



Firm Advisory

January 25, 2017

**IS YOUR COMPANY BEING DENIED DIRECT CONNECTS
BY NATIONAL WIRELESS CARRIERS?**

**THIS NEW FORM OF ARBITRAGE IS ADDING
SIGNIFICANT EXPENSES TO WIRELINE CARRIERS**

Several wireline carriers have reported that they are experiencing a new form of arbitrage perpetrated by certain national wireless carriers. Specifically, these reports state that certain wireless carriers are engaging in arbitrage schemes that involve: (a) disconnecting existing direct connects for certain types of terminating traffic that would be subject to bill-and-keep (*i.e.*, without charge) if delivered over such direct connects; and (b) requiring that such terminating traffic be routed indirectly via the wireless carriers' "intermediate carrier partner(s)" that impose expensive per minute of use ("MOU") fees. The reports further claim, on information and belief, that these intermediate carriers are then sharing, in some form, such compensation with their wireless carrier partner(s).

For instance, as O1 Communications, Inc. recently stated in an FCC [ex parte filing](#) that in late 2015 and early 2016, both AT&T Mobility and T-Mobile disconnected O1's direct connects, and instead required O1 to indirectly route certain traffic through their respective intermediate carrier partner(s). **O1 estimates that the cost to terminate the traffic over each indirect and inefficient route—which O1 could have terminated for free over direct connects just a few years ago—is now roughly between \$1.5 and \$1.8 Million annually.**

Thus, if your company has:

- (1) been denied direct connects by any national wireless carrier; or
- (2) faced limitations on what type of terminating traffic (*e.g.*, retail but not wholesale, intraMTA but not interMTA traffic) may be sent over direct connects to a wireless carrier,

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then your company may be incurring significant expenses, perhaps millions annually, by being forced to pay the terminating rates assessed by a wireless carrier's designated intermediate carrier partner(s).

At this time, efforts are underway by a coalition of carriers to get the FCC to address this issue by adopting a rule that specifies when direct connects for all types of traffic must be made available to a requesting carrier. Involvement by additional carriers would be tremendously valuable to further demonstrate the scope of this issue and the need for FCC action.

If your company is interested in getting involved in this effort and **perhaps saving significant amounts in per MOU costs to terminate traffic to wireless carriers** and/or if you would like additional information, please contact Philip Macres at pmacres@kleinlawpllc.com or 202-289-6956.

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