

COMMUNICATIONS (TELECOMMUNICATIONS AND BROADCASTS) LAW 5742-1982

CHAPTER ONE: INTERPRETATION

Definitions

1. In this Law -

"service area" - a geographic area, within which the general licensee must - in accordance with his license - set up, maintain or operate a public telecommunications network and - through it - provide telecommunication services to the general public;

- "category approval" - an approval given by the Minister under this Law for a model of terminal equipment, for connection to the telecommunication network of a general licensee;

"means of control" in a body corporate - each of the following:

- (1) the right to vote at the general meeting of a company or in a corresponding body of some other body corporate;
- (2) the right to appoint a Director or general manager;
- (3) the right to share in the profits of the body corporate;
- (4) the right to part of the balance of the assets of the body corporate after its debts have been paid at winding up;

- "telecommunication" - broadcasting, transmission or reception of symbols, signals, writing, visual forms, voices or information, by means of wire, wireless, an optical system or other electromagnetic systems;

"interested party" - whoever holds 5% or more of a certain means of control;

"licensee" - whoever received a general or a special license to perform telecommunication operations and to provide telecommunication services;

"cable broadcast licensee" - whoever received a general license for cable broadcasts or a special license for cable broadcasts under Chapter Two "A";

"broadcast licensee" - a cable broadcast licensee, or a satellite broadcast licensee under Chapter Two "B";

"road" includes any track, highway, street, lane, square, passage, bridge or open place where the public has the right of passage;

"the Company" - Bezeq Israel Communication Company Ltd.;

"holding", in relation to means of control in a body corporate - directly or indirectly, alone or with others, including through others which includes a trustee or agent, or by means of a right vested by agreement, including an option to hold that does not stem from convertible securities, or in any other manner;

"general permit" - a permit issued under section 4A1 for the performance of telecommunication operations and the provision of domestic or international telecommunication services, which is restricted to a certain kind of telecommunication operations or telecommunication services;

"Ordinance" - the Wireless Telegraphy Ordinance [New Version] 5732-1972;

"Companies Law" - the Companies Law 5759-1999;

"broadcasting hub" - a telecommunications installation, in which are installed the means required in order to feed broadcasts - including broadcasts received through the air - into a public telecommunications network for distribution to subscribers;

"interface" - the physical meeting point between different functional telecommunication units, including by optical and wireless means;

- "telecommunication installation" - an installation or device essentially intended for telecommunication purposes and - for the purposes of Chapters Seven and Eight - an installation or device used or intended to be used for telecommunication needs, all including terminal equipment;

"telecommunication message" - a message broadcast, transmitted, received or delivered for broadcasting or for transmission at a telecommunications installation;

"officer" - as defined in the Companies Law;

"license assets" - the assets necessary to assure the provision of telecommunication services by the licensee in accordance with his license, or to assure the performance of broadcasts by a broadcast licensee in accordance with his license;

"EON" (end of network) - an interface to which a public telecommunications network is connected on one side, and on the other side terminal equipment, a private network or another public telecommunications network, as the case may be;

- "telecommunication operation" - the operation, installation, construction or maintenance of a telecommunications installation, all for a telecommunication purpose;

- "terminal equipment" - telecommunication equipment for use by the company's subscriber, connected or intended to be connected from the subscriber's premises or from any other place to a public telecommunication network of the company by means of an interface intended therefor, including mobile radio telephone equipment, unscramblers or channel converters and including any other device installed on the subscriber's premises and intended for the reception of broadcasts on his premises, as well as satellite terminal equipment, as defined in section 6QQ;

"general license" - a license, issued under this Law, to set up, maintain and operate a public telecommunications network, and through it to perform telecommunication operations and to provide domestic and international telecommunication services;

"unique general license" - a general license under section 4(a1) for the provision of domestic fixed line telecommunication services, but not to the entire public throughout the country, or not to less than one service area;

"special license" - a license, issued under this Law, to perform telecommunication operations and to provide domestic and international telecommunication services, which is limited to a certain category of telecommunication operations or telecommunication services;

"public telecommunications network" - a network of telecommunication installations, used or intended to be used to provide telecommunication

services to the general population throughout the country or at least in a service area, which includes switching and channeling equipment, transmission equipment and an access network, including mobile radio telephone systems and international telecommunication systems and exclusive of terminal equipment;

"access network" - components of a public telecommunication network used to connect between the exchange and an EON through a line infrastructure, wireless infrastructure or a combination of both;

"broadcasts" - television broadcasts intended for the public, provided to subscribers, whether over a single channel or over a multi-channel system, and also services that accompany them directly, including video or audio services, two-directional and interactive broadcasts;

