
BARCELONA – ccNSO: Members Meeting Day 1 (1 of 5)
Tuesday, October 23, 2018 – 09:00 to 10:15 CEST
ICANN63 | Barcelona, Spain

KATRINA SATAKI: Please take your seats and we will start in one minute.

ALEJANDRA REYNOSO: So there are the [engine] in the background, but if you see them too, you have any questions, any suggestions, you want to join a working group, you want to know a little bit more about the processes, please do not hesitate to also contact them and talk to them.

Again, welcome to all of the new people in the room. So you know, we have an ICANN Learn course on how the ccNSO is structured and how we do the things that we do. We also have a quick guideline that it's online, but we also have printed copies and if you find me anywhere, I can give one to you no problem. This, I have them right there in the front desk. This can give you a better overview on how the ccNSO does its work. So please find me. My name is Alejandra.

For this session, so good things to have in hand are the ones that are in the presentation. All presentations that are being displayed during the days are uploaded to the ICANN schedule. It's the quickest access to them so you can have them with you while presenters are here in the front. They will also be posted on the ccNSO website.

The agenda that you have also a printed copy now on your desk, in any case that you might lose it, you can have it online too. There is

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also session summaries and background on what topics are being discussed so if you feel like maybe you are not following the whole subject, please do refer to those summaries so you can catch up more quickly.

And also, if by any chance you cannot make it to the room here, the remote participation is available for everyone so if maybe next time, next ICANN meeting, you cannot come here, please be assured that all of this is available online.

And as a final link, we have a ccNSO Wiki. It's a separate site from the ccNSO website where we keep all the documents for the working groups so please do not hesitate to go to those links.

Now what do we have in our schedule for the day? This is for today. We will start with some working group updates followed by the policy session and a review session. After the lunch break, we go to meet with the GAC that is a few rooms near, so please do at 1:30, go straight to the GAC room. We will be there for 45 minutes. After that, we come back to the room to have a Q&A with the counsel candidates.

Later, we will have the IANA Naming Function session, also the CSC Effectiveness Review and we end our day with the impact of GDPR.

But at the end of the day, we have one of the best times of the session that it's the ccNSO dinner cocktail, but this time it's the .EU EURid dinner, so thank you, EURid, for the dinner.

We have a very, very interesting agenda for that dinner, so do please know that we have to be at the entrance of the venue by 6:15. There,

there will be the staff of EURid to confirm your RSVP and guide you to the buses that will take us to the place where we will have the dinner.

Also, they have one or two seats left if you are not already RSVP, so if you haven't done so, please write an e-mail to Daniela and it will be on a first-come, first-served basis so as I'm telling you, it's one or two seats left.

So you want to say something?

KATRINA SATAKI:

I just wanted to say that if you have registered, but for some reason cannot attend, please be so kind and inform EURid about that because it's seated dinner. You have to organize it and if you cannot come, but your seat is, well, they're empty, it means that somebody else couldn't come to the dinner so please be so kind. Inform EURid in case you cannot make it, but you have registered. Okay, thank you. Sorry. Alejandra, please go on.

ALEJANDRA REYNOSO:

No, thank you for the announcement.

We are having a little technical issue, but soon we will have the – there it is – slides. Almost there.

KATRINA SATAKI:

Meanwhile, you can see the bottles. We are going to drink them.

ALEJANDRA REYNOSO: Yeah, and for those who arrive early, there will be also, I believe, a tour in the venue, in the Cavas, so please be early. Almost there.

KATRINA SATAKI: Yes, and get your dancing shoes on. It's going to be really fun. Yeah, you'll have to dance.

ALEJANDRA REYNOSO: It will be a live performance by Álvaro Soler, so yes, prepare to dance.
Okay, we are all set up? Thank you. Next slide, please.

It's not, there. Thank you.

Now for tomorrow, we will have a TLD-OPS session that will have a summary of the TLD-OPS Workshop that went on earlier this week. We will have a very interesting session regarding ccTLD's financial contribution to ICANN. Also, accountability session and we will be meeting with the ICANN Board. And this will happen here in this room. They will come to our room, so no need to move.

Later, we will have a session with the ccNSO ICANN Board members and ccNSO ICANN Board members' friends that are ccTLD related, so we will have Chris Disspain, Mike Silber, and Nigel Roberts that are transitioning now, and our very special friends, Becky Burr, Lito Ibarra, and Danko Jevtovic.

We will finish our day with the ccTLD News and a session on Independent Review Process, and a face-to-face ccNSO Council Meeting.

