

The International Comparative Legal Guide to:

Telecoms, Media and Internet Laws and Regulations 2014

7th Edition

A practical cross-border insight into telecoms, media and internet laws and regulations

Published by Global Legal Group with contributions from:

Alain Bensoussan Avocats Selas

Attorneys at law Borenius Ltd

Balčiūnas ir Grajauskas

Chajec, Don-Siemion & Zyto sp.k. – Legal Advisors

Cugia Cuomo & Associati

Davies Ward Phillips & Vineberg LLP

DLA Interjuris Abogados, S.C.

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Published by

Global Legal Group Ltd. 59 Tanner Street London SE1 3PL, UK Tel: +44 20 7367 0720 Fax: +44 20 7407 5255 Email: info@glgroup.co.uk URL: www.glgroup.co.uk

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Matija Vojnović

Luka Lopičić



Moravčević Vojnović i Partneri in cooperation with Schoenherr

1 Overview

1.1 Please describe the: (a) telecoms; (b) audio-visual media distribution; and (c) internet infrastructure sectors in Serbia, in particular by reference to each sector's: (i) importance (e.g. measured by annual revenue); (ii) 3-5 most important companies; (iii) whether they have been liberalised and are open to competition; and (iv) whether they are open to foreign investment.

According to official data published by the Republic Agency for Electronic Communications ("RATEL"), the electronic communications sector in Serbia generated in 2012 total revenues of EUR 1.54 billion, which shows a 4% decrease compared to 2011. Looking at the revenue split, mobile services are by far the most important market with annual revenue of EUR 850 million (55% of total sector revenue). It is followed by fixed-line services with an annual revenue of RSD 34.1 billion (approx. EUR 300 million (24.25%)) and the internet with an annual revenue of RSD 18 billion (approx. EUR 158 million (9.60%)). Audio-visual media distribution generated EUR 109 million (7.09% of total sector revenues), cable distribution being the most important service (72% of the media distribution market), followed by IPTV (12%) and Direct to Home (16%).

Telekom Srbija a.d. is a state-owned "national champion" that holds a 38.1% share of the market (by revenue) in mobile telecoms and almost the entire fixed-line market. Subsidiaries of Telekom Srbija, Telekom Srpske (Bosnia and Herzegovina) and Mtel (Montenegro) are also significant players in their markets. Telekom Srbija also provides media distribution and internet services.

Telenor holds a 42.4% share of the market in mobile telecoms and in 2011 it obtained a fixed-line licence also. However, its fixed-line market share remains insignificant at the moment. In April 2013, Telenor group signed an agreement to purchase KBC Banka a.d. Beograd in order to develop its own online financial services in Serbia, which is a precedent transaction of that kind in the region. This transaction is pending regulatory approvals being obtained.

VIP Mobile (a member of Telecom Austria Group) started operating mobile services in June 2007 after purchasing a licence for EUR 320 million and by 2012 it had sized a 19.5% share of the market. VIP Mobile is the largest greenfield investment in Serbia to date.

Serbia Broadband (SBB) is a dominant player in media distribution with 57.1% share of the market (by revenue).

The above figures indicate that the electronic communications sector is liberalised and very much open to foreign investment (e.g. Telenor, VIP Mobile and SBB are all foreign owned). The only

exception is fixed-line, where state-owned Telecom Srbija still retains a grip over the entire market, although Telenor, SBB and Orion Telecom also operate in this market.

1.2 List the most important legislation which applies to the: (a) telecoms; (b) audio-visual media distribution; and (c) internet, sectors in Serbia.

The Electronic Communications Act (Official Gazette of the Republic of Serbia, no. 44/2010 and 60/2013 Constitutional Court decision) (*Zakon o elektronskim komunikacijama*) (the "ECA") is the main law governing telecoms, audio-visual media distribution and internet sectors in Serbia. Under the ECA umbrella, RATEL adopted a wide range of secondary legislation regulating electronic communications, including numbering, frequencies, universal services, interconnection, significant market power, accounting matters, data protection and national security in greater detail.

