Quarterly Stakeholder Update

FY18 Q1
For the Quarter ending 30 September 2017

ICANN

30 November 2017

FY18 Q1 Update

o Shorter executive summary of the full report, to give you a better overview

o View the full report and other materials here: https://www.icann.org/quarterlyreports

o Q&A webinar on **7 December** which is your opportunity to ask any questions

o Accountability Indicators
   o https://kpi-dashboard.icann.org/sgat/homepage.html

Executive Summary

Göran Marby, ICANN President and CEO

Organization Operations and Finances

◉ Focused on long-term financial planning

  ○ Currently planning for FY19 and FY20 together – for public comment in January

◉ **FY18 Q1 financial position:**

  ○ Spent $6m less than budgeted, with $1m less in funding

  ○ Net effect of $5m under budget

◉ Posted FY17 Annual Report

  ○ https://www.icann.org/en/system/files/files/annual-report-2017-en.pdf

◉ Accountability Indicators

  ○ https://www.icann.org/accountability-indicators

Key Signing Key (KSK) Rollover Update

- We decided to delay the Key Signing Key Rollover after becoming aware that a significant number of Internet Service Providers and Network Operators were not ready

- We've been working to contact necessary parties to determine readiness

- Learn more:
  https://www.icann.org/news/blog/update-on-the-root-ksk-roll-project
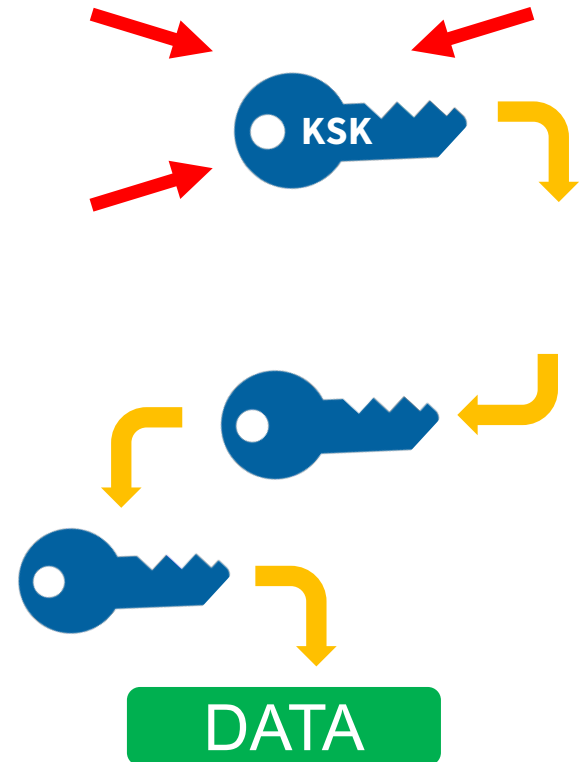
GDD Highlights

- Launched the **Naming Services portal** replacing the Global Domains Division (GDD) and Applicant portals

- Developed and reintroduced Domain Name Registrant content and communication including a blog series and FAQs

- Published report and presented webinar on the **"Statistical Analysis of Domain Name System (DNS) Abuse in gTLDs"**
  - https://www.icann.org/news/announcement-2017-08-09-en

General Data Protection Regulation

- European regulation that takes effect in May 2018

- Read latest blog for a recap of what was discussed at ICANN60 and where we are now
  - https://www.icann.org/news/blog/data-protection-privacy-activity-recap

- See Data Protection/Privacy Issues web page for details
  - https://www.icann.org/dataprotectionprivacy

- Learn more about the legal firm Hamilton's next phase of analysis
  - https://www.icann.org/resources/pages/gdpr-legal-analysis-2017-11-17-en

Policy Update: Supporting Organizations (SOs)

ccNSO
The ccNSO (Council and members) works on global policies relating to country code top-level domain name (ccTLD) policies (e.g., .br, .uk).

FY18 Q1

27 resolutions adopted
3 policy activities underway

GNSO
The GNSO Council is composed of 21 members — divided into 2 houses (contracted and non-contracted parties) — who work on generic top-level domain name (gTLD) policies (e.g., .com, new gTLDs).

FY18 Q1

8 resolutions adopted
9 policy development processes underway

ASO
The ASO Address Council is composed of 15 volunteers — 3 from each of the Regional Internet Registries (RIRs)— who work on global Internet Protocol (IP) Address Policy.

Supporting Organizations (SOs)
Three SOs in the ICANN community are responsible for developing policy recommendations in the areas they represent.

Address Supporting Organization (ASO)

Country Code Names Supporting Organization (ccNSO)

Generic Names Supporting Organization (GNSO)

Second Eastern European DNS Forum - Minsk

- [The 2nd Eastern European DNS Forum](#) took place in Minsk, Belarus from 12-13 October 2017

- Over 160 participants from 5 different countries

- Topics included technical engagement and security issues (based on community interest and demand in the region)

- Strong participation from ICANN org including Board IETF liaison **Jonne Soininen**

- Day 1 focused on tech-tutorials and presentations mixing a range of topics both suggested by the community and organizers

- Day 2 focused on policy panel discussions

ICANN60: GAC Capacity Building Workshop

- ◉ Parallel event to ICANN60

- ◉ It was our fourth Governmental Advisory Committee (GAC) capacity building workshop, after the success of the events in Kenya and Fiji

- ◉ The workshop targeted Middle East GAC representatives, and was open for anyone to attend