For Thursday, this is now outside the ccNSO members meeting sessions. We will have the Public ICANN Board meeting and the ICANN Community Recognition Program. Also, there is a High-Interest Topic regarding innovation in Top-Level Domain names, the second part of the public forum and special sessions regarding ICANN@20 Years. One will be a historic review and the other is an anniversary cocktail.

We want to know if we are doing our job correctly, so do, please, please, please fill the survey that will be online and distributed through the e-mail tomorrow. Whatever you think we are doing correct, please let us know. If you think we can improve anything, also let us know. We welcome suggestions with an open mind, so do not hesitate to tell us what you think and feel.

Also, here, it's not over. We can stay in touch through Facebook, through Twitter, through the website. There's the e-mail to the ccNSO Secretariat, so after the meeting, after seeing everyone, do not hesitate to contact and to keep in touch. And welcome to the ccNSO.

KATRINA SATAKI:

Thank you very much, Alejandra. Are there any questions about our two members meeting days and about Thursday? If not, with that, let me announce that our members meetings are open and let's move to

the next session. It's ccNSO Working Group Updates, and with that, I handle the chairing of the session to Alejandra.

ALEJANDRA REYNOSO: Thank you very much. May I ask then, Katrina, not to leave? And to have also Peter Koch and Ching Chiao, yes, in front. Welcome.

KATRINA SATAKI: Good morning. Yes, let me give you a brief update on the work of the Guidelines Review Committee. So here is the list of things that we've done since Panama. We kept working on updating the guideline on ccNSO trouble funding and actually, on Sunday, we decided the final steps to finalize this new guideline and first, we will ask for another approval from the Council. Then we send it to the community for your review, your comment, and as soon as we receive them, if there are any comments, we incorporate them into the guideline and then we send it to the Council for final approval.

The guideline on the ccNSO liaisons and observers, this one is not going to be sent to you for comments because there's only very small tweak there. We added a term limit, time limit to our appointed liaisons to other organizations, just really one paragraph. Then we worked on a prepared statement for the Council to be submitted in response to this document on short-term and long-term options for specific reviews that was published by icann.org. We did not comment on short-terms, but we provided our views on the long-term options for specific reviews because apparently, there are too many reviews

and they are too close to each other so we do not even have time to implement recommendations from previous reviews when we already, we have to start new reviews according to the by-laws. So something needs to be done. We really need to do real work, not just do reviews and that is why we supported the idea of managing those reviews better to make sure that the community doesn't get too tired from all these endless reviews.

Yes, we also provided [inaudible] [worksheet] on the guideline for the selection of team members to IANA Functions Review Team and here, we could not actually come up with a good solution to meet all the requirements that are in the by-laws and therefore, we provided two options to the Council. The Council could select one of the options – basically, there were two guidelines – and use it as a temporary guideline to test if it's workable.

Council selected one of the guidelines and apparently it worked okay, so we will update it and, again, present to the community and then to the council for approval.

Yes, also following your guidance, after consultations that we had in Puerto Rico and Panama we updated the guidelines, ccNSO Nominations process to ICANN Board seats 11 and 12 with the due diligence process. This is another guideline that will be sent to the community for your approval.

And we started working on the template for Rejection Action notices to make sure that the communication that comes from the icann.org is something that we all understand and that something that will be

easy to follow. So we want to present this template to other SO/ACs and see if they agree with our approach. Then we will try to convince icann.org that this is what is really needed to make sure that we do not miss any date or anything.

So what do we plan to do now? So we will, as I already mentioned, we will review the temporary guideline for the appointment of members to IANA Functions Review Team. Then we finalize it and send it to you for your comment.

We hope to finalize a template for Rejection Action notices. Well actually, it needs to be done by the end of the year so that we can enter the new year with this new template. Based on our experience, the Rejection Action notice template will offer another one on approval actions.

Then there's some things left for us to do, for us as a decisional participant. We still haven't described the process for removal of ICANN Board members, either appointed by us or in case the community wishes to [spill] the Board. So this is something. It's not that we want to remove anyone. It's just that we need to be ready in case something comes up.

And then, of course, there are many members of the Guidelines Review Committee are also members of the working party that communicates with our independent reviewers, the ccNSO Review. That's another thing that we will be doing and then we will also, apparently, that's a proposal that will be discussed by the Council that

we task the Guidelines Review Committee to review Work Stream 2 recommendations and accountability, diversity, and everything.