1.3 List the government ministries, regulators, other agencies and major industry self-regulatory bodies which have a role in the regulation of the: (a) telecoms; (b) audio-visual media distribution; and (c) internet, sectors in Serbia.

RATEL is the main regulatory authority for telecoms, audio-visual media distribution and internet sectors in Serbia. Antitrust authority in these sectors is divided between RATEL and the Commission for the Protection of Competition ("CPC"). While the CPC is the general authority for the protection of competition, RATEL has certain authority relating to competition matters as well, including, in particular: (i) determining an operator's significant market power ("SMP"); (ii) prohibiting/restricting any anti-competitive activities or behaviour under a licence granted to an operator; (iii) defining a special tariff regime for services that are not open to full-price competition; (iv) ordering an SMP operator to provide interconnection to other operators; and (v) setting the terms for interconnection contracts between an SMP operator and other operators in cases where the SMP operator rejects an interconnection request. In practice, RATEL and the CPC cooperate on competition matters.

In addition, certain regulatory powers come under the Government's remit (e.g. adoption of a radio-frequency purpose plan) and the Ministry of Foreign and Internal Trade and Telecommunications (which, *inter alia*, supervises the application of the ECA, adopts the radio-frequency purpose plan, and participates in international organisations in the field of electronic communications).

1.4 Are there any restrictions on foreign ownership or investment in the: (a) telecoms; (b) audio-visual media distribution; and (c) internet, sectors in Serbia?

There are no rules restricting direct or indirect foreign ownership. However, a restriction on foreign ownership to 49% does exist in the broadcasting sector.

2 Telecoms

General

2.1 Is Serbia a member of the World Trade Organisation? Has Serbia made commitments under the GATS regarding telecommunications and has Serbia adopted and implemented the telecoms reference paper?

No. Serbia applied and formally entered into membership negotiations in December 2004 and currently holds observer status. The WTO and Serbian Government report that negotiations are progressing towards Serbia's accession and are now in the final stages. In June 2013 at the meeting of the WTO Working Party, Serbia was encouraged to adopt outstanding pieces of legislation and work closely with relevant members to conclude the remaining bilateral negotiations that could lead to its accession to the WTO in 2013.

2.2 How is the provision of telecoms (or electronic communications) networks or services regulated?

The ECA provides for a general authorisation regime, under which any operator that meets the necessary requirements for a certain type of electronic communication can begin rendering the relevant electronic communication services simply by notifying RATEL. This general authorisation regime abolishes the licensing requirements. However, permits are still required for the use of radio-frequencies and numbering.

2.3 Who are the regulatory and competition law authorities in Serbia? How are their roles differentiated? Are they independent from the government?

RATEL is the regulatory authority for telecoms and it shares competition authority with the CPC. For more details, please see question 1.3.

2.4 Are decisions of the national regulatory authority able to be appealed? If so, to which court or body, and on what basis?

RATEL's decisions are final and are not subject to ordinary administrative remedies (e.g. appeals). However, RATEL's decisions can be challenged in an administrative dispute before the Administrative Court pursuant to the Administrative Dispute Resolution Act (Official Gazette of the Republic of Serbia, no.111/09) (*Zakon o upravnim sporovima*). An administrative lawsuit against RATEL can be filed if it adopted a decision: (i) in violation of applicable substantive law or procedures; (ii) by relying on facts not properly determined; or (iii) by exceeding its authority in discretional matters. Also, RATEL can be sued in an administrative dispute if it fails to render a decision within the mandatory deadlines.

Licences and Authorisations

2.5 What types of general and individual authorisations are used in Serbia?

The ECA entered into force in August 2010 with the aim of liberalising the electronic communications regulatory framework in Serbia by abandoning the licensing practice and introducing a general authorisation regime for all electronic communication services. The ECA sets forth a general rule that operators can provide electronic communication services simply by notifying RATEL 15 days before commencing or changing their operations.