- ◉ 75 participants attended

ICANN60 By the Numbers

325 Public sessions

Steve Crocker Receives 2017 Leadership Award

1,909 Attendees

5,620 Tweets with #ICANN60

1st ICANN Meeting in the Gulf Region

63 Fellows Alumni

15 NextGen@ICANN members

5 NextGen Ambassadors

670 Photos taken

193,510 Photos viewed on Flickr

1 Sand art performance by Shayma Almughairy

704 Newcomers

1,290 Unique visitors to ICANN60 Mobile App

Board Update

Cherine Chalaby, Chair of the Board

Board Update

- ◉ Recent blogs:
  - ○ Pre-ICANN60
    - • https://www.icann.org/news/blog/chairman-s-blog-a-look-at-the-abu-dhabi-workshop
  - ○ Board activities/priorities
    - • https://www.icann.org/news/blog/about-the-fy18-board-activities-priorities
    - • https://www.icann.org/news/blog/about-the-fy18-board-activities-priorities

- ◉ IETF 100 Meeting in Singapore

- ◉ Activity since ICANN60
  - ○ General Data Protection Regulation (GDPR)
  - ○ Independent Review Process (IRP)
  - ○ Security, Stability and Resilience second review (SSR2)
  - ○ Planning for next Board Workshop 2-4 February in Los Angeles
  - ○ Long-term financial planning
  - ○ Board Compensation Committee

FY18 Q1 Report
July– September 2017

Policy Update

Generic Names Supporting Org. (GNSO)

New Areas of Work in FY18 Q1

- ⊙ Approval of Data Collection Request from the review of all rights protection mechanisms (RPM) Policy Development Process Working Group

- ⊙ Initiation of new gTLD Subsequent Procedures Policy Development Process Work Track 5, which will focus on Geo Names

- ⊙ Selection process for GNSO liaison to the Governmental Advisory Committee

Completed Work in FY18 Q1

- ⊙ Nomination of GNSO Candidates for the Third Review of ICANN Accountability and Transparency (ATRT3)

- ⊙ GNSO Adoption of the Final Report of the Cross-Community Working Group Framework for the Use of Country and Territory names as TLDs

- ⊙ Withdrawal as a Chartering Organization from the Internet Governance Cross-Community Working CCWG-IG and request for a proposal for a new structure for GNSO Council consideration by ICANN61

- ⊙ Confirmation of GNSO Representative to the Empowered Community Administration

- ⊙ Approval of the fundamental Bylaw amendment to transfer responsibility for reconsideration requests to a new Board Accountability Mechanisms Committee

Country-Code Names Supporting Org. (ccNSO)

New areas of work in FY18 Q1

⊙ Country-code Policy Development Process 3 Working group on retirement of ccTLDs well underway

⊙ ccNSO Guideline Review Committee focus on ccNSO as Decisional Participant: defining the ccNSO internal procedures

⊙ Restructuring of the ccNSO Strategic and Operational Planning Working Group to standing committee

⊙ Participation for the first time in GNSO Policy Development Process (subsequent procedures work track 5 on geographic names)

⊙ Launch of ICANN Board seat 12 nomination process and ccNSO Council Elections

⊙ ## Completed work in FY18 Q1

⊙ Completion and closure of Cross-Community Working Group (CCWG) (with the GNSO) on use of country and territory names as Top Level Domains

⊙ Completion of joint Country-Code Names Supporting Org. (ccNSO) / SSAC work on adjusting rules around Fast Track process

Management Update

Office of the Chief Technology Officer (OCTO)

- **Emerging identifiers** research
  - A risk analysis of the Digital Object Architecture (DOA) and a technical introduction to blockchain technology was presented at ICANN60

- **Identifier Technology Health Initiative** (ITHI) project
  - Metrics for measuring the health of naming identifiers were developed, refined and presented at ICANN60
  - Recursive resolver operators were engaged to obtain personally identifiable information-free data to collect data on these metrics

- Continued progress on **Open Data Initiative** (ODI)
  - Initial data census cataloging all internal data sets nearly complete
  - Contractor engaged to add two additional data sets to the pilot by the end of 2017

- **Root KSK roll project**
  - The root KSK roll was postponed at least one quarter to gather more information to understand why a larger-than-expected fraction of recursive resolvers performing DNSSEC validation might not be updated with the new KSK

Office of the Chief Technology Officer (OCTO)

- **Domain Abuse Activity Reporting** (DAAR) project
  - Presented DAAR at ICANN60
  - Published blog explaining the significance and ubiquity of reputation block listing
  - Revised DAAR methodology white paper
  - Learn more here: https://www.icann.org/octo-ssr/daar-faqs

- Working closely with EuroPol on digitizing identifier related training materials for online consumption

- Continued outreach, training and subject matter expertise related to the security, stability and resiliency of the Internet Identifier systems. Examples include events in Israel, Ukraine, Belarus, Georgia and Mexico

GDD: Highlights

- Published Updated **gTLD Marketplace Health Index**

- Published draft **Framework for Registry Operators to Respond to Security Threats**

- Published report and presented webinar on the "**Statistical Analysis of Domain Name System (DNS) Abuse in gTLDs**"

- Launched **Registration Data Access Protocol** (RDAP) Pilot Program

- Completed **an Emergency Back-End Registry Operator (EBERO)** simulation confirming each of three ICANN org contracted EBERO providers have successfully completed an EBERO exercise

- Launhed **Data Protection/Privacy Issues icann.org landing page** to consolidate ICANN GDPR-related activities; published Personal Data "Use" Matrix and gTLD Registration Dataflow Matrix
  - https://www.icann.org/dataprotectionprivacy

GDD: New gTLD Program

WHY IT'S IMPORTANT

The New gTLD Program is driving the largest expansion of the Domain Name System ever. Hundreds of new top-level domain names are being introduced into the Internet on a rolling basis.

The New gTLD Program is meant to enhance competition, innovation and choice.

