecommunications are inserted in order to identify and remove barriers and burdensome obligations that are undercutting these providers' ability to innovate and ensure their economical sustainability.

All approaches must take into consideration that both markets are user-centric and must, therefore, always ensure that end users' interests are respected. Hence, it is almost irresponsible to consider that costs associated with the operation of traditional telecommunication providers could or should be supported by online services and application providers.

[5] Brian Williamson, Deconstructing the "level playing field" argument, an application to online communications, May 2017.

Indeed, this would lead to a completely illegitimate pressure on users as they would pay the traditional telecommunication provider for the broadband service (the access to the infrastructure) and pay the online application providers for their service. The online application provider's price would include the cost of supporting the traditional telecommunications provider's infrastructure as a fixed cost. The ultimate consequence being that the end-user would be paying twice or more for the use of the infrastructure: one time to the telecommunication provider and again to each online service provider.

It is undeniable that it would not only exponentially increase the total cost for the end-user, but also limit even more the penetration of the Internet and further marginalizing those regions and populations that have no access to the benefits of the Internet.

3. How do the OTT players and other stakeholders offering app services contribute in aspects related to security, safety and privacy of the consumer?

Security, safety and privacy matters can be measured by the horizontal impact on the lives of users in all their economic and social dimensions.

As such, these subjects must not be addressed from the technological stand point alone. All branches of the economy and of human activity must beware of security, safety and privacy implications of their operations.

Online application providers, as said before, use a very user-centric approach to their businesses and markets. Our users are our most valuable asset and we put a point of honor at protecting their security, safety and privacy.

Many online application providers offer cybersecurity solutions to their users as services or protect them by using cybersecurity solutions throughout their operations. Good examples are the financial service providers, such as ABO2O members Mercado Pago, Moip, Muxi and PayU, which need to be constantly on top of the security threats that could impact their business and users.

Other segments such as transportation (99, Easy taxi, Wappa, Cabify) and food (iFood, Delivery Center, Appetite) must remain constantly focused on providing the safest services as possible to their users if they want to stay competitive, whilst health services providers (Help Saúde, DoutorJá, All Doctors) allow users to reach out to doctors directly from their connected devices. All the above mentioned are examples of how online applications can provide safety to their users, either directly or by applying safety guidelines to their internal processes and external partners.

All online service providers, regardless of their segment, care for the privacy of their users. It is well known that privacy breaches can be lethal to online companies, especially if a company is deemed to have invested insufficient efforts into protecting its users' privacy from third parties. As such, companies invests very relevant effort into protecting their users from external threats.

4. What approaches might be considered regarding OTT to help the creation of environment in which all stakeholders are able to prosper and thrive?

The Internet demands certain conditions to keep growing and providing all the benefits it can provide to its users. It is critical that innovation can unfold regardless of previous permissions from regulators, who should always act with an ex-post approach.

This principle should also apply to the providers of the infrastructure, who should not be submitted to burdensome regulations that increase entry barriers, limits competition and end up limiting the growth of the entire symbiotic system that includes the online service and application providers.

It appears clearly that the major bottleneck is not related to online service providers, but rather to traditional telecommunications providers, with their sustainability at stake as they face heavy regulatory impacts that hinder competition and innovation on their market.

Seeing that online provides are thriving, regulators should look out for those who are facing difficulties to determine what changes to the burdensome regulations would re-establish a virtuous cycle of competition and allow end-users to be served by those providers as well as they expect to be.

5. How can OTT players and operators best cooperate at local and international level? Are there model partnership agreements that could be developed?"

Online service providers and traditional telecommunications providers already cooperate to the extent national legislation allows them to. As described above, there is a symbiotic relationship in place between these two worlds, even though they are submitted to very different environments and regulations

No intervention is needed to trigger a better cooperation between the two sides of the symbiotic relationship. Moreover, regulators should refrain from intervening to limit one side one the relationship and work to bring more competition and innovation to the traditional telecommunications markets instead.

The ABFINTECHS approves this position paper.

About ABO2O

The Brazilian Association of Online to Offline (ABO2O) is a non-profit group created in aimimg to contribute to the development of the country and stimulate the strengthening of the O2O trading system, a business model that uses online channels to purchase services and products offline, or vice versa.

Currently, it has 52 associated companies from various segments, such as agribusiness, beauty, employment, gastronomy, logistics, marketing, fashion, payments, health, supermarket and taxis.

O2O Market´s Potential in Brazil

A study by the Brazilian Association of O2O in partnership with the Spanish company Netquest outlined the profile and habits of Brazilians using smartphone applications to request O2O services (online to offline), such as taxis, food delivery or reservation at restaurants. The study required 30-day monitoring of 2,500 volunteers users that allowed an analytic application to observe its habit of using applications for a month. From this group, 86% are users of Android smartphones and another 14% by iOS. An analysis showed that for 60% of the time, users make their own mobile networks (3G or 4G) to navigate. The rest of the time (40%) are connected to Wi-Fi networks.

Among those who use O2O services, women are the great majority (61%, against 39% of men) and they are mostly young. About 70 percent of O2O users are under 34 years old, which reveals that O2O's "early adopters" in Brazil are predictably young, but that is a huge market for middle- and high-income people with ages over 34 years.

According to the association's analysis, this market is expanding. The companies of the sector present an average growth of 30%. Some conclusions: a) the penetration of the O2O service is still quite low and in its initial phase, but the interest is concrete; b) users of middle-class, young, female, and mid-end smartphones are the first users of O2O. c) group-buying, Theater Tickets, Taxi and Food Delivery are the most popular categories.

The study estimated that the Brazilian O2O Market has the potential to move BRL1 trillion per year, in its maximum degree of maturity.

About ABFINTECHS

The Brazilian Fintech Association (ABFINTECHS) is a non-profit group created to contribute to the development of the country and ease access to better financial products at better conditions for all.

ABFintechs has 212 associated companies acting in payments, financial planning, lending, investment management, funding, re-financing, cryptocurrencies travel money exchange and international payments.

We believe that companies using technology intensively can achieve better and more efficient processes reducing costs, increasing transparency and client experience, and allowing positive externalities such as financial inclusion.

We are looking for a greater integration between Fintechs. We want a greater integration of the financial system and its stakeholders and with traditional companies that can benefit from the more modern services that Fintechs are bringing to the market.