Regulatory control of operators' activities is achieved through awarding frequencies and numbering that are subject to individual authorisations. Namely, when radio-frequencies are required for a specific electronic communications service, an operator can provide that service only if it has obtained a permit for those frequencies.

The ECA provides that existing licences shall remain valid until their expiry. Still, the provisions of the ECA and the new supporting by-laws are also applicable to licensed operators.

2.6 Please summarise the main requirements of Serbia's general authorisation.

Operators can provide electronic communication services simply by notifying RATEL 15 days before commencing or changing their operations. This notification must specify: (i) the corporate details of the operator; (ii) the date the operation commenced, changed or ceased; (iii) services to be provided (including territory covered, technical solutions for customer base management, tariffs and quality control, general terms and conditions and a template of the services contract); and (iv) technical specification of the electronic communications network and equipment.

2.7 In relation to individual authorisations, please identify their subject matter, duration and ability to be transferred or traded.

Numbering and frequencies are subject to individual authorisations. RATEL issues permits for numbering and frequency use. Such permits can be issued for a maximum term of 10 years.

Numbering permits can be transferred with RATEL's prior consent. On the other hand, radio-frequency permits cannot be transferred, except if a permit holder undergoes a business combination (merger, spin-off, or split-up). Even then, a radio-frequency permit transfer requires RATEL's prior consent and subsequent re-issuance of permits.

Also, RATEL's prior approval is required for the transfer or disposal of existing licences issued under the former regulatory framework. These licences also often contain change of control clauses.

In addition, the Planning and Construction Act (Official Gazette of the Republic of Serbia, nos. 72/2009, 81/2009, 64/2010, 121/2012, 42/2013 and 50/2013) (*Zakon o planiranju i izgradnji*) provides that a construction permit is required in order to construct the necessary network facilities. A construction permit will be issued by the competent ministry when the construction relates to: telecommunication buildings; and networks, systems and facilities of international and local-trunk importance to be constructed in the territories of two or more municipalities. RATEL may also grant all telecom-related licences and approvals, such as: radio station permits; granting its holders the right to use radio stations and a specified radio frequency; and technical licences (certificates),

confirming the technical compliance of telecommunications networks, systems or equipment with the prescribed standards, thereby allowing licence holders to procure, install and/or put into operation such telecommunications networks, systems or equipment.

Public and Private Works

2.8 Are there specific legal or administrative provisions dealing with access and/or securing or enforcing rights to public and private land in order to install telecommunications infrastructure?

Operators are entitled to request a right of way (pravo prolaza) or right to use land or other real property owned by another person (easement), if it is necessary for constructing an electronic communications network and installing the corresponding equipment. If an operator and the property owner are unable to reach an agreement on the right of way or use, RATEL is authorised to regulate easement issues. In addition, real property can be expropriated if construction of an electronic communications network and installation of the corresponding equipment is determined to be in the public interest.

Access and Interconnection

2.9 How is network-to-network interconnection and access mandated?

An operator is entitled to interconnection and access to network systems and infrastructure. A SMP operator is required to publish a reference offer for interconnection or access and negotiate under such terms in good faith. The principles of network-to-network interconnection and access are:

- a) contractually regulated interconnection;
- b) transparency of interconnection offers;
- c) non-discrimination regarding interconnection terms;
- d) pricing methodology set according to relevant costs including reasonable revenues; and
- availability of interconnection in telecommunications points where interconnection is technically and economically feasible.

RATEL has issued rules that set out the minimum content of reference offers relating to interconnection in fixed and mobile services, access to unbundled local loop, network access, leased lines and broadband access.

2.10 How are interconnection or access disputes resolved?

If operators fail to reach an interconnection agreement within 60 days of the beginning of negotiations, RATEL will render a decision substituting the interconnection agreement if it determines that this is in the interest of consumers or required for network interoperability purposes. RATEL's decision is final and binding upon the parties, but can be challenged before the Administrative Court in an administrative dispute.

2.11 Which operators are required to publish their standard interconnection contracts and/or prices?

SMP operators are required to make a reference offer for

interconnection and network access. All interconnection contracts must be registered with RATEL. Information stated in interconnection contracts is publicly available, unless they are classified as a business secret.

