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**No. 19-1/2017-DGT**
**Ministry of Communication**
**Department of Telecom**
**(DG Telecom Wing)**

**1012, Sanchar Bhawan, New Delhi**
**Dated 26.12.2017**

**To**

**All Heads of LSAs**

**Subject: - Audit of CAFs by LSAs.**

1 During the recent review of outstanding CAF Penalty amount, following are observed:

i. A huge amount (approx. Rs. 807 crores) of CAF penalty is outstanding beyond the due date of payment by TSP which is neither under appeal before the concerned DDGs of the LSAs nor stayed by any court of law.

ii. Number of appeals are pending before respective DDGs of LSAs beyond two weeks of filing of such appeals, resulting in delay in realization of huge amount of CAF penalty (approx. Rs. 332 crores). This needs to be expedited for early realization.

iii. A huge amount (approx Rs. 1172 crores) of CAF penalty is outstanding due to stay granted by various courts. This needs to be expedited for early realization.

iv. Number of LSAs are lagging behind in carrying out the monthly/quarterly audit of CAFs which is not only diluting the security concern but also causing revenue loss to the Govt. exchequer on account of penalty to be recovered. The status of CAF audit done and appeal disposed off by the LSAs as on 30.11.2017 is enclosed as **Annexure-I.**

2. In view of the above, all the Heads of LSAs are directed to take following actions:-

i. Recommend to concerned CCAs to encash Financial Bank Guarantees of all the defaulting TSPs in respect of the outstanding CAF penalties mentioned in para 1 (i) above **latest by 05.01.2018.** This instruction is issued in supersession of earlier letter No. 19-3/2012-S-I(Pt.) dated 26.12.2014. In future, in all such cases where TSPs have not provided a copy of receipt of payment against any demand note issued by LSAs and there is no stay orders issued by any court of law on payment of such demand, LSAs shall recommend to concerned CCAs for encashment of FBGs of defaulting TSPs within a week after the lapse of due date of payment to be made by the TSPs.

ii. Ensure that all pending appeals/representations before respective DDGs of LSAs mentioned in para 1 (ii) above are decided **latest by 10.01.2018.** Further, all future representations/appeals of TSPs shall be decided by the concerned DDGs of the LSAs within 2 weeks of its filing.

iii. Ensure that there is a **regular follow up** by the LSAs with Govt. Counsels for vacating the stay/expeditious hearing of court cases in case of penalties mentioned in para 1 (iii) above and for all future court cases, if any. Priority may also be accorded to the cases involving higher amounts.

iv. Ensure completion of the pending audits (both physical and e-KYC based CAFs) in all respect including issuance of show cause notice imposing penalty, if any, in respect of all the monthly/quarterly subscriber databases received upto 31.10.2017 **latest by 15.01.2018.** Further, for future audit of CAFs of all TSPs (both physical and e-KYC based), all steps upto issuance of show-cause notice imposing penalties, if any, should be completed by 25th day of the next to next month for which subscriber database pertains. (e.g. Issuance of show-cause notice imposing penalties, if any, after the audit of subscriber database pertaining to 30.11.2017, shall be completed by 25.01.2018).

This is issued with the approval of DG Telecom.

**Encl: As Above**

**(Amit Mishra)**
**DDG (Policy & North)**