Even if for some reason they do not get approved by one of the communities, by us or by the Board, there are good recommendations in the document and it's worth looking into those recommendations that had been developed by community representatives and so we can see if there's anything we can do to make sure that we're more accountable.

With that, thank you very much. Are there any questions? And yeah, if the Council agrees to task the GRC with this implementation of Work Stream 2 recommendations, then we will need volunteers, need more people who will help us to make sure that we do not miss anything.

So on Wednesday, we will have a session dedicated to discussions around these recommendations, so please participate. We'll have break-out sessions and if you see that you are interested in these discussions, please do not hesitate to answer the call for volunteers and join the Guidelines Review Committee.

So apparently for that, we will have another Workstream within the working group, within the committee, and so if you're interested, you will have the opportunity to implement all those nice recommendations and see how they apply to the ccNSO and how we can become better. Thank you very much. So if there are still no questions, back to Alejandra.

ALEJANDRA REYNOSO: Thank you, Katrina. So we are a little ahead of our schedule so I will ask for our remainder presenters to take your time. We are not in a rush. So now, please, Peter, can you please give us an update on Emojis in the 2nd level Domain Name?

PETER KOCH: Yeah, thank you, Alejandra for not rushing and good morning, everyone.

Okay, I will speak very slowly now to get back a breath from my way over from the GAC session on PSWG which was really great. But this will be even greater.

So what I'm going to talk about is the ccNSO Study Group on Emojis at the 2nd level, and I'll give you a bit of a background. What is this about and what have we been doing so far and what are our next steps?

So many of you hopefully remember – this is the [administrative] first. So this is for the archive. You find all the materials on the ICANN website, on the ccNSO website, all the study group meetings are recorded and transcribed and so on and so forth, and there's a Wiki and a mailing list archive which is completely accessible so you can follow all the work if you want to.

So once upon a time, there was an SSAC report, SAC095 and actually, Patrik Fältström in the previous, or previous-previous meeting, gave a very detailed talk about emojis in domain names and why the Security Stability Advisory Committee has taken a certain position on this regarding particular security concerns they have and also pointing out

that emojis in domain names are “in violation,” quoting SSAC, of the IDNA standard because the emoji code points are not part of the IDNA standards or are not recognized by the standard and should not be translated into DNS U-labels to start with.

So the SSAC report was given to the ICANN Board and then the ICANN Board drew some conclusions regarding emojis at the Top-Level. There won't be Top-Level Domains with emojis in them. The GNSO took this ahead and for gTLDs, there's a prohibition of the registration of domain names with emojis at the 2nd level. But then there are ccTLDs and we are responsible for our own policies. However, the Board asked the ccNSO to deal with this and in consequence of that, this study group was set up.

Now the study group is not a working group, which means we are not supposed to come up with a policy proposal, but we are supposed to study the issue. That means that we are looking at the SSAC document and we are looking at current practice, which is what I'll show you on the following slides.

So sometimes, these things work. What could be more appropriate in Barcelona than having a domain name with a football in it? And if you look very closely and carefully, you see that the football is on the screen three times, once in the URL bar and in the tab headline and the overall headline. You see this little football.la. So this is a real thing. The respective A-label is registered under .la and I'll give you a couple of other TLDs that do these things in a minute.

And as you can see, while the webpage is empty, it doesn't mean much. But obviously, this web browser, it's an old Safari, didn't have any issues with displaying this. So there's some demand, say, claimed by some regarding emoji domain names. And by the way, of course, the football isn't a sign of emotion, so these emojis aren't necessarily faces. But they're symbols of all kinds. You have the recycling symbol, you have the football, you have everything including, by the way, flags of most of the states. All is collected under the name "emoji" within the Unicode standard.

Now so, sometimes it seems to work. Now what are we going to do with this?

Terms of reference for the study group, most of this I already have mentioned in passing. The important part is the purpose of the group and it's established by the ccNSO Council to provide the community with a comprehensive overview of the issues associated with the use of emojis and the need and current practices by ccTLD managers to allow emojis at the 2nd level Domains.

This is what we are currently doing. We've identified a couple of TLDs that have emoji domains at the 2nd level. So what we've done so far is going through the terms of reference to understand the mission, make sure that all members of the working group – sorry, no, I'm making this mistake; it's so early – the members of the study group understand what the intended outcome is.

We have a couple of people who are familiar with TLDs that do emojis. We have three appointees from the Security Stability Advisory

Committee. It's important to mention that they act on their own behalf. They are just appointed by SSAC, but they're not representing an SSAC view when participating in the study group. However, they have been very instructive in getting to the technical details of what the emojis mean or do not mean and how the interaction between the different standards bodies, Unicode Consortium, the ITF, and then also on the policy side, ICANN concerns.

