

# Reserve Fund Replenishment

Overview of upcoming Public Comment process

Xavier Calvez

Webinar

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# Background

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- ⦿ ICANN Reserve Fund created in 2007, funding through operational surpluses.
  - Target 12 months of operating expenses.
  - In 2014: Reserve Fund = 11 months of Operating Expenses.
  - Starting in 2014: withdrawals to fund IANA Stewardship Transition. Total \$36 million over 4 years.
- ⦿ ICANN's size and risk profile evolved since creation of Reserve Fund:
  - Board Working Group to reassess Reserve Fund
  - Public comment on rationale and target level end of 2017
  - Target level confirmed at a minimum of 12 months of Operating Expenses
- ⦿ 2nd Public Comment Process upcoming to address Replenishment Strategy

# Shortfall

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- ⦿ Target level = 12 months of Operating Expenses
  - Operating Expenses in Draft FY19 Budget: US\$138m for 12 months
- ⦿ Amount of Reserve Fund as of 31/12/2017 (most recently published): US\$70m
- ⦿ Shortfall: US\$68m

# Sources of funding

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- ⦿ Contribution of operational excesses from ICANN Org. US\$5m allocated to Reserve Fund in December 2017.
- ⦿ New gTLD Auction Proceeds: US\$104m, excluding US\$132m for the .web auction (net of fees).
- ⦿ Potential leftover funds at the end of the new gTLD program.
- ⦿ Additional funds from contracted parties: one-time fee, or fee increase to generate surpluses allocated to Reserve Fund.
- ⦿ Other sources...

# Previous public comments received on replenishment

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- ⊙ **Need for a replenishment strategy:** ccNSO SOP Working Group, ALAC, GNSO-IPC, GNSO-BC, i2Coalition,
- ⊙ **Contribution from ICANN Org - control/reduction of expenses to allow for allocations to the Reserve Fund:** i2Coalition, RrSG, RySG, NCSG, ccNSO SOP Working Group,
- ⊙ **Auction proceeds:**
  - In favor of using for replenishment in general (no amount specified): ccNSO SOP Working Group, Stephen Deerhake,
  - In favor of using for replenishment for an amount equal the IANA Stewardship transition costs (US\$36m): RySG
  - In opposition to using for replenishment: RrSG, NCSG.
- ⊙ **Leftover funds at the end of the new gTLD Program:** ccNSO SOP Working Group, RrSG,
- ⊙ **Additional funds from contracted parties: in opposition of increasing fees on registrants:** i2Coalition, RrSG (for registrar per-domain fees)

# Guiding principles

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1. Appropriate replenishment period: 5 years.
2. Contribution from ICANN Org not compromising delivering its mission.
3. Avoid burden on contracted parties and by default registrants.
4. Take into account existing public comments

# Replenishment strategy considered

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- ⦿ Replenishment period not to exceed 5 years (principle #1)
- ⦿ Over 5 years, ICANN Org operational savings to contribute US\$15m (principle #2)
- ⦿ New gTLD Auction Proceeds: US\$36m, for IANA Stewardship Transition expenses
- ⦿ Remainder shortfall of US\$17m (68 less 15 less 36):
  - Additional ICANN Org contribution from operational savings
  - Additional auction proceeds allocation
  - Additional funds from fees on contracted parties





## Thank You and Questions

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