I n t e r n a t i o n a l T e l e c o m m u n i c a t i o n U n i o n

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TELECOMMUNICATION
STANDARDIZATION SECTOR
OF ITU

D.170
Supplement 3
(01/2012)

SERIES D: GENERAL TARIFF PRINCIPLES

General tariff principles – Drawing up and exchange of international telephone and telex accounts

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Monthly telephone and telex accounts

ITU-T D.170 – Supplement on guidelines for contents of an international interconnection agreement

Recommendation ITU-T D.170 – Supplement 3

ITU-T

International
Telecommunication
Union

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ITU-T D.170 – Supplement on guidelines for contents of an international interconnection agreement

Summary

Supplement 3 to Recommendation ITU-T D.170 is intended to present guidelines for the content of international interconnection agreements. It may assist telecommunication operators in the preparation of international interconnection agreements by specifying a possible structure of the terms and conditions to be contained therein.

History

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10.1	ITU-T D.170 Suppl. 1	2010-05-21	3
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10.3	ITU-T D.170 Suppl. 3	2012-01-20	3
10.4	ITU-T D.170 Suppl. 4	2012-01-20	3

FOREWORD

The International Telecommunication Union (ITU) is the United Nations specialized agency in the field of telecommunications, information and communication technologies (ICTs). The ITU Telecommunication Standardization Sector (ITU-T) is a permanent organ of ITU. ITU-T is responsible for studying technical, operating and tariff questions and issuing Recommendations on them with a view to standardizing telecommunications on a worldwide basis.

The World Telecommunication Standardization Assembly (WTSA), which meets every four years, establishes the topics for study by the ITU-T study groups which, in turn, produce Recommendations on these topics.

The approval of ITU-T Recommendations is covered by the procedure laid down in WTSA Resolution 1.

In some areas of information technology which fall within ITU-T's purview, the necessary standards are prepared on a collaborative basis with ISO and IEC.

NOTE

In this publication, the expression "Administration" is used for conciseness to indicate both a telecommunication administration and a recognized operating agency.

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Introduction

Objective

The objective of this supplement is to assist those telecommunication operators who do not currently have an international interconnection agreement by specifying a possible structure of the terms and conditions to be reflected in an international interconnection agreement.

Benefits of standardizing guidelines

The benefits that the supplement is envisioned to bring to the telecommunication operators are as follows:

- Help in the formulation by telecommunication operators of an international interconnection agreement, if none is yet in place.
- Ensure efficiency in managing accounts.

Role of an international interconnection agreement

For the purposes of this document, an international interconnection agreement is a commercially negotiated, legally binding, contract that defines and establishes the rights and obligations between two parties in the provision of voice services. The agreement describes the various dimensions of the business relationships, which may include the following:

- Effective dates
- Legal existence of parties to agreement
- Definitions of specific terms used
- Background to the agreement
- Provision of subjected services
- Legal aspects: liability, representations and warranties, confidentiality and reference to specific laws
- Dispute handling
- Suspension of service
- Technical details of interconnection among cost-sharing models
- Billing and charging principles
- Settlement and payment methods, etc.

Important factors in international interconnection agreements

- Cost sharing on physical interconnection
- Charging principles for voice traffic
- Service definitions, i.e., products being covered
- Rates and numbering plan
- Chargeable duration
- Mode of traffic declarations
- Billing, settlements and payment milestones
- Invoicing details, i.e., important fields
- Dispute process and tolerance limits
- Time zones
- Payment terms
- Securitization

- Tax authority exemption documentation
- Payment delay penalties
- Banking logistics (including cost of banking transactions)
- Contact matrix.

Key objectives

The key objectives of the Annex or provisions concerning billing and settlement in an international interconnection agreement include, but are not limited to, the following:

- Clearly defining services and related charging principles
- Objective/measurable SLAs for billing, settlements and payment milestones
- Well-defined credit terms in line with securitisation arrangements
- A clear contact matrix
- Applicability of taxes or additional charging
- A complete guide to billing and settlement arrangement between two parties.

Recommendation ITU-T D.170

Monthly telephone and telex accounts

Supplement 3

ITU-T D.170 – Supplement on guidelines for contents of an international interconnection agreement

1 Scope

The scope of this supplement is to present guidelines for the content of international interconnection agreements. It may assist telecommunication operators in the preparation of international interconnection agreements by specifying a possible structure of the terms and conditions to be contained therein.