What we've done after that, yeah, we had an in-depth reading of the SSAC Report 95 to make sure that everybody on the study group understands the SSAC concerns and also the technical backgrounds. Some of these things are quite involved. There are a number of very, very interesting characters or character modifiers in the Unicode system, for example, character modifiers that would change the skin tone of an emoji. I haven't tried yet to apply that to a football, but it may or may not work and the outcome may or may not be defined so there are lots of very confusing things around there.

After that, we tried to find ccTLDs that have at least one domain name with an emoji at the 2nd level and we've based this a bit on the work that the former study group on [inaudible] counts has done, except that our methodology is a bit more empirical, in a way, which is why the final bullet says that the findings technically are necessarily incomplete. We don't have the zone file access there, so we're just trying some emojis, some that we thought were popular, poked a bit around, and came up with this list of I think 16 Top-Level domains, some of them well-known for accepting emoji registrations, and some probably less known for that.

The presence of any of the two-letter codes on this list does not mean that the current registry policy allows registration of emoji domain names. This is just what we find in the wild, in the DNS and our next step is to, where applicable, where available, collect the registration documentation, the registration policy to learn whether or not the registry applies any particular conditions to emoji registrations. For example, allowing or prohibiting some of these modifier characters or modifier code points that I mentioned earlier.

We haven't found any emoji domain names underneath IDN ccTLDs, but again, that doesn't mean there is nothing like that. The search methodology is necessarily a bit flawed, so if anybody doesn't find themselves on the list and would like to inject their views and their experiences into the study group, you are more than welcome to do so. Also, the presence of any of the ccTLDs on the list does not apply any judgment on the side of the study group. This is just, it's really true facts, actually. We got it from the DNS so it must be true.

Our next steps will be, as I said, we are going to collect registration documentation. We've received two documents from WS and have discussed that at our face-to-face meeting on Saturday and we are now increasing the outreach to explicitly address the other 15 ccTLDs on the list on the previous slide and we expect to have a draft final report ready for submission before the Kobe meeting, which means we will have that ready 14 days or so, whatever the deadline will be, before ICANN64 and we then expect to have a report and/or presentation like this one at the next ICANN meeting with the findings as described so far.

Does anybody have any questions or suggestions, would like to identify themselves that they like emojis in their TLD? Roloff?

ROELOF MEIJER: Yes. My name is Roelof Meijer from .NL. I briefly looked at the Terms of Reference and it seems that the approach is, may I call it a bit on the defensive side? So it looks at the risks and the consequences of using them. Do we have people, and I don't know if it's within the purposes of the study group but are you also looking at the application side or the market demand? Because we I think pretty much all of us use emojis and we might also consider the chance to create more value in our TLDs. Are you looking at that perspective or is it just the technical, and "Oh dear, will something go wrong if we do this"?

PETER KOCH: So this SSAC report was first and that SSAC report starts with outlining –

ROELOF MEIJER: That one is [inaudible] dangerous, yeah.

PETER KOCH: With outlining the concerns, going out to find TLDs that engage in emoji registrations, to put it mildly. The purpose of this is to get the perspective of the side of those who actually deal with this and we do have, I believe, three people on the study group that are either

connected to one of these TLDs or from a registrar side deal or even promote emoji domain names.

We are not specifically looking into providing marketing material, but we are looking into material that is available, especially to find a balance between the concerns raised in the SSAC report and potential ways of addressing these concerns on the side of the registries or registrars.

ROELOF MEIJER:

Okay, that is exactly what I mean. I think it would be, we would be amiss if we just focus on, let's say, the negative side, what are the dangers if we do this. And of course, we have to address them, but I would prefer our starting point to be, "Hmm, what do we have to do to make this work in a safe way?"

PETER KOCH:

Well, the technical background is kind of clear because, as I said, the standards do not recognize these emoji code points in the Unicode as eligible for inclusion in IDNs at whatever level. Now nobody can police the [cert] level and the task of the study group is to look at practices at the 2nd level. The task of the study group is not to promote emojis at the 2nd level. That's what some of the registries do. And we're just looking how they do this.

ROELOF MEIJER: Exactly. It's all about promotion and I was striking the balance, striking the right balance. Okay.

PETER KOCH: Absolutely. Yeah, thank you for giving me the opportunity to clarify this part. Bart?