1,226 gTLDs delegated representing*:

Community: 51

Geographic: 53

IDNs: 94

1,241 Total registry agreements signed

* As of 30 September 2017. May fall into more than one subcategory

GDD: Internationalized Domain Names

WHY IT'S IMPORTANT

IDNs at the top-level enable Internet users to access domain names in local languages and scripts.

IDN ccTLDs allow countries and territories to represent their respective names scripts other than US-ASCII characters.

150 IDNs delegated into the root zone - Includes 56 IDN ccTLDs from 38 countries and territories covering 33 languages in 19 scripts

5 Root Zone Label Generation Rules (RZ-LGR-2) released in August 2017
- Ethiopic, Georgian, Khmer, Lao, and Thai

GDD: Global Support & Operations

3,526
Cases Processed

2,734
General Inquiries

100%
Service Level Target
Achievement

1,530
Registrant Phone Calls

4.0 / 5.0
Customer Satisfaction

536
Contracted Party Service Requests
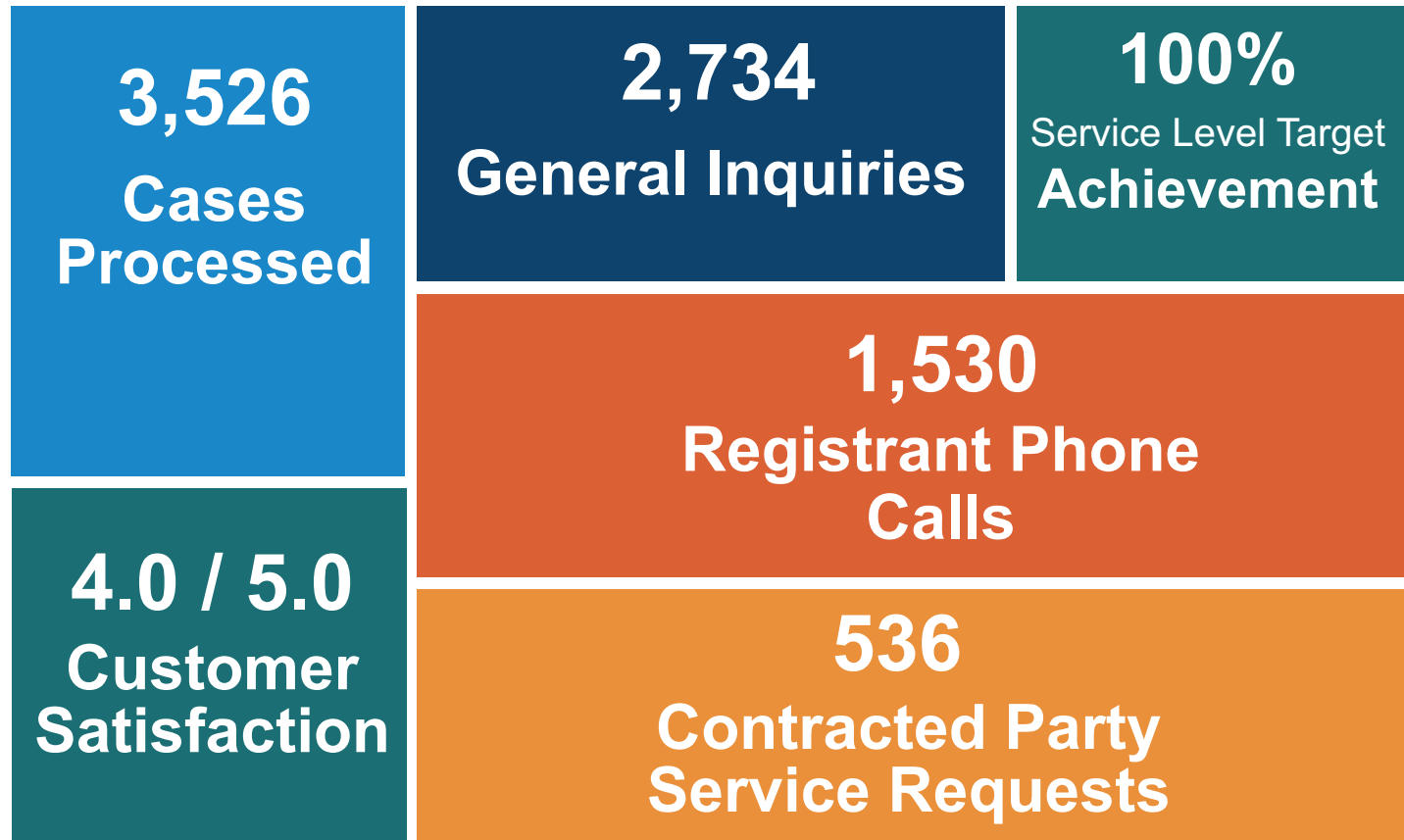
GDD: Public Comment Activities

- Revised ICANN Procedure for Handling WHOIS Conflicts with Privacy Law: Process and Next Steps (closed 7 July)

- Proposed Implementation of GNSO Consensus Policy Recommendations for the Protection of IGO & INGO Identifiers in All gTLDs (closed 10 July)

- Released Label Generation Rules for the Root Zone Version 2 (RZ-LGR2) (closed 24 July)

- Draft Framework for the Registry Operator to Respond to Security Threats (closed 31 July)

- Proposed Renewal of .MUSEUM Sponsored Registry Agreement (opened 24 August)

- Statistical Analysis of DNS Abuse in gTLDs (SADAG) Report (closed 27 September)