- "telecommunication service" - the performance of telecommunication operations for others;

"control" - the ability to direct the activity of a body corporate, whether alone, together with or through others, directly or indirectly, which derives from holding means of control in it or in another body corporate, including an ability derived from the by-laws of the body corporate, from a written, verbal or other contract or the ability derived from any other source, and exclusive of an ability derived only from holding the position of Director or some other office in the body corporate; without derogating from the generality of the aforesaid, a person shall be deemed to control a body corporate if he holds 50% or more of any category of means of control in the body corporate or if he has the ability to prevent the adoption of business decisions in the body corporate, other than decisions on the issue of means of control in the body corporate or decisions on the sale or liquidation of most of the business of the body corporate or its substantive change; it shall be presumed that a person controls a body corporate if he holds the largest portion of a certain category of means of control;

"Amendment 25" - the Telecommunications Law (Amendment No. 25) 5761-2001;

"Minister" - the Minister of Communications.

CHAPTER TWO: TELECOMMUNICATION OPERATIONS AND TELECOMMUNICATION SERVICES - LICENSING

Right of the State and need for a license

2. (a) The State has the right to perform telecommunication operations and to provide telecommunication services.
- (b) No person shall perform telecommunication operations and no person shall provide telecommunication services, unless he received a license therefor from the Minister under this Law.

- telecommunication services for which they pay royalties under section 54;
- (3) times and ways of paying fees, including their linkage to the Consumer Price Index, the collection of arrears interest and of costs.
- (b) In the regulations said in subsection (a) the Minister may prescribe that every payment made as a condition for giving a license before those regulations went into effect be deemed a fee prescribed by them.

Essential service

- 4D. (a) (1) The Prime Minister and the Minister may determine, at their initiative and also at the request of the Minister of Defense, by order with approval by the Government, that a telecommunication service specified in it is an essential service (hereafter: essential service), if they concluded one of the following:
- (a) that its interruption, contraction or other harm to it or to its regular provision is liable to injure national security or the proper provision of public services;
 - (b) that the acquisition or possession of control or of means of control in the essential service provider is liable to have an adverse effect on the Government's telecommunication policy, including an adverse effect on competition in this sphere.
- (2) Before the Prime Minister and the Minister determine that a telecommunication service is an essential service because of one of the grounds specified in subsection (1)(a), they shall give the provider of the said service (hereafter: essential service provider) and any person who is a controlling member or an interested party in it an opportunity to state their cases.
- (a1) No person shall transfer to another control of an essential service provider, in respect of which an order under subsection (a) was issued, acquire or hold control in a said essential service provider, unless he received written approval thereof in advance from the Prime Minister and the Minister and on the conditions they prescribed (hereafter: restrictions on control); the Prime Minister and the Minister may give said approval if they are satisfied that the control will not detract from the provision of the essential service or from the grounds for designating it as an essential service as said in subsection (a)(1); for the purposes of this subsection, selling shares on an Exchange, otherwise than by prior agreement with a certain purchaser, shall not be deemed a transfer in respect of the transferor's obligation to obtain approval under this subsection, on condition that one of the following holds true:
- (1) the transferor is not the controlling member of the essential service provider;
 - (2) the transferor is the controlling member of the essential service provider, and in consequence of the said transfer he does not cease

to be the said controlling member, unless he did not know or could not have known that he will cease to be the controlling member in consequence of the said transfer.

- (b) In an order under subsection (a) -
 - (1) the Prime Minister and the Minister may prescribe, with approval by the Government, that some or all of the restrictions, conditions and provisions in subsections (c) and (d) shall apply during a specific period or in general, all as shall be determined in the order;
 - (2) the grounds for determining that the service is an essential service shall be stated.
- (c) The restrictions, conditions and provisions under subsection (b)(1) shall deal with some or all of the following matters:
 - (1) the determination that no person shall hold means of control in the essential service provider in the proportion of 5% or more, or in additional proportions prescribed by the Prime Minister and the Minister in the order, as well as significant influence over the essential service provider, without advance approval by the Prime Minister and the Minister and on terms which they shall prescribe (hereafter: restrictions on control and holding); the Prime Minister and the Minister may give an applicant approval, if they are satisfied that the aforesaid significant influence or the holding of means of control in the proportion said in the application does not have any adverse effect on the provision of the essential service or on the grounds for determining that it is an essential service, as said in subsection (a)(1);
 - (2) a determination that control of the essential service provider be held by an Israel citizen and resident, also by way of prescribing a maximum proportion of means of control that can be held by persons who are not aforesaid citizens or residents (hereafter: citizenship restriction);
 - (3) a determination that the day-to-day management and the head office of the essential service provider be in Israel;
 - (4) a determination that information must be delivered to the Prime Minister and the Minister on their demand on all matters connected to the provision of the essential service, as will be specified in the demand; the provisions of this paragraph shall not derogate from any other obligation to provide information under any enactment;
 - (5) a determination that - for reasons of national security - some or all of the officers and holders of other positions in the essential service provider, as will be prescribed in the order, must be Israel citizens and residents, and that some or all of these must hold a suitable security clearance, as the General Security Service will determine;
 - (6) a determination on the validity of a transfer, charge or attachment of any license assets, that - in the Prime Minister's and the Minister's opinion - are necessary to assure provision of the vital service and which were made in violation of the provisions of