BART BOSWINKEL: Maybe just for clarification, it follows a bit of the passion of the Wildcarding Study Group. At that time, you had concerns raised, again by SSAC and others in the community. AT the same time, the study group looked and invited ccTLDs who were engaged in wildcarding to comment on this and why they allowed wildcarding. It was surprising the need for wildcarding in some cases and what they needed to do to overcome it, the issues around it, and they were concerned about this as well. So there is definitely a balanced approach.

PETER KOCH: Maybe I can add if I have one more minute, so when I showed you the web browser that the page is technically empty, so there is little to display there, but you saw it in the URL bar, not all browsers would be in a position to translate emoji domain names into domain names and display this. We've also found registration documentation that informs the registrant that these domain names may not work in all circumstances, which of course, is a friendly circumscription of this is outside the standard, so the registrant is on their own when they find that it doesn't work with a particular browser – it doesn't work with e-

mail, for example – or other concerns. And we are going to incorporate these findings, of course, into the report. Thank you.

Any more questions? Okay. Like.

ALEJANDRA REYNOSO: Thank you very much, Peter. So there are no more questions for the Emoji Study Group, we will pass to our next presenter, Ching Chiao, that will talk to us about the Cross-Community Working Group in the New gTLD Auction Proceeds, public comments on the initial report. Please.

CHING CHIAO: Thank you, Alejandra and Katrina. Good morning and good morning, everyone for having me back here in the room with my colleagues on this CCWG, namely Stephen, Pablo, Peter and myself as a Co-Chair. We've been working for this – oh, thank you very much – for this report for nearly I think two years down the road, and yeah, so here is the initial report for this subject related to the previous round of new gTLD auction proceeds.

So I'm glad that we have a little bit more time this time. There are many slides, but I won't go through each of them. I'm just assuming that many of you have heard me or seen the updates previously. But having said that, let me, going through quickly, several of the key items and the key [inaudible].

So as many of you know that this is for, as I said, the previous rounds, so the ICANN auction for any TLD contention sets were served as the last resort for two or more applicants. So as you can see from the slides, today there is only 16 of the 218 contentions were utilized the ICANN auction and then so the size of this fund accumulated today is approximately \$230 million USD, so comparing to mid-size or pretty much like a private equity fund or maybe some of the fund that your ccTLD organization is running, it's a large fund but comparing to other commercialized PE funds and other investment funds, this is a relatively small fund. We are also looking at this as, to many of us, this is like a one-time opportunity for the ICANN community as a whole to do good things with this money. So let me just start with that.

And as many of you know, in the ICANN revenue stream and budgeting processes, there's always three buckets. Let me put it in this way. So one is the ICANN Operating and Reserve Funds that's generated from the registry and the registrar that has contract with ICANN and there's two other buckets related to new gTLD. One is the applicant fees and the third bucket is the auction proceeds. That's where we are, that's the one that we are actually working on.

In terms of the auction proceeds, our goal is to construct, so being a constructor to set up the mechanism of how this fund will, this [spend] is also being used. We are not in the position of how to pick or to select any project or anything. So for that part, selecting or rewarding projects, that will be the next phase of work.

So currently, there are 26 members and many participants. We formed last year, almost, every ICANN meeting I will join and provide some updates. So I would like to emphasize here is that we conduct a very strict conflict of interest law, so the declaration has to be made if the participants or the member, in particular, that you are or you will be interested in applying the fund, that we will ask you, actually to declare from time to time, so that's also, that particular part is also blended in the overall, I mean the structure of our work.

So once again, this group is not making any decision on the use of the proceeds, meaning that who will be able to receive the fund.

The past two slides I'm passing because ICANN, as you know, the California Incorporated not-for-profit organization, so there is a strict legal and fiduciary requirement for ICANN to use any funds. For example, I'm just picking up the example here. So ICANN cannot give money to any natural person, individual, and ICANN cannot use the money, any of their money in all their buckets to sponsor any politically lobbying.

So there is a number of political – I'm sorry – the legal and fiduciary requirements and also keep in mind because of the nature of ICANN, that also means that if any countries or territories that has trade sanctions with the U.S. government, this would also be part of the kind of the restriction that if the applicant is from that particular country or territory, you will have difficulties to apply for the fund.

So onto this page is that we're at the stage, after two years of work, we are at the stage of releasing the initial report. Is there a [inaudible]? Sorry.

So that's over there. So you are most welcome to give us comments. The comment period started earlier this month and runs all the way to nearly the end of November, so the 27th of November this year.

