

At-Large Workspace: ICANN Reserve Fund – Public Comment on Rationale and Target Level

Public Comment Close	Statement Name	Status	Assignee (s)	Call for Comments Open	Call for Comments Close	Vote Open	Vote Close	Date of Submission	Staff Contact and Email	Statement Number
30 November 2017	ICANN Reserve Fund – Public Comment on Rationale and Target Level	<div>ADOPTED</div> <p>11Y, ON, 3A</p> <p>Andrei Kolesnikov's reason for abstention: I abstained because in order to make a conscious decision we need to dive deep into the past of ICANN and recall the reason why ICANN needs a reserve fund. After that weight current risks, many things changed. See what changed and build the assessment. Just like registries do when dealing with business continuity. A set of risks presented prior to the public comments doesn't look detailed enough.</p>	Sebastien Bachollet Alan Greenberg	22 November 2017	28 November 2017	01 December 2017	07 December 2017	30 November 2017	Xavier Calvez, SVP & CFO xavier.calvez@icann.org	AL-ALAC-ST-1117-01-01-EN

Hide the information below, please click [here](#) >>

- [Comments Forum](#)

Brief Overview

Purpose:

Offer an updated rationale for the Reserve Fund and its target level.

Current Status:

The Reserve Fund is governed in ICANN's Investment Policy.

Next Steps:

Following the public comment process, the ICANN Organization will consider the comments received and propose to the ICANN Board updates to the Investment Policy.

Section I: Description and Explanation

The purpose of this process is to offer an updated Rationale and Target Level of the ICANN Reserve Fund for public comment and input. ICANN welcomes public comments on this document to obtain community and public input on its Reserve Fund for transparency in its management of public funds.

The input collected during this public comment process will be reviewed and addressed consistently with ICANN's public comment process and will be considered by the ICANN Board.

Based on the outcome of the public comment process on the defined Rationale and Target Level, further work will be performed on the Governance of the Reserve Fund (allocation to / withdrawal from, periodic reviews...) and further community and public input will be solicited.

Section II: Background

ICANN's Reserve Fund was established in 2007 with a target level of a minimum of 12 months of Operating expenses. Since then, the ICANN Organization and its risk profile have significantly evolved. An updated rationale for the existence of the Reserve Fund and for its target level is offered for public comment.

Section III: Relevant Resources

[ICANN Reserve Fund](#) [PDF, 926 KB]

ICANN Investment Policy: <https://www.icann.org/resources/pages/investment-policy-2017-09-18-en>

Section IV: Additional Information

Section V: Reports

Staff Contact

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FINAL VERSION TO BE SUBMITTED IF RATIFIED

The final version to be submitted, if the draft is ratified, will be placed here by upon completion of the vote.



AL-ALAC-ST-1117-01-01-EN.pdf

FINAL DRAFT VERSION TO BE VOTED UPON BY THE ALAC

The final draft version to be voted upon by the ALAC will be placed here before the vote is to begin.

The ALAC strongly supports having the Reserve Fund at the level of 12 months expenses, and higher if there is a practical way of achieving that without unduly impacting ICANN's ability to provide necessary services, ensure the current and ongoing security, stability and resiliency of the DNS, and adequately support its ACs and SOs.

Since the Reserve Fund level is clearly tightly coupled to the level of ICANN operational expenses, any discussion of the reserve should have included a recent history and projection of ICANN operational expenses along with the employee/contractor levels and the Reserve Fund levels over the same period.

At whatever level the Reserve Fund target is set, ICANN must publish a plan on how and when this will be achieved. Given that the proposed target level(s) are significantly above the current Reserve Fund level, and it is unrealistic to believe that we will sustain or exceed this year's return-to-reserve of \$5m, ICANN should expeditiously investigate alternative methods of building the reserve to ensure ICANN's future stability.

FIRST DRAFT SUBMITTED

The first draft submitted will be placed here before the call for comments begins.