2.12 Looking at fixed, mobile and other services, are charges for interconnection (e.g. switched services) and/or network access (e.g. wholesale leased lines) subject to price or cost regulation and, if so, how?

RATEL can limit prices for interconnection or network access charged by an SMP operator if they are not based on the criteria set out in the interconnection rules (in particular, cost-based pricing).

2.13 Are any operators subject to: (a) accounting separation; (b) functional separation; and/or (c) legal separation?

RATEL can order an SMP operator to keep separate accounts for each concluded interconnection/network access contract, and to apply cost accounting. RATEL has imposed accounting separation and cost accounting in wholesale markets (i.e. fixed and mobile services interconnection, broadband, leased lines and local loop access), and cost accounting in retail markets (fixed-line services, access to fixed-line networks and media distribution).

2.14 Are owners of existing copper local loop access infrastructure required to unbundle their facilities and if so, on what terms and subject to what regulatory controls? Are cable TV operators also so required?

The ECA provides that RATEL may order any SMP operator (including cable media distributers) to unbundle local loop access. There have been a number of disputes involving RATEL and incumbent operators relating to wholesale network access (LLU, cable ducts, etc.) and in particular related to pricing.

2.15 How are existing interconnection and access regulatory conditions to be applied to next generation (IP-based) networks? Are there any regulations or proposals for regulations relating to next-generation access (fibre to the home, or fibre to the cabinet)? Are any 'regulatory holidays' or other incentives to build fibre access networks proposed? Are there any requirements to share passive infrastructure such as ducts or poles?

General interconnection and access rules apply in this respect. Neither the ECA nor the respective by-laws distinguish between next-generation networks and networks available at the market.

The ECA provides that RATEL may order an SMP operator to share its passive infrastructure. In such event, an SMP operator would have to make a reference offer for sharing that would need to be approved by RATEL.

Price and Consumer Regulation

2.16 Are retail price controls imposed on any operator in relation to fixed, mobile, or other services?

Operators, in principle, are free to set retail and wholesale prices. However, RATEL is entitled to impose various pricing restrictions on SMPs. RATEL determined that the following operators are SMPs:

(i) Telekom Srbija in retail fixed-line telephone services and

- access, as well as wholesale fixed and mobile interconnection, leased lines and local loop access;
- (ii) Telenor and VIP Mobile in wholesale mobile interconnection:
- (iii) Orion Telekom in wholesale call termination in fixed-line services; and
- (iv) SBB in retail media distribution services.

These SMPs are currently subject to various pricing restrictions in relevant markets and need to apply cost accounting. RATEL issued rules that set out a pricing methodology based on historical cost accounting and the "top-down" principle applied through fully distributed cost (FDC) or activity based costing (ABC) models.

In addition, in retail markets, RATEL has prohibited incumbent operators from restricting market penetration by imposing discriminating prices (low or high).

2.17 Is the provision of electronic communications services to consumers subject to any special rules and if so, in what principal respects?

Yes. Operators are obliged to publish their GTCs, tariffs, templates of subscription agreements, as well as maintain transparent billing and the quality of services complying with applicable standards. Operators must notify their subscribers of any unilateral change in service terms at least one month in advance. If the terms are materially changed, subscribers can terminate subscription without any penalties. The ECA also provides for a strict procedure and timelines for filing and resolving complaints to operators regarding billing and service quality.

The Rulebook on General Terms for Carrying On Electronic Communication Business under the General Authorisation Regime (Official Gazette of the Republic of Serbia, nos. 38/11 and 44/2011) (*Pravilnik o opštim uslovima za obavljanje delatnosti elektronskih komunikacija po režimu opšteg ovlašćenja*) regulates consumer protection in detail with respect to electronic communications markets.

Numbering

2.18 How are telephone numbers and network identifying codes allocated and by whom?

RATEL allocates telephone numbers and network identity codes based on an operator's requests and availability.