PTI: IANA Functions

Name, Number and Protocol Parameters

544
Domain related requests

904
Protocol related requests

2
Number related requests

1
Key signing ceremony

330
General inquiries
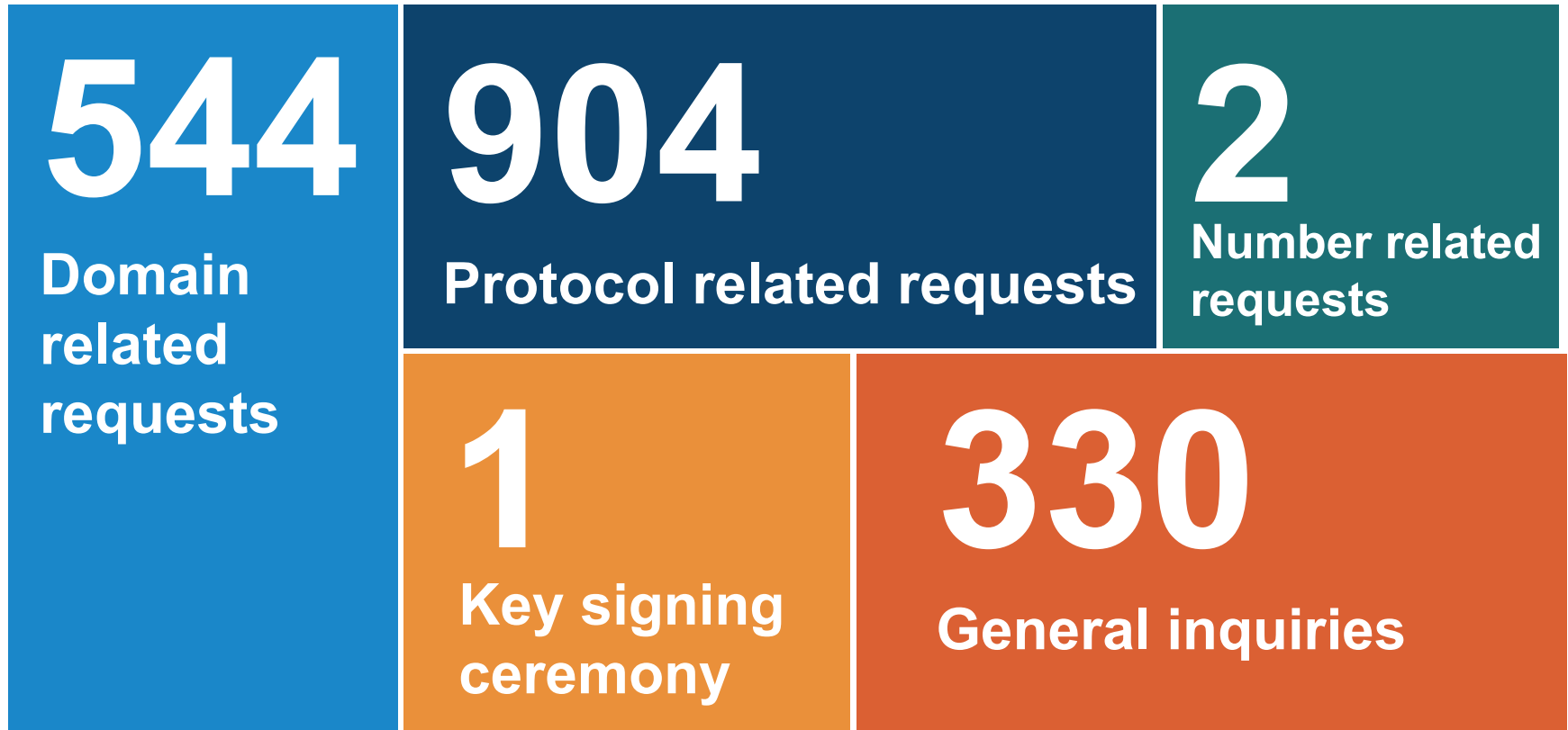
Contractual Compliance

AUDIT Update

New Registry Audit Round
- 10 TLDs in scope (Category 1 Safeguards)

New Registrar Round
– 26 Full audits and 32 partial re-audits)

Enhanced Compliance Reporting

Improvements to the Monthly Dashboard - added granularity to WHOIS & Abuse complaints

Creation of new Quarterly and Annual Reports
https://features.icann.org/compliance/dashboard/report-list