2 References

[ITU-T D.170] Recommendation ITU-T D.170 (2006), *Monthly telephone and telex accounts*.

3 Definitions

None.

4 Abbreviations and acronyms

This supplement uses the following abbreviations and acronyms:

CDR Call Detail Record

SDR Special Drawing Rights

UTC Coordinated Universal Time

5 Guidelines to billing and settlement contract provisions

The following guidelines were developed by an ITU-T Study Group 3 correspondence group.

5.1 A well-defined credit policy

A credit policy is a set of standards, processes and procedures encompassing all credit functions and activities of a business organization. A credit policy serves as the basis on which major terms and conditions are put in place for any international interconnection agreement.

5.2 Types of draft annexes

Depending on the profile, credit policy, and customer segmentation of the prospective interconnection partner, the following drafts can be adapted (in consideration of other contract provisions) as example templates:

1. A standard draft covering post-payment terms
2. A standard draft covering post-payment terms that require credit limits and/or bank guarantees
3. A standard draft covering prepayment terms
4. A standard draft covering netting.

5.3 Standard draft covering post-payment terms

A standard international interconnection agreement with post-payment terms should cover the following aspects in detail. These points are common to almost all the types of annexes mentioned above.

- Cost sharing on physical interconnection
  - Visibility of costs associated with getting the interconnection live
  - Should have a diagram that clearly identifies different cost legs.
  - Should clearly define responsibility for costs for both the parties (costs can also be defined in terms of percentages). Responsibility for procurement of the interconnection facility can also be covered under this item.
- Charging principles for voice traffic
  - Proper definition of the various services covered by the agreement
  - Reverse call charging mechanism (like ITFS, etc.)
  - Bilateral traffic settlement termination rates
  - Wholesale/hubbing traffic termination rates
  - Monetary unit, including use of special drawing rights (SDRs)
- Rates and numbering plan
  - Rate changes in communication logistics covering contact details
  - Minimum notice for increase in rates
  - Minimum notice for change in numbering plan
  - Effective date of rate decreases
  - Logistics for confirmation of rate change, etc.
- Chargeable duration and granularity
  - Standard charging mechanism
  - Any special incremental charging for calls (6/6, 30/6, etc.)
  - Any special charging mechanism for special destinations, such as Mexico, etc.
  - Rounding off/up of total duration at destination level, for a billing period for charging purposes, etc.
- Mode of traffic declarations
  - Clear coverage of traffic declarations
  - Invoicing mechanism or ITU Declarations
  - Mention of traffic direction
  - For example, one party may invoice the other party for the traffic terminated by the terminating party on behalf of the originating party.
- Billing, settlements and payment milestones
  - Billing periodicity (weekly, fortnightly, monthly or another mutually agreed period)
  - Definition of week (1-7th or Monday to Sunday)
  - Clear identification of billing period on traffic statement
  - Billing within **X day**s from the end of a billing period
  - Billing by e-mail, fax, or hard copy by courier, etc.
  - Netting within **Xx days** from the end of a billing period

  - Failure to provide an invoice within the time frame triggers "No Netting", only gross payment
  - Payment within **Xxx** days from the end of billing period/receipt of the creditor's invoice
  - Billing, settlement and payment currency
  - Any currency or tool (e.g., SDR) and references thereof, as mutually agreed.
- Invoicing details i.e., important fields
  - Minimum details required in an invoice to enable verification
  - Mention clearly the fields required, such as destination, duration, rates, VAT number, etc.
- Dispute process and tolerance limits
  - Percentage tolerance limit for any difference in traffic usage measurements
  - No tolerance limit for any rate variance or clerical errors
  - Mention of maximum amount of thresholds, if required
  - Dispute registration logistics
  - Dispute raising timelines
  - Process of dispute analysis before working at call detail record (CDR) levels
  - CDR level working (avoid its being too cumbersome)
  - Timelines to resolve dispute
  - Appointment of an independent expert, etc.
- Time zones
  - Specify whether the charging is based on the terminating or the originating party's time zone
  - Specify whether the charging basis is UTC/GMT for both the parties
  - Specify charging with reference to GMT adjustments like (GMT+4, etc.)
- Securitization
  - In certain unfavourable conditions, it is advisable to provide the possibility of demanding a security measure
  - Knowledge of carrier's past payment record, market intelligence, financial stability, or other relevant conditions.
  - Right to request and/or provide financial statements, etc.
- Tax authority exemption documentation
- Banking logistics (including cost of banking transactions)
  - State bank details for both parties
  - Mention of the currency of payment and related specific account number
  - Specify who will bear the cost of transfer with the intermediary bank.
- Contact matrix
  - Details of settlement account manager
  - First level of escalation
  - Final level of escalation
  - All possible contact details, including mailing address, e-mail address, IDs, fax, fixed line and mobile numbers.