2.19 Are there any special rules which govern the use of telephone numbers?

Certain categories of telephone numbers, i.e. priority numbers (police, emergency, etc.) and special tariff numbers, have been allocated by RATEL. In addition, RATEL has enacted numeration plans, decisions and by-laws.

2.20 Are there any obligations requiring number portability?

Number portability between all mobile operators in Serbia has been possible since 1 July 2011. Operators are obliged to enable subscribers (users) to switch from one service operator to another while retaining their existing number, except in certain cases, including non-registered users, stolen or switched-off numbers, porting performed in the last three months, or subscribers hosted by the donor operator network for less than three months. Mobile number porting can be completed in four business days.

In June 2011, RATEL adopted by-laws regulating fixed-line number portability. However, due to the current monopoly held by Telekom Srbija in the fixed-line market, fixed-line portability is still not functional.

By-laws governing fixed and mobile telephone numbers provide for 'Onward Routing', 'All Call Query' and 'Query On Release', as methods in routing a call towards the ported number depending on whether they are used by mobile or fixed telephony subscribers or to divert international incoming calls.

3 Radio Spectrum

3.1 What authority regulates spectrum use?

The ECA regulates and RATEL manages the radio frequency spectrum. RATEL also adopts by-laws regulating the use of the radio frequency spectrum in greater detail. On the other hand, the Serbian Government adopts the radio frequency spectrum purpose plan, while the Ministry of Foreign and Internal Trade and Telecommunications adopted the radio frequency distribution plan.

3.2 How is the use of radio spectrum authorised in Serbia? What procedures are used to allocate spectrum between candidates - i.e. spectrum auctions, comparative 'beauty parades', etc.?

Radio frequencies are typically awarded by means of a permit issued by RATEL. The radio frequency spectrum purpose plan determines whether such permits are to be awarded by public tender (due to the limited availability of certain frequencies) or on individual request.

However, operators today still use radio frequencies that were attached to mobile and CDMA (FWA) licences awarded to them under the former licensing regime. It is uncertain what the status of these frequencies will be once these licences expire, although it is likely the frequencies in question will be put to tender. It remains uncertain if, when, and how the spectrum from digital dividend will be tendered and allocated.

3.3 Can the use of spectrum be made licence-exempt? If so, under what conditions?

Yes. Certain government authorities, such as the police, the military and the Ministry of Foreign Affairs, do not require spectrum licences.

3.4 If licence or other authorisation fees are payable for the use of radio frequency spectrum, how are these applied and calculated?

The Rulebook on Radio Frequency Usage Fees (Official Gazette of the Republic of Serbia, no. 93/10) (*Pravilnik o visini naknade za korišćenje radio frekvencija*) provides formulas for calculating radio frequency usage fees for:

- a) radio stations in broadcasting services;
- b) mobile and fixed services;
- c) public communication networks;
- d) satellite services; and
- e) other radio stations.

The following criteria are taken into account when calculating the fees:

- a) number of inhabitants in the service area;
- level of development of the area covered by the radio network service area;
- c) signal type; and
- d) mode of radio-frequency usage.

3.5 What happens to spectrum licences if there is a change of control of the licensee?

The ECA does not regulate specifically the consequences of a change of control of a licensee. However, an individual licence may require RATEL to approve the change of control of the licensee. A breach of such obligation could result in the licensee withdrawal by RATEL.

3.6 Are spectrum licences able to be assigned, traded or sublicensed and if so on what conditions?

Frequency permits cannot be renounced, or leased or transferred to a third party, except if a permit holder undergoes a business combination (merger, spin-off, or split-up). Even then, a radiofrequency permit transfer requires RATEL's prior consent and subsequent re-issuance of permits.

4 Cyber-security, Interception, Encryption and Data Retention

4.1 Describe the legal framework (including listing relevant legislation) which governs the ability of the state (police, security services, etc.) to obtain access to private communications?

Access to private communication is regulated by the Constitution of the Republic of Serbia, ECA, and laws governing the operations of state and military security agencies.

