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Webtel.mobi (Holdings) Limited
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Channel Islands
Attn: Mr Stuart Sterzel, CEO

Mr David Smith
Fasken Martineau
17 Hanover Square
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Dear Sirs

RE: Regulation Statement on Webtel.mobi

This letter provides Frost & Sullivan's professional opinion on the telecommunications regulatory environment in which Webtel.mobi operates. The discussion will rely on existing analysis conducted by Frost & Sullivan on behalf of Webtel.mobi (Holdings) Limited. This analysis is available in the report "New Patterns in Global Mobile Telephony" prepared in June 2009 and in the addendum to this report produced in August 2010.

This letter will briefly describe the structure of a telecommunications market regulatory framework. It will discuss the technological nature of the service offered by Webtel.mobi and, consequently, offer a view with regards to which regulatory regime Webtel.mobi is subject to.

Brief Introduction on Telecommunications Regulatory Frameworks

Telecommunications regulatory frameworks are continuously changing as technologies evolve and new services enter the market. The typical structure of a telecommunications regulatory regime in relation to voice and messaging communications services has evolved from one which exclusively considers telecommunications networks such as PSTN¹ and cellular networks to one where services that are partially or entirely based on IP² traffic are also included.

¹ PSTN (Public Switch Telephony Network) is the fixed telephony network service that delivers voice communication services to households and offices.

Consequently, from a telecommunications regulatory framework point of view, there are two main families of mobile and wireless voice and messaging services.

The first family includes traditional telephony and services that use cellular networks.

The second family includes services that either carry voice and texts over IP networks exclusively, or use IP networks for part of the delivery of their services.

The Technological Nature of Webtel.mobi's Service

Taking into consideration this overall view of telecommunications regulatory frameworks, it is important to understand the nature of the service provided by Webtel.mobi³.

- Webtel.mobi does not own and manage a cellular network. Webtel.mobi is therefore not a mobile network operator.
- Webtel.mobi does not partner with mobile network operators for either using their network infrastructures or buying air traffic. Webtel.mobi is not a full mobile virtual network operator. It is therefore not a thin mobile virtual network operator (MVNO) and neither is it a call service reseller.
- Webtel.mobi does not use the customer's existing telephone service to initiate, carry out, and complete any calling and SMS messaging. Webtel.mobi is therefore not a call-back service provider.
- Webtel.mobi does not offer a service that is entirely IP-based. Voice and messages are not transformed in IP packet and sent to the destination. Webtel.mobi is therefore not a mobile VoIP⁴ provider.

Webtel.mobi's users have to access the Internet in order to initiate a call, after which he or she is connected to the destination through a dedicated next generation switching technology.

Webtel.mobi therefore offers a mobile communications service that is Internet-initiated.

Regulatory Environment for Webtel.mobi

In light of the above analysis⁵, Webtel.mobi is not part of the first family of communication services (i.e. those entirely based on networks such as PSTN

² IP (Internet Protocol) One of the key network protocol that enables the existence of the Internet as we know and use.

³ Note that a detailed description on the service provided by Webtel.mobi is available at "New Patterns in Global Mobile Telephony", Report prepared by Frost & Sullivan June 2009, Chapter 3, Page 11-12.

⁴ VoIP stands for Voice over IP

and cellular networks). Instead, because Webtel.mobi is an Internet-initiated service, it is part of the second family of Internet-based services. Therefore, Webtel.mobi is subject to the regulatory environment that affects any other Internet-based services.

The specific regulatory environment applied to Webtel.mobi depends on its location. Webtel.mobi headquarters are based in Guernsey. Therefore the Guernsey regulatory environment is the one which Webtel.mobi is subject to.

As discussed in the first part of this letter, Webtel.mobi provides an Internet-initiated service and this service is provided in Guernsey – no matter where it is accessed from. In addition to that, Webtel.mobi does not provide a physical product to other jurisdictions, or ship a physical product, or provide a physical product for download to mobile phones or computers in other jurisdictions. In light of all this, Webtel.mobi is regulated by the Internet regulation valid in the Island of Guernsey.

Being not part of the European Union, EU Internet regulation is not mandatory in Guernsey that is primarily responsible for self-regulation. Webtel.mobi's self-regulation was discussed in the Addendum to the Report "New Patterns in Global Mobile Telephony" published in August 2010. But, it is useful to remind it.

Webtel.mobi's Self-regulation

The self-regulation that Webtel.mobi applies would need to confirm with what is deemed to be "fair and reasonable", as its (self) regulation would be primarily geared towards not leaving itself vulnerable to lawsuits by customers.

The areas of regulation that need to be addressed by Webtel.mobi should be addressed by the company stating its policy on these aspects clearly in their Terms of Use / EULA (End User Licence Agreement). The three most important aspects that need to be addressed and clarified in the End User Licence Agreement are:-

Policy on Usage of Stored Credit.

This is addressed in Webtel.mobi's EULA. Currently it states that the stored credit is valid indefinitely. We understand from Webtel.mobi that this is being changed prior to its listing to reflect a period of validity of six months before expiring – which is a generally-accepted international norm.

Policy on safeguarding of personal data.

Webtel.mobi's EULA clearly describes its policy in the "Confidentiality" and "Terms of the licence and Restrictions" sections of its EULA.

Policy on Emergency Calls.

Webtel.mobi's EULA clearly describes its policy in the "Disclaimers" section of its EULA.

⁵ A more detailed analysis of the nature of the service offered by Webtel.mobi is available in the Addendum, published in August 2010, to the Report "New Patterns in Global Mobile Telephony" Prepared by Frost & Sullivan in June 2009

Other than the above, Webtel.mobi's jurisdiction, EULA and method of service provision make it compliant with all relevant international regulation on its service, and it is able to provide its services in an otherwise unrestricted manner worldwide.

The same provisions are applicable to Webtel.mobi's VSMPs (Virtual Specialized Mobile Providers), as Webtel.mobi owns the URLs, provides and administers the VSMPs' services in all respects, bills the customers, and gives the VSMPs no autonomy whatsoever. As such, the VSMPs sites are in fact an extension of the Webtel.mobi site which only differs in colour and logo, and the VSMPs themselves would be classified as independent marketers of the Webtel.mobi service.

Conclusion

The professional opinion of Frost & Sullivan is that Webtel.mobi is subject to telecommunications regulatory frameworks as an Internet-based service because of the technological structure, nature and method of operation of its service. Being the company headquartered in Guernsey, Webtel.mobi is subject to Guernsey Internet regulatory environment.

Yours sincerely,
Saverio Romeo

Saverio Romeo
Senior Industry Analyst
Telecommunications Research Unit
Frost & Sullivan Europe

We partner with leading companies in our sector globally



Telecom Service Providers	Telecom Vendors
IT Vendors	Enterprise Com Vendors
Specialty	Content Providers/ Aggregator/ Platforms