New gTLD Auction Proceeds Public Comment

Three Chosen Mechanisms

- The CCWG identified the following three mechanisms as a viable means to allocate auction proceeds. The following is a summary of main characteristics of the evaluated mechanisms, namely:

- **Mechanism A:** An internal department dedicated to the allocation of auction proceeds is created within the ICANN organization.

- **Mechanism B**: An internal department dedicated to the allocation of auction proceeds is created within the ICANN organization which collaborates with an existing non-profit.

- **Mechanism C**: A new charitable structure (ICANN Foundation) is created which is functionally separate from ICANN org, which would be responsible for the allocation of auction proceeds.

Responsibilities	Mechanism A	Mechanism B	Mechanism C
Mechanism Oversight and Safeguards			
Legal and fiduciary oversight responsibility.	ICANN Board	ICANN Board	ICANN Board
Establishment and operation of legal and fiduciary safeguards.	ICANN Org	To Be Determined	ICANN Foundation
Governance			
Internal review at regular intervals to identify areas for improvement, minor adjustments in program management and operations.	ICANN Department	To Be Determined	ICANN Foundation
Broad strategic review of mechanism.	Community Advisory Panel	Community Advisory Panel	To Be Determined
Evaluation and Decision			
Establish strategic goals.	CCWG Recommendation	CCWG Recommendation	CCWG Recommendation
Establish eligibility for evaluation based on criteria.	ICANN Org	ICANN Org	ICANN Foundation
Score successful and unsuccessful applicants.	Independent Panel	Independent Panel	Independent Panel Convened by ICANN Foundation
Overall approval.	ICANN Board	ICANN Board	ICANN Foundation*
Reporting/auditing (project compliance).	To Be Determined	To Be Determined**	To Be Determined*

- For the creation of the framework: For mechanisms A, B, and C, the CCWG it was discussed whether legal and fiduciary safeguards can largely be met through existing safeguards that ICANN org has already in place, such as internal controls, contracting and disbursement guidelines, corporate compliance effort, and review by the Board.

- For mechanism B, it is the assumption that the existing non-profit organization would already have applicable safeguards in place, but these would need to be confirmed as part of the selection process to identify a suitable non-profit organization(s).

- If an internal department is created as part of ICANN org under mechanism A or B, measures will be needed to ensure division and recognition of responsibilities between the department handling funds and the rest of the organization. This division and recognition of responsibilities will be particularly important under mechanism A, where ICANN org is handling many aspects of the granting cycle

- In the case of mechanism B, there will need to be clearly defined roles and responsibilities incumbent upon both ICANN org and the other organization, and an agreement in place about how these roles are carried out operationally.

- The Chosen Non-Profit would need to have appropriate conflict of interest policies and practices in place for the elements of the program it manages.

- It would also need clearly defined roles and responsibilities incumbent upon both ICANN org and the other organization, and an agreement in place about how these roles are carried out operationally.

- An appropriate legal agreement (e.g. contract, MoU) should be established between ICANN org and the non-profit, outlining the respective roles and responsibilities of each entity in operating the program

- The At Large members who support Mechanism B strongly believe that having an external department working with an internal department within ICANN is the best choice.
- Selecting an external organization that has been working in the field of grant disbursal is the best option as this group will have much experience in selecting select projects, disbursement of funds, control of the progress of each project and could hit the ground running while an internal department will take time to get set up and go ahead at running speed.
- We also think this solution is the most cost-effective one and leave to ICANN the responsibilities of supervising financial control and administrative processes.
- Additionally, once the money has been spent, than the contract with the external group can be terminated.
- The ICANN staff assigned to this assignment are fewer and are likely to have additional responsibilities already in ICANN so can go back to doing just those responsibilities. If at any time, ICANN is unhappy with the evaluations of this external group, another group could be selected to take over this role.

- Each of the three mechanisms has pluses and minuses but overall the consensus among the elected At Large representative thinks that Mechanism B has the most advantages and least disadvantages.

- We think independence from ICANN Org needs to be our primary concern.

- While in both mechanisms there will be an independent panel evaluating proposals, in Mechanism A it will be managed and run by ICANN but in Mechanism B it will be managed and run by the selected Non-Profit. The further the panel evaluating proposals is from ICANN Org the more trust we have that it will not be interfered with.

- There was also a concern that mechanism A being a part of ICANN Org might make it easier for ICANN Finance to request additional money from the Fund for covering of Operating Expenses or additional money for the reserve fund. With Mechanism B, ICANN Org has a contract with a non-profit so it would be harder to remove money from the different tranches