I would like to bring you maybe quickly highlight what's in the initial report, but so these two pages, let me go back again here. So pretty much, it offers the guidance of the objectives of the fund, so keep in mind this has to be used for the purpose or in line of the ICANN mission. We're trying to, given it's kind of a stretch, go and also a mission. So all of this discussion is being recorded and being summarized in the initial report.

So the next slide, I think this is the most important one. I like to draw your attention. So those are the four mechanisms that the group has developed. So the colors you are seeing here, the darker green ones are the ones that actually being recommended by the group to now the public, so obviously, ultimately, the Board, to consider which is Mechanism A is a new ICANN proceed allocation department, created as part of the icann.org. So that's a new division, part of ICANN.

And Mechanism B is more like a mix or like a merger of one ICANN proceed allocation department created, but also working with an outside existing charitable organization. So we are, the group, considering various factors including the easiness to set up, staffing,

the cost, the easiness to run this over a period of time. We are recommending this too.

But we are also keeping the other two in the current initial report is Mechanism C is the new structure, meaning a new ICANN foundation being created for the purpose of the fund, so this is a lighter green. This mechanism does not receive as strong as the previous two, I mean, the support from the members.

And the last mechanism is basically giving the money completely to an outside organization with ICANN still having the oversight of the money, which ICANN is [abiding] by. But so far, those four mechanisms are actually now presented for the community to comment and to see if ultimately what would be the best fit for the work that we are doing.

So I'm going to skip these two slides, but let me preliminary, I mean, so we have ten preliminary recommendations. But the first one is that, what I just said. So Mechanism A, then B, we thought it's our recommendation. It's easier for ICANN to implement, and on top of that, CCWG welcomes the community input on Mechanism C, and for Mechanism D, we would probably because they receive less favorable support by the CCWG, so we would leave it as it is now. But ultimately, if we're receiving really strong support for, let's say, C and D, we would take a look once again for those two methods.

And yes, ICANN then, the ICANN Board will make the final decision on what to do with the mechanism itself and also the recommendation.

So there are ten recommendations. Recommendation 2 is we have tried to come up with objectives of the new gTLD auction proceeds, how those funds can be used so those high-level objectives, also with some examples that we outline in the report, pretty much covered in these three bullet points here: one, benefit development, distribution, evolution, and structures/projects that support Internet's unique identifier systems; second is the benefit capacity building and underserved population; and benefit open and interoperable Internet. There's some typos here. Sorry for that.

So these auction proceeds are expected to allocate in the manner consistent with ICANN mission so that's also very important to keep in mind.

Yes, definitely your guidance are very much welcome. So we have some guidance on the implementation and so I also want to draw your attention on the last point here is the question number five. Once again, I mentioned this, the inclusion of conflict of interest is simply because we know that, put it this way, we work, as I said, with some of the ccTLD here in the room that has created a foundation or a not-for-profit on for the purpose. We also know that some of you work with some other external sources of funds, so for our work, it's that and also an ongoing basis that the organization, including ICANN itself, that this appropriate conflict of interest policy and practices is very necessary and fundamental to the success of the program.

So the initial report now is out, once again. So we welcome your input. Some questions, I'm just throwing here is that do you agree with the

four, the mechanisms or the analysis that we put together? If not, what would be your thoughts on how to best utilize the money? Are there any additional considerations that we haven't thought? Once again, we have members representing the ccNSO interests. We also have members from the ALAC, from the Board, from the GAC, so are any other concerns that needs to be taken into account, please share with us. You now have the opportunity of doing that.

Yes, once again, the next step is that the public comment will open until November 27, 2018. We're looking to have the finalized report down soon, hopefully by Kobe, but we're not promising any timeline on that because we could receive a strong example if the support for Mechanism C which is an ICANN foundation, if the support is very strong from that perspective, then we will probably need to work more based on the, once again, the input from all of you.

So thank you. So this is it. Any questions? I will be glad to answer. Yes, Byron.

BYRON HOLLAND:

Byron Holland, .CA. I'm interested when you looked at the mechanisms in the two that you seem to be recommending at this point, included setting up a new department within ICANN in order to allocate the funds and given some of the challenges ICANN has right now, just in terms of staffing and staff complement and reducing staff and the budgets associated with all of that, did you have the opportunity to cost out what that would look like or do you have any

comment on what setting up a new department might actually look like?