Compliance Operational Metrics

	Total New Complaints (In Thousand)	Total Closed Complaints (In Thousand)	Closure Rate (Target >=5.5) (55%)	Received to Closed Turn Around Time (Business Days)
Q4 FY17	14.587	11.283	7.00	10.7
Q1 FY18	10.460	12.906	6.96	18.4
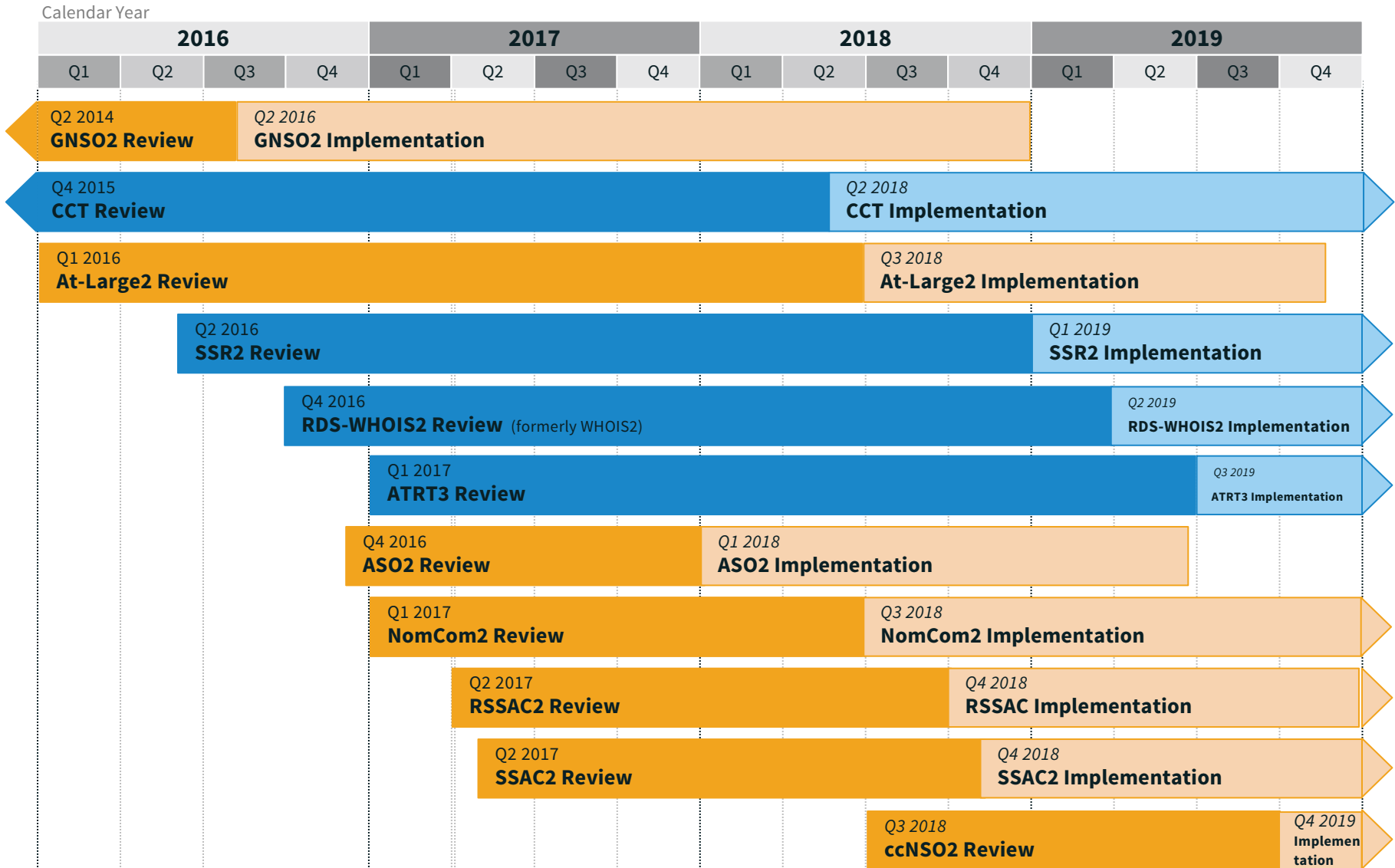
Reviews Timeline

Financial Update

For July - September 2017

ICANN Organization Reporting Structure

ICANN Operations

New gTLD Program

Funding | PTI/IANA [1]

Funding

Expenses [2] | PTI/IANA [1]

IANA STEWARDSHIP TRANSITION EXPENSES

Expenses [2]

Operating Fund

Reserve Fund

New gTLD Funds

Auction Proceeds

Total ICANN
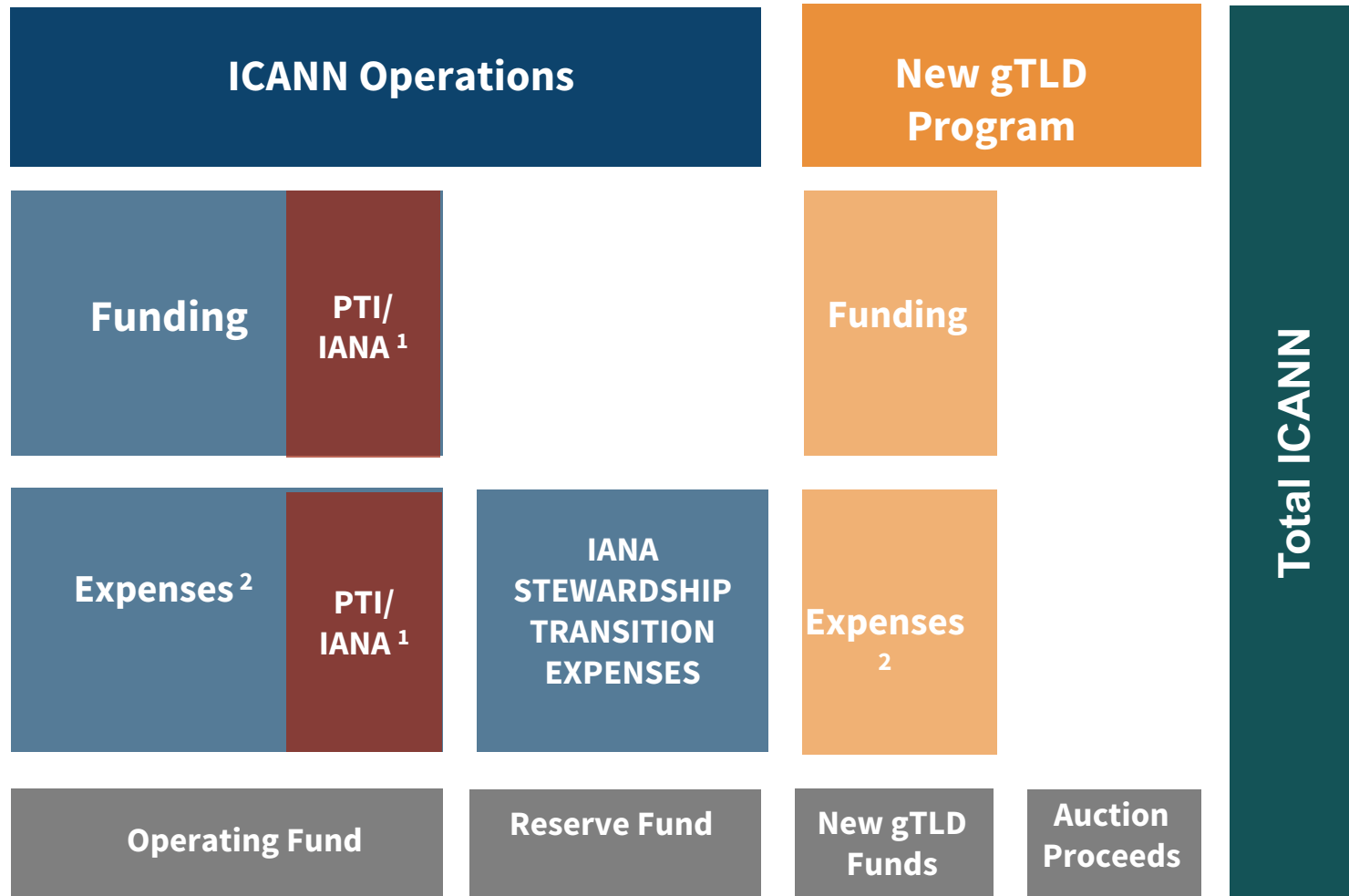
[1] IANA Services includes ICANN's and PTI's IANA Expenses
[2] Excludes depreciation and bad debt expenses