The Constitution prescribes the principle of privacy of mail and other means of communication. Exemptions may only be made based on a court order if it is indispensable for the conduct of criminal proceedings, or for the defence of the Republic of Serbia.

The ECA also regulates lawful interception and data retention. The ECA allowed for the retained data to be provided at the request of the directors of state and military security agencies, or at the proposal of the Public Prosecutor and *not* solely based on a court order (as provided in the Constitution). Consequently, the respective ECA provisions were challenged on constitutional grounds and in June 2013 were repealed by the Constitutional Court.

4.2 Summarise the rules which require market participants to maintain call interception (wire-tap) capabilities? Does this cover: (i) traditional telephone calls; (ii) VoIP calls; (iii) emails; and (iv) any other forms of communications?

The ECA regulates the obligation of an operator to enable lawful interception of electronic communications by providing, at its own expense, the necessary technical and organisational conditions (devices and programme support).

Further regulation is to take the form of the Rules on Technical Requirements for Equipment and Support Systems for Lawful Interception of Electronic Communications and Retention of Electronic Communications Data (*Pravilnik o tehničkim zahtevima*

za uređaje i programsku podršku za zakonito presretanje elektronskih komunikacija i zadržavanje podataka o elektronskim komunikacijama), which are currently in the form of a proposal and under public debate.

4.3 How does the state intercept communications for a particular individual?

As a general principle, the ECA provides that electronic communications can only be intercepted with the prior consent of the user. An exception can be made solely for a definite period of time and be based on a court order, if necessary for criminal proceedings or state security.

4.4 Describe the rules governing the use of encryption and the circumstances when encryption keys need to be provided to the state?

Currently there are no provisions regulating the use of encryption or the circumstances when encryption keys need to be provided to the state

4.5 What call data are telecoms or internet infrastructure operators obliged to retain and for how long?

The ECA provides that operators must retain call data in the following instances:

- a. Customer billing purposes individual customer call data can be retained and processed to the extent necessary for customer billing purposes for the period of time in which claims may be contested or collected from the customer.
- Criminal procedure and state security purposes operators must retain call data (i.e. source, location, duration, terminal equipment ID, etc.) for 12 months after a call has been made.
 Retention of data revealing the content of a call is prohibited.

Operators must have adequate technical and organisational measures in place so as to keep communication and related data private and confidential. Operators are also obliged to keep records of lawful call interception.

5 Distribution of Audio-Visual Media

5.1 How is the distribution of audio-visual media regulated in Serbia?

The distribution of audio-visual media is also subject to the general authorisation regime described in more detail in questions 2.2 and 2.6.

5.2 Is there a distinction between the linear and non-linear content and/or content distributed over different platforms?

Although IPTV is rapidly growing, the ECA does not clearly distinguish between the linear and non-linear content, or between content distributed over different platforms. However, given that RATEL noted in its annual report for 2012 that it expects digital distribution to further increase and suppress the market share of cable distribution, it is possible that RATEL will introduce further regulation of distribution based on different platforms.

5.3 Describe the different types of licences for the distribution of audio-visual media and their key obligations.

The general authorisation regime is applicable to media distribution and, therefore, the licensing regime is not applicable. If the frequency spectrum needs to be utilised for media distribution however, frequencies are subject to individual authorisation as RATEL issues permits for use of frequencies. For more details, please see question 2.7.

5.4 Are licences assignable? If not, what rules apply? Are there restrictions on change of control of the licensee?

The distribution of audio-visual media is subject to the general authorisation regime, so there are generally no individual authorisations or licences that could be transferred or contain change of control clauses.

6 Internet Infrastructure

6.1 Are conveyance services over the internet regulated in any different way to other electronic communications services? Which rules, if any, govern access to the internet at a wholesale (i.e. peering or transit) and/or retail (i.e. broadband access) level? Are internet service providers subject to telecommunications regulation?

General electronic communications regulations set forth in the ECA also covers internet services. Therefore, the general authorisation regime is also applicable to conveyance services over the internet, although some internet providers still hold licences issued under the former regulatory framework. On expiry, these licences will not be renewed, as they become obsolete pursuant to the ECA.