CHING CHIAO:

Thank you, Byron, for the question. The cost issue has been in our head and also there are some numbers being throwing. The Board, in the beginning, actually offered a sum percentage, but those percentages are just referenced. They're just based on previous experience, let's say 3% admin costs or 5%. But also, as I said, based on the size of the fund, we've heard from various organizations running big or small funds, in terms of percentage of costs, in terms of corresponding KPI or the performance actually related to the cost management, so those are not set in stone but those are elements are in.

We do realize by doing Mechanism C or D, that would cost us more than A or B. But once again, there's no further cost analysis at this point. But it's just based on the members' and participants' experiences.

BYRON HOLLAND:

Thank you. Just a quick follow-up then based on what you just said. Do I understand that the cost, whatever it would be, 3% or 5%, would that come out of the funds available?

CHING CHIAO:

Yes.

BYRON HOLLAND: Okay, thank you.

CHING CHIAO: And also since you brought this up, this group in running of the working group, everyone except ICANN, support the staff and other, the regular CCWG costs, we are not using any of the money here to run the working group.

BYRON HOLLAND: Thanks.

NICK WENBAN-SMITH: Nick Wenban-Smith, .UK. I don't think it's any secret because I've heard the ICANN CFO say it, that they want to take some of the proceeds of the auction money to fill the hole in the Reserve Fund of ICANN. I think that indirectly affects us all who contribute to the ICANN admin budgets in some way.

Is this where that is inexorably going? That we're going to end up – I don't think it was ever the intention but it looks like about \$40 million which is still a lot of money, in my view, is going to end up in the ICANN Reserve Fund. Is that where this is going?

CHING CHIAO: Thanks for this very important question. Glad you brought this up. Firstly, we've talked to ICANN. ICANN has liaisons in the group, Becky

and Martin. They very clearly in the various letter, they said firstly, ICANN would not be the applicant for the fund. So that's number one. That's for sure and ICANN still has the ultimate role to guard and oversee what's available for them.

And going back to your question is that this CCWG is not in the position or is not within our scope to decide what to do with the Reserve Fund. I think that's something that's being discussed prior to the Puerto Rico session that there was a comment period or there was a paper talking about replenishing of the Reserve Fund and there were some thinking and strategy of using that fund. But it's not up for us actually to decide what to do. It's out of scope.

NICK WENBAN-SMITH: I know it's not up to you, but I was thinking you are closer to it than we all are and do you think that is where it's actually going? Because from a legal perspective, that's a huge sort of conflicts of interest if ICANN is going to be administering this money themselves as an internal department and ICANN itself is [inaudible].

CHING CHIAO: I hear you.

NICK WENBAN-SMITH: Yeah? All right.

CHING CHIAO: Yes. Thanks.

PAULOS NYIRENDA: Paulos Nyirenda from Malawi .MW. I wanted to find out if on the clarification for eligibility, if this streams down to members of one organization. So if an organization applies for allocation and it has members who would otherwise fail to be allocated, would that streamline down to the organization? Has this been clarified?

CHING CHIAO: Probably. I'm not in the position to answer your question. Once again, this group is not in the position of picking which organization or projects. That's not what we're doing. We're the constructor just for the mechanism.

But I would like to answer related to maybe that helps is that we understand that the SO and the AC could be the applicant for the fund whether the SO or AC is legally part of the ICANN or in some different form. But I will assume that as long as the applicant within the scope and also some of the objectives that we mentioned in the slides will be eligible for the [pie]. But thanks again for the question.

Yes, Peter?

[PETER]: Good morning, Ching. And thanks for bringing us up to speed on the initial report of the Auction Proceeds Working Group. I just wanted to add some detail to this particular slide with the four mechanisms.

There is also another reason besides the financial one that Mechanism C might be less efficient for the purpose. This is supposed to be one-off exercise to distribute funds. We cannot exclude or rule out that in future gTLD rounds, there might be something similar coming up but that's far from being something that is certain. So currently, we're in the hypothesis that this is a one-off at creating a foundation which is a lasting structure and organization and seeing that there is a possibility that we might have to dismantle it after five years, for instance, would not be cost and resource efficient. So it's probably a leaner way to do it through an ICANN Proceeds Allocation Department.

What might be very useful for the working group, if you could put some attention, some thought in the difference between Mechanism A and B because Mechanism A is practically all the work is done by ICANN staff, so you will need more staff resources. Mechanism B means that you have to work together with an exterior organization that, if I'm not mistaken, we are assessing that it will cost 1% to 2% of the global funds as a fee that will be charged by the external organization.