FY18 Q1 (July - Sep 2017) Overview

Funding and Expenses below target.

	Actual	Budget	Var	% Var	FY17	Var	% Var
Funding	$33	$35	-$1	-3%	$35	($2)	-5%
Expenses	($26)	($32)	$6	-18%	($26)	($0)	2%
IANA Stewardship Transition Expenses	($0)	($1)	$0	-64%	($3)	$3	-91%
Net	**$7**	**$2**	**$5**	**N/A**	**$6**	**$1**	**10%**

Breakdown of Expenses	Actual	Budget	Var	% Var	FY17	Var	% Var
IANA Services	($2)	($2)	$1	-26%	($2)	($0)	7%
All Other	($25)	($30)	$5	-17%	($24)	($0)	1%

Note: Expenses exclude bad debt and depreciation and include capital expenses.

FY18 Q1 (July - Sep 2017) Funding

	Driven By Domain Name Registrations	Driven By # of Contracted Parties
FROM REGISTRIES	Registration-based fees **$13M** 39%	Per-TLD fixed fees **$8M** 23%
FROM REGISTRARS	Registration-based fees **$8M** 25%	Application fees Accreditation fees **$4M** 12%
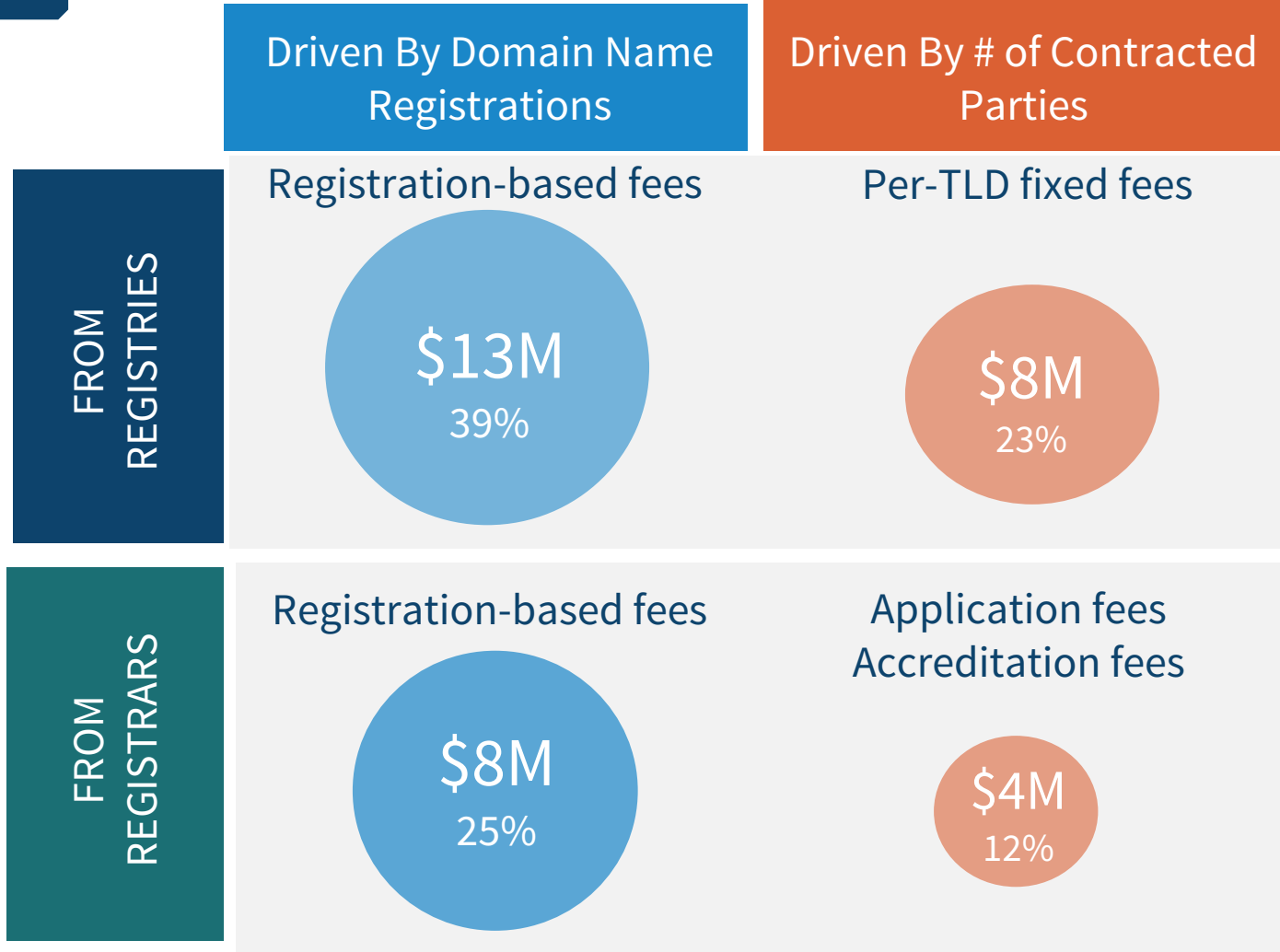
Other Income: $0M, 1%   Total Funding: $33M