section 4(d1), in respect of persons who knew or could have known thereof;

- (7) a determination that procedures for a voluntary winding up, a compromise or an arrangement in respect of the body corporate that provides the essential service, as well as any change, structural reorganization, merger or split of the body corporate, require advance approval by the Prime Minister and the Minister;
 - (8) a determination that no person shall transfer control, means of control in or significant influence over an essential service provider, if - in consequence of the transfer - restrictions on control or restrictions on control and holding come to be violated, except when the transferee presented to him an approval under this section and the orders by virtue thereof;
 - (9) a determination and the provisions provided in accordance with the relevant Government decisions in respect of the steps required for the protection of the essential service provider's computerized systems and data banks, such as are used for the provision of services and the operation and control of the computerized systems.
- (d) If an order was issued in accordance with subsection (a) -
- (1) and if - without approval by the Prime Minister and the Minister - a person holds control or means of control in an essential service provider in a proportion greater than that determined under subsections (c)(1) or (2), then he must sell them in accordance with the provisions under this Law; the holder and a person on his behalf, shall not have the right to use the rights by virtue of the control, of the means of control or of the significant influence which he holds, or the right to receive dividends; without derogating from the aforesaid, the Prime Minister and the Minister may prescribe provisions by order on how and when the control or means of control shall be sold, including provisions on the appointment of a receiver for their sale;
 - (2) they may prescribe by order, with approval by the Government, conditions, provisions and restrictions for the essential service provider, as well as ways of supervising him and on the obligation to report about his activities and contracts, all if they believe that necessary in order to enforce the restrictions of control and holding or the citizenship restriction, including provisions on special reports, keeping records and registering persons who hold its securities - in general or for prescribed proportions - or provisions on restrictions that shall apply to allocations of securities in the body corporate, and also restrictions on the use of means of control and of rights attached to them, or on the validity in respect of the body corporate of steps taken and decisions adopted in violation of imposed restrictions, by persons who had not received permission to control the body corporate or to hold means of control in it;

- (3) they may prescribe, by order, provisions and conditions on the holding of means of control, significant influence in or control over an essential service provider, including provisions that make some or all acts with them conditional on advance approval by the Prime Minister and the Minister, who may refuse to give it if they suspect that - in consequence thereof - the restrictions of control and holding or the citizenship restriction will be violated.
- (3a) the Prime Minister and the Minister may prescribe, by order under this section, that a holder of two and a half percent or more of any kind of means of control in an essential service provider, in which more than three fourths of the issued share capital is held by the public and the shares of which are listed for trading on an Exchange, shall report to the essential service provider, to the Minister and to the Prime Minister its said holdings, the holders of control in it and all persons who hold more than 10% of any means of control in it, as well as the members of the Boards of Directors of all who hold aforesaid means of control; in order to make certain of the reports said in this paragraph, the Prime Minister and the Minister may set restrictions on the use of the means of control and of the rights attached thereto, also on the matter of voting at General Meetings or on the right to receive dividends.
- (e) The provisions of this section, including provisions of orders made by virtue thereof, shall be part of the license.
- (f) For purposes of this section -
"holding" includes acquisition, and both terms together, within the meaning of those terms in the Securities Law 5728-1968 (hereafter: Securities Law), and it includes transferring and charging, all without derogating from the definition of "holding" in section 1;
"significant influence" - the ability to exert real influence on the activity of an essential service provider, such as does not constitute control and is not derived from the fact of holding means of control, including a said ability derived from a right vested in a person by the essential service provider's by-laws or by a written or oral contract with a controlling member, except when the said right was accorded to an Israel banking corporation; for this purpose, "Israel banking corporation" - a banking corporation within its meaning in the Banking (Licensing) Law 5741-1981, which received a license under paragraph (1) of section 4(a) of the said Law; however, and without derogating from the generality of the aforesaid -
- (1) a person shall be deemed to hold significant influence if he has the right to appoint an officer of the essential service provider;
- (2) a person is assumed to hold significant influence over an essential service provider if he holds 25% or more of any means of control in the essential service provider;
- "voluntary winding up" - within its meaning in the Companies Ordinance [New Version] 5743-1983 (hereafter: Companies Ordinance);

"arrangement" - within its meaning in section 350 of the Companies Law;
"merger" and "split" - within their meaning in the Income Tax Ordinance.

