Continuity of Operations Instrument
Discussion on RySG Proposal

Agenda

- Overview of COI, COF

- Why RySG submitted a proposal

- Specific discussion points about existing COI and COF proposal

Quick Terminology Reference

AGB – Applicant Guidebook

RySG – Registries Stakeholder Group

COI – Continuing Operations Instrument

COF – Continuity Operations Fund

EBERO – Emergency Back-End Registry Operator

LOC – Letter of Credit

Related Activities

Activity	Issue	Link	Deadline
Open Public Comment	RySG Alternative Proposal for Continuing Operations Fund	http://www.icann.org/en/public-comment/rysg-proposal-cof-17oct11-en.htm	2 December 2011
Open RFI	Emergency Back-End Registry Operator	http://www.icann.org/en/announcements/announcement-2-14sep11-en.htm	30 November 2011

Key Reference Documents

- The RySG proposal can be found here: http://www.icann.org/en/topics/new-gtlds/rysg-proposal-cof-21jul11-en.pdf

- The Addendum can be found here: http://www.icann.org/en/topics/new-gtlds/rysg-proposal-cof-addendum-01sep11-en.pdf

- Emergency Back-End Registry Operator Request for Information (EBERO RFI): http://www.icann.org/en/announcements/announcement-2-14sep11-en.htm

- gTLD Registry Transition Process Memorandum: http://www.icann.org/en/topics/new-gtlds/registry-transition-processes-clean-30may11-en.pdf

- New gTLD Applicant Guidebook (particular attention should be given to Q50 in the application and spec 8 in the agreement): http://newgtlds.icann.org/applicants/agb

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What do we have now?

This is what the current New gTLD Program proposes

AGB and the COI

- Applicants are required to provide a cost estimate for funding critical registry functions on an annual basis

- This is to protect registrants from failover risk

AGB and the COI

- Applicants must provide evidence that funds for performing critical registry functions will be available and guaranteed to fund registry operations for a minimum of three years following termination of the Registry Agreement

Applicants Must Secure Funds by...

- Irrevocable standby letter of credit (LOC) issued by a reputable financial institution

  or

- A deposit into an irrevocable cash escrow account held by a reputable financial institution

Concerns about the COI

1. High cost creates barrier to entry

   (e.g. 100,000 DUM in yr. 3~$450,000; 1,000,000 DUM in yr 3 ~ $4,500,000)

2. Incentive for applicants to artificially lower their projections resulting in less funds to protect registrants

Continuity of Operations Instrument

Or

Continuity of Operations Fund

What is the COF?

COF – alternative proposal that would:

- Require US$ 50,000 per each successful new gTLD applicant, and

- Provide for US$ .05 ¢ per registration as needed to ensure adequate funds

- Floor and cap for escrow fund

Why is it Relevant?

The current COI could create barriers to entry depending on newTLD applicants' calculation of costs and projected Domains Under Management (DUM)

The alternative provides a fee that is not dependent on newTLD applicant calculations of projected DUM and costs and flexibility to grow fund

Addendum

Examples of projected DUM and COI escrow									
1st yr DUM	2nd yr DUM	3rd yr DUM		1st yr coro (2)	2nd yr coro	3rd yr coro	ICANN escrow = sum of 3 yr cost (1)	proposed 50,000 flat fee	savings to applicants
<10	<10	<10		$10,000	$10,000	$10,000	$30,000	$50,000	-$20,000
1,000	1,500	2,000		$25,000	$25,000	$25,000	$75,000	$50,000	$25,000
15,000	15,000	15,000		$50,000	$60,000	$60,000	$170,000	$50,000	$120,000
25,000	37,500	50,000		$70,000	$90,000	$100,000	$260,000	$50,000	$210,000
50,000	75,000	100,000		$100,000	$150,000	$200,000	$450,000	$50,000	$400,000
A projected large new TLD example									
500,000	750,000	1,000,000		1,000,000	1,500,000	2,000,000	4,500,000	50,000	4,450,000

(1) note as currently drafted in the DAG it appears that the standard $25,000 ICANN flat fee would be an expense and

therefore need to be escrowed which would add $75,000 to each of the projected current ICANN escrow amounts

(2) coro - cost of registry operations

COF

Contributions from new TLD applicants creates base for single escrow fund

(US$50,000 x 360 newTLDs = US$18,000,000 base fund)

.05¢ per registration if necessary to grow escrow fund depending on risk of registry failovers

COF

Escrow fund managed for the sole purpose of providing necessary resources for continuity of operations and an orderly transition of registrants from a failed registry or to new registry

Escrow fund should be capped

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Panel Discussion

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For Public Comment Consideration

- What is the appropriate role for ICANN to create a fund or act as an insurer? Under which circumstances?
  - » Can the same end be accomplished through a third party?
  - » Will an insurance company underwrite this?
- What appropriate level of internal resources should ICANN have for collections, tracking of deposits and outlays from the fund?
- What are the foreseeable challenges to move funds in timely manner to various parties as required responding to emergency situations?

- There will be an incentive to underestimate the projected size of the new registry, and therefore lower the cost of the COI to below what it should be to protect registrants. How could this be addressed?

- Will the allocation of costs need to be adjusted over time if new registries enter the pool after the target balance is achieved?

- How can this account for some level of predictability and fairness for all registries?

- Who should determine how much reserve must be set aside?

- What criteria should be used to ensure sufficient funding and a mechanism to provide registrant protections?

- What assumptions can be made in creating the basis for the proposed fund?

- How should both the existing COI model and the RySG proposed COF model ensure that it appropriately meets the needs of multiple registries sizes from small to large?

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Questions & Answers

Thank You