FY18 Q1 (July - Sep 2017) Funding vs Budget & FY17

Actual: $ 33
Budget: $ 35
FY17: $ 35

Funding below target due to lower registration volumes

	Actual	Budget	FY17
REGISTRY TRANSACTION FEE	$13	$14	$14
REGISTRAR TRANSACTION FEE	$8	$9	$9
REGISTRY FIXED FEE	$8	$8	$7
REGISTRAR OTHER FEES	$4	$4	$4
OTHER	$0	$1	$1

In millions, USD- unaudited – Scale and Arithmetic inconsistencies are due to rounding to the nearest million.
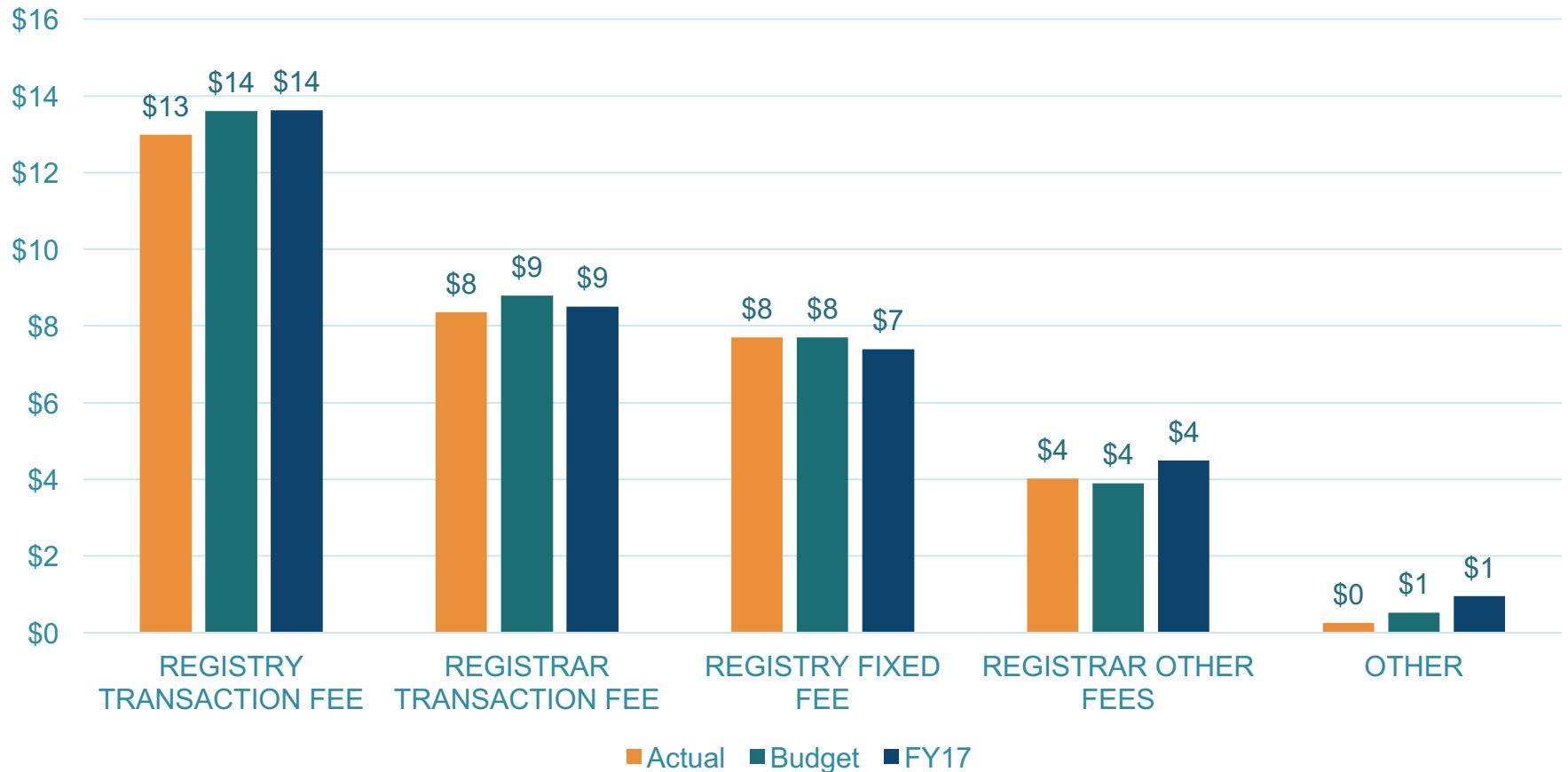
FY18 Q1 (July - Sep 2017) Operating & Capital Expenses

Year-to-date Actual Expenses : $26M

Includes IT infrastructure and security improvements

Includes rent and other facilities costs and telecommunications

Includes contractor services, legal fees and language services

Includes travel and venue costs for outreach and meetings.