Operation of essential service by an appointee

- 4E. (a) If a licensee ceased to provide a service which under section 4D was designated an essential service, or if the Prime Minister and the Minister believe that there is a reasonable suspicion that a licensee will cease to provide a said essential service, and if the Prime Minister and the Minister conclude that continuity in the provision of the service must be assured or that its cessation or disturbance must be prevented, then they may - with approval by the Government - instruct the licensee by order to provide the service in compliance with the license during a period and on terms as they shall order.
- (b) If an order was issued under subsection (a), and if the person to whom the order applies did not comply with its provisions, then the Prime Minister and the Minister may appoint a person to be in charge of providing the essential service and of managing the telecommunication installations by use of which the essential service is provided (hereafter: the appointee), and they may specify his responsibilities in the order.
- (c) While performing his tasks under this section the appointee shall act according to the instructions of the Prime Minister and the Minister, and he shall have all the powers required to assure maintenance of the essential service, including the powers required in order to manage the body corporate.
- (d) If the provision of an essential service ceased because the effect of a license lapsed, was canceled or restricted, and if the Prime Minister and the Minister concluded that the continuous provision of the service must be assured and that cessation of the service is liable to cause substantive and immediate harm to an essential service, then the Prime Minister and the Minister may act as said in subsections (a) to (c), and if they conclude that under the given circumstances the essential service cannot be maintained by the licensee, then he may immediately appoint a appointee.
- (e) The appointment of the appointee under this section shall be for a period which the Prime Minister and the Minister shall prescribe, which shall not be longer than one year; the Prime Minister and the Minister may extend the appointment for one additional period of not more than one year, and they also may replace him at any time.
- (f) The provisions of this section shall not derogate from the licensee's right to receive fair user fees for the use of his installations and compensation from the State - subject to any statute and to his obligations under the license - for damage caused him in consequence of the appointment of the appointee.

Appointing an observer

- 4E1. (a) In an order under section 4D, issued in respect of an essential service provider that is a Government company or a Government subsidiary, as defined in the Government Companies Law 5735-1975 (hereafter: Government Companies Law), the Prime Minister and the Minister may prescribe that an observer be appointed for the meetings of the essential service provider's Board of Directors and its committees (in this section: the observer).
- (b) The observer shall be a state employee with the qualifications of a Director under Chapter Three of the Government Companies Law.
 - (c) Invitations to meetings of the Board of Directors and its committees shall also be sent to the observer, and he shall be entitled to participate in all meetings of the Board of Directors and its committees.
 - (d) The observer shall have the same right as a Director to obtain information from the essential service provider.
 - (e) If the observer sees that the essential service provider is about to adopt a decision in violation of any provision of the order, in violation of provisions under section 13, or in violation of provisions of section 11 of the General Security Service Law 5762-2002 (hereafter: General Security Service Law) then he shall immediately so inform the essential service provider, the Minister and the Prime Minister.
 - (f) If the observer gave notice as said in subsection (e), then the essential service provider shall not have the right to adopt the decision during ten days after the observer's notice, and if it was adopted it shall have no effect.
 - (g) If, within the ten days said in subsection (f), the Prime Minister and the Minister gave notice that the decision said in subsection (f) violates any provision of the order, any provision under section 13, or any provision of section 11 of the General Security Service Law, then the essential service provider shall not have the right to adopt the decision, and if it was adopted it shall have no effect.
 - (h) The provisions of this section shall apply even if the essential service provider ceased being a Government company or a Government subsidiary, as defined in the Government Companies Law, and also to companies controlled by the essential service provider, as said in this section.

Disclosure of secret information

- 4E2. (a) If an order was issued under section 4D, then the Prime Minister and the Minister may prescribe by order - notwithstanding the provisions of any statute and subject to the provisions of sections 19(a)(2) and 36C(b) of the securities Law, as far as they apply to the essential service provider and to the restrictions, conditions or provisions imposed on it -
- (a) that any document or information designated by the Prime Minister and the Minister by order not be given or disclosed to certain officers or share holders of the essential service provider or to