6.2 How have the courts interpreted and applied any defences (e.g. 'mere conduit' or 'common carrier') available to protect telecommunications operators and/or internet service providers from liability for content carried over their networks?

The Serbian Electronic Commerce Act (Official Gazette of the Republic of Serbia, no. 41/2009) (*Zakon o elektronskoj trgovini*) states that primary suppliers, and not intermediary providers acting as mere conduits, caches, or hosts of information, are liable for online content. In this respect, Serbian legislation is fully aligned with Directive 2000/31/EC of the European Parliament and of the

Council dated 8 June 2000 on certain legal aspects of information society services, in particular, electronic commerce, in the Internal Market, save for one difference: it explicitly stipulates the limited liability of hyperlink providers.

Internet service providers are required, based on a decision by the competent authority, to warn users responsible for spamming, distributing damaging content or in breach of intellectual property rights about such actions. If the user continues to send spam, distribute damaging content or breach intellectual property rights, the internet service provider may cease providing its services.

6.3 Are telecommunications operators and/or internet service providers under any obligations (i.e. provide information, inform customers, disconnect customers) to assist content owners whose rights may be infringed by means of file-sharing or other activities?

Internet service providers are under no obligation to assist content owners whose rights may have been infringed by file-sharing or other activities.

6.4 Are telecommunications operators and/or internet service providers able to differentially charge and/or block different types of traffic over their networks? Are there any 'net neutrality' requirements?

The ECA generally prohibits any form of discrimination. These general rules do not prevent operators from offering different tariff packages and pricing models, and imposing special requirements concerning the type of content.

6.5 Are telecommunications operators and/or internet service providers under any obligations to block access to certain sites or content?

In principle, operators are not under an explicit obligation to block access to certain sites or content. However, an operator has a general obligation to maintain network security and inform its users of possible security treats.

6.6 How are 'voice over IP' services regulated?

Voice over IP services are also covered by the general electronic communications regulation set forth in the ECA. Therefore, the general authorisation regime is also applicable to VoIP.



Matija Vojnović

Moravčević Vojnović i Partneri in cooperation with Schoenherr Francuska 27 11000 Belgrade Serbia

Tel: +381 11 3202 600
Fax: +381 11 3202 610
Email: m.vojnovic@schoenherr.rs
URL: www.schoenherr.rs

Matija Vojnović is a partner with Moravčević Vojnović i Partneri in cooperation with Schoenherr specialising in M&A, projects, finance, and capital markets. As head of the corporate/M&A team, Matija acts as the first point of contact for international clients. He is frequently engaged in Serbia, Montenegro, and Bosnia in different sectors and regulated industries, including energy, infrastructure, insurance, financial services, telecommunications, IT, media, and pharmaceutical industry. Matija holds degrees from the University of Belgrade, Faculty of Law (LL.B. 2001) and Central European University, Budapest/Hungary (LL.M. in International Business Law, 2003).



Luka Lopičić

Moravčević Vojnović i Partneri in cooperation with Schoenherr Francuska 27 11000 Belgrade Serbia

Tel: +381 11 3202 600 Fax: +381 11 3202 610 Email: I.lopicic@schoenherr.rs URL: www.schoenherr.rs

Luka Lopičić is an attorney at law with Moravčević Vojnović i Partneri in cooperation with Schoenherr, where he specialises in corporate / M&A with a strong focus on the TMT industry. Luka has been advising mainly strategic buyers in private and public deals involving telecom operators and media distributers in Serbia and Bosnia. Most recently, Luka advised Telenor in reaching an agreement for acquisition of KBC Banka Belgrade. Luka graduated from Harvard Law School (LL.M. 2010) and the University of Belgrade (LL.B. 2007).

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59 Tanner Street, London SE1 3PL, United Kingdom Tel: +44 20 7367 0720 / Fax: +44 20 7407 5255 Email: sales@glgroup.co.uk