Capital
$1M
3%

Administration & Other*
$4M
14%

Professional Services
$3M
12%

Travel & Meetings
$2M
6%

Personnel
$17M
65%

Reflects an average headcount of 396, which excludes 3.7 average headcount allocated to the IANA Stewardship Transition Project

*Excludes bad debt and depreciation

FY18 Q1 (July - Sep 2017) Operating & Capital Expenses

Lower professional services costs and timing differences of projects vs. plan.

Actual:	$ 26
Budget:	$ 32
FY17:	$ 26

Legend: Actual, Budget, FY17

Category	Actual	Budget	FY17
PERSONNEL	$17	$17	$14
TRAVEL & MEETINGS	$2	$3	$2
PROFESSIONAL SERVICES	$3	$6	$3
ADMINISTRATION & OTHER	$4	$5	$4
CAPITAL	$1	$1	$3
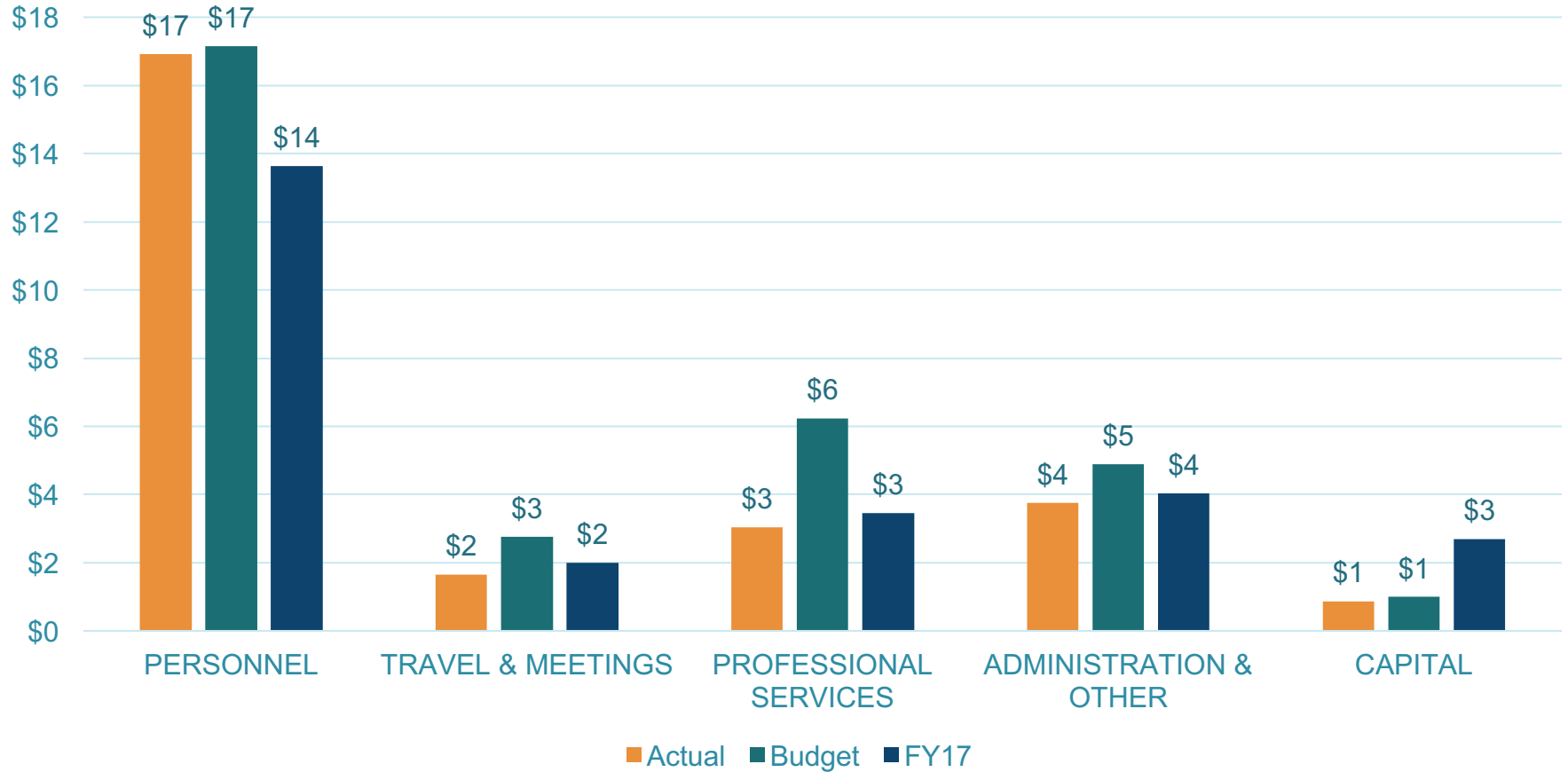
FY18 Q1 (July - Sep 2017) New gTLD Program Expenses vs Budget & FY18

New gTLD PROGRAM

Lower refunds of withdrawn applications. Processing costs higher than target due to legal fees.

Actual:	**$ 5**
Budget:	**$ 6**
FY17:	**$ 8**

Bar chart showing values:

- REFUNDS OF WITHDRAWN APPLICATIONS: Actual $0, Budget $2, FY17 $0
- APPLICATION PROCESSING: Actual $4, Budget $3, FY17 $7
- REPAYMENT OF HISTORICAL DEV. COSTS: Actual $1, Budget $1, FY17 $1

Legend: ■ Actual ■ Budget ■ FY17