5.4 Standard draft covering credit limit, bank guarantee and/or letter of credit

Credit limit

The credit limit assignment depends on the appetite for risk and credit policy of the parties entering into the international interconnection agreement.

Bank guarantee and/or letter of credit

These agreements – if agreed between the Parties to include in the International Interconnection Agreement – should cover the following points in addition to those covered above (in the standard annex for post-payment cases)

- Right to request and/or provide financial statements, etc.
- Application of credit limit and/or bank guarantee, unilaterally or bilaterally
- Usage monitoring with respect to netting or gross basis
- Definitions of various thresholds and schedules for interim payments
- Time limits for interim payment and its sufficiency with respect to next payment so that limits are not breeched again
- Relevance of limit to capacity activated
- Adjustment in capacity and its impact on credit limit utilization rates
- Right to take extreme actions at various thresholds
- Definition of notice period before resorting to extreme actions
- Clearly mention "suspension without notice" if applicable
- Process and authority for review and revision of credit limits or bank guarantee amounts
- Process to relax credit terms, depending on payment history, if required
- Process for arriving at credit and/or bank guarantee limits, especially providing examples with respect to capacity activated.

5.5 Standard draft covering prepayment

Prepayment

Prepayment can be exercised with various options, depending on the risk appetite, bargaining power, payment capacity, and/or financial health of the buyer. Examples are:

- **Prepayment model**: in this option the prepayment stock is applied directly against the invoices raised directly and being topped up as per thresholds and agreement
- **Cash deposit**: Payment is made by the buyer as a normal post-payment case within the payment period. Cash deposit is normally the function of payment period and average net utilization per day. Deposit can be applied to delinquent payments.
- **ESCROW accounts**: US and European operators also work with ESCROW accounts as an option to deal with prepayment operators.

These agreements should cover the following points in addition to those covered above (in the standard contract provisions for post-payment cases)

- Calculation model for prepayment amounts, with example
- Adjustments in the prepayment with respect to additional capacity activation
- Periodic traffic declarations should be properly defined in the agreement and adhered to for provisional declarations and actual billing periods
- Right to take extreme actions at various thresholds
- Definition of notice period before resorting to extreme actions

- Clearly mention "Suspension without notice", if applicable
- Periodic prepayment topping up responsibility with customer covering traffic projections for the upcoming period and automatic self-prepayment top-ups.

It is always advisable to define thresholds in the international interconnection agreement to avoid any confusion at a later stage with the right to block with/without notice if the utilization crosses 100% at any given point in time.

5.6 Standard draft covering netting

The parties may deduct any amount that is due and payable to one party, pursuant to the international interconnection agreement (including any interest calculated), against any amount that is due and payable by the other party under the international interconnection agreement (including any interest calculated). There may be a condition that such amounts are not subject to a dispute between the parties.

Before the deduction mentioned above, the party making such a deduction shall send to the other party, by fax, e-mail, or other mechanism as mutually agreed, a summary of each party's due and payable amounts, as follows:

- Monthly accounts/invoices will be rendered by each party and netted to determine a single balance due from one party to the other
- Debtor party issues a net settlement statement to the creditor party within a mutually agreed timeframe
- Net balances due from one party to the other shall be paid within a mutually agreed timeframe.

6 A quick-step guide on standardization of international interconnection agreement provisions

- Try to standardize the common terms in all types of drafts
- Involve the legal team to consider the legal dimensions of the contract provisions
- Involve the settlement team in discussions with operators at the agreement stage
- Brief the sales team on the types of standard terms
- Brief the sales team on possible variants to the standard terms, generating various options to close deals
- Try not to touch and/or change standard texts
- Insert filling-in blanks for the sake of customising deals on dynamics such as the billing period, payment period, % threshold, etc.
- Involve the legal team again, once an annex is finalized with an operator.

7 Conclusion

This supplement provides voluntary guidelines that telecommunication operators may choose to consider when developing the terms and conditions of an international interconnection agreement. The terms and conditions of each international interconnection agreement will be commercially negotiated and mutually agreed and may differ from the guidelines set forth in this supplement.

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