So what might be useful to do is try to calculate the number of staff that would be required for Mechanism A and to offset that with the 1-2% charged by the exterior organization, so 1-2% of the total amount of the funds available. That might give us a more precise look, which one of the two – A or B – is more cost efficient.

And what Nick brought up, and this is actually also some very important thing that you might look at to queue in feedback, it's the

question whether icann.org or the parts of the icann.org, the SOs and ACs, can also benefit from the funds. It's an important question because we have been talking within the ccNSO about how can we raise participation, how can we deal with volunteer fatigue, getting more people doing the work and sharing the workload amongst us. Imagine for a while that you have a project that could attract new members, that could enable us to reach out, then you should not rule out the possibility of having or constituency also as a potential beneficiary for those funds.

But you cannot have one and not the other one. You cannot say, "Okay, we want to rule out icann.org using some of these funds to replenish the Reserve Funds," and then saying, "We are not going to allow that but we would be willing to examine a possibility where the constituencies of ICANN could eventually benefit from some funds."

So give it a thought and please feed in your ideas and your comments through, well, on the report to during the comment period. Thanks.

CHING CHIAO:

Thanks so much, Peter. Really appreciate that you're adding and also the clarification. Also, on top of example the Mechanism C and D, you see C has a lighter green so that means the support for a new creation is still there. We are not eliminating that. I'm just bringing some of the elements of the thoughts here is that when we hear from some of the members that they thought that by creating a new structure, that would somehow dispatch from whatever "mess" that we've seen in the ICANN world and maybe the new structure will help, once again,

this new structure for the utilization of the fund may be more effective, maybe do better things than if the funds being kept in ICANN. But those are maybe just a gut feeling, but those are the thoughts being received. But thanks again.

[PETER]: Okay, welcome.

ALEJANDRA REYNOSO: Just I'm closing the queue with Jordan, so please, Stephen.

STEPHEN DEERHAKE: Thank you. Ching, thank you very much for this comprehensive and illuminating report on this. Since Nick uttered the words "Reserve Fund", I'll take the opportunity to walk through that door.

The current situation with regards to the Reserve Fund and the question of whether or not to replenish it from the auction proceeds is an ongoing debate, as you noted. The current situation with regards to the corporation's Reserve Fund is it is approximately under-funded by \$68 million US based on having one year's worth of current operating expenses in the bank for the rainy day.

I, personally, find this a little scary and I believe the Board needs to deal with this, so I just wanted to point that out to the community that we're running at half the level that the Board has agreed is safe and sound for the corporation and that needs to be addressed.

CHING CHIAO: Thank you, Stephen. And typically, I would like to actually to echo that. I, personally, feel that is scary very much. So I fear that too. Also, that will also give us some challenges in terms of going forward because that impacts the size of funds eventually will be left for the utilization if ICANN takes some, and let's say, if we heard that the [dot-web] contingency that's being gradually settled, but still that's not 100%. If that portion of the money goes away, then what's being left? It's not many. So we've been keeping a very close look on that too.

ALEJANDRA REYNOSO: And again, we have just one more minute, so the queue ends with Jordan, and any other questions you may have, you can please contact Ching afterwards. So please, Jordan, be brief.

JORDAN CARTER: I'll be, because I can. I'm really worried about the idea of creating a honey pot of granting which might attract a whole bunch of new people to ICANN who are just here to get money. And I would be much happier if the auction proceeds simply went into the Reserve Fund and if the interest that was being earned off them was just being used to help support ICANN's operations and maybe a new outreach program. The idea of hundreds of millions of dollars sloshing around and creating competitive granting, we've done that at our organization with \$500,000 and that creates enough difficulties from time to time, people being upset that they didn't get the money, all the overhead of

administrative staff, so if it isn't too late, I think it would be great if we had an option that said "no mechanism, put it in the bank and forget about it".

CHING CHIAO:

Great idea. But also taking into account that also this working group, the ICANN finance, the CFO, they have been there keeping an eye on what can be done based on ICANN's legal and fiduciary requirements, so that particular proposal, we talked about. There is some thoughts, maybe this cannot be done as you just pointed out because of the fiduciary requirement but simply because the auction proceeds is an extraordinary income for ICANN and that's probably subject to different tax scheme.

JORDAN CARTER:

Right. Thanks.

ALEJANDRA REYNOSO:

Thank you very much. With this, I would like to thank our Working Group Chairs for being here. I'm so sorry. We need to finish the session. We have to keep with schedule. Now we will have a coffee break and please be back at 10:30 for the policy session. Thank you very much.

[END OF TRANSCRIPTION]