A draft-draft regarding "ICANN Reserve Fund Public Comment on Rationale and Target Level"

The document is <https://www.icann.org/en/system/files/files/draft-reserve-fund-12oct17-en.pdf>

Historic ICANN Reserve Fund

Goal of the Reserved Fund

"ICANN decided therefore to set up a Reserve Fund in 2007 in order to reduce its dependence on the timing of fee collections, as well as to provide it with sufficient financial resources to enable it to defend its multi-stakeholder governance model against possible litigation."

The current target level

"A Target Level equivalent to "a minimum of 12 months of operating expenses" was also established for the Reserve Fund."

No formal decision but an implicit acceptance by the ICANN Board over the time since 2007.

2012 Benchmarking of non-for-profit organizations

Risks covered

- Self insurance against a rainy day,
- Proxy for wind-down costs,
- Maintenance and/or replacement of assets,
- Pay-off of committed liabilities,
- Funding of future projects identified in the Strategic Plan.

Level of the Reserved Fund

A fraction/multiple of operating expenses from 3 months to 2 years.

New ICANN Reserve Fund Project

ICANN Board undertakes a new Reserve Fund Project (10 Board members supported by ICANN's executives).

5 scenarii are considered.

All take into account the following "list of possible Consequential Events for which the Reserve Fund is considered to be an expected source of funding includes, but not limited to, the following:

1. Replenishing Operating Fund levels depleted by unbudgeted and unmitigated short-term events or maintenance and replacement of assets, or payment of liabilities,
2. Undertaking major downsizing or significant restructuring of ICANN's operations.
3. Mitigating major security and stability threats and attacks.
4. Covering unplanned legal costs.
5. Undertaking new and major programs resulting from a new strategic plan or exceptional unforeseen external events.
6. Continue operations after a disaster."

Comments (possible events)

[I add number before each item for ease of comment]

1. OK
2. Undertaking major **[unplanned and unbudgeted]** downsizing or significant restructuring of ICANN's operations.
3. Mitigating **[unbudgeted]** major security and stability threats and attacks.
4. Covering unplanned legal costs.
5. Undertaking new and major programs resulting from a new strategic plan or exceptional unforeseen external events.
6. Continue operations after a disaster."

Considering factors specifically related to ICANN's operational and risk profile as well [as] factors related to market trends, ICANN Organization estimated the cost of each of the

Consequential Events and

5 scenarii were taken into account and quantified

1. Scenario low, \$35m
 - a. Current ICANN position, \$62m
 - b. Scenario largest single occurrence, \$105m
 - c. Scenario medium, \$135m
 - d. Scenario shut-down, \$198m
 - e. Scenario high, \$255m

The proposal target is between scenario 3 (\$135m) and scenario 4 (\$198m).

Comments (scenarii)

To study and to compare ICANN scenarii and benchmark, it could have been useful to get some additional data like:

- Evolution of the annual operating expenses for the last 5 years and (if possible) the budget for the next 3 to 5 years,
- Evolution of the number of employees for the last 5 years and (if possible) the budget for the next 3 to 5 years,
- Evolution of the reserve fund for the last 5 years and (if possible) the projection for the next 3 to 5 years.

It could have been useful to have more information about the Shut down scenario.

If ICANN have to shut down, can we really see a new need for operational funds, and other expenses aside to shut down ICANN?

If ICANN just needs the fund to shut down the organization it is almost the same level that scenario 3 – medium.

==> First conclusion: Target level \$135m to \$140m.

Target level and link with Opex

It always seems difficult in an evolving environment and not stabilized organization to link the Reserve Fund target with the Opex.

==> Second conclusion: Define the target with a number.

ICANN needs also to setup a target date to complete the replenishment of the Reserve Fund.

==> Third conclusion: Define a target date.

To be sure that it is still the good target a review of the situation of the Reserve Fund must be undertake every 5 years or after each important use of the Reserve Fund.

==> Forth conclusion: Review regularly amount and date targets'.

Comments (general)

The multi-stakeholder part of the ICANN structure seems not to have been taken into account in this project. Part of the work is done at "no or small cost" by community members.

How it can be taken into account needs to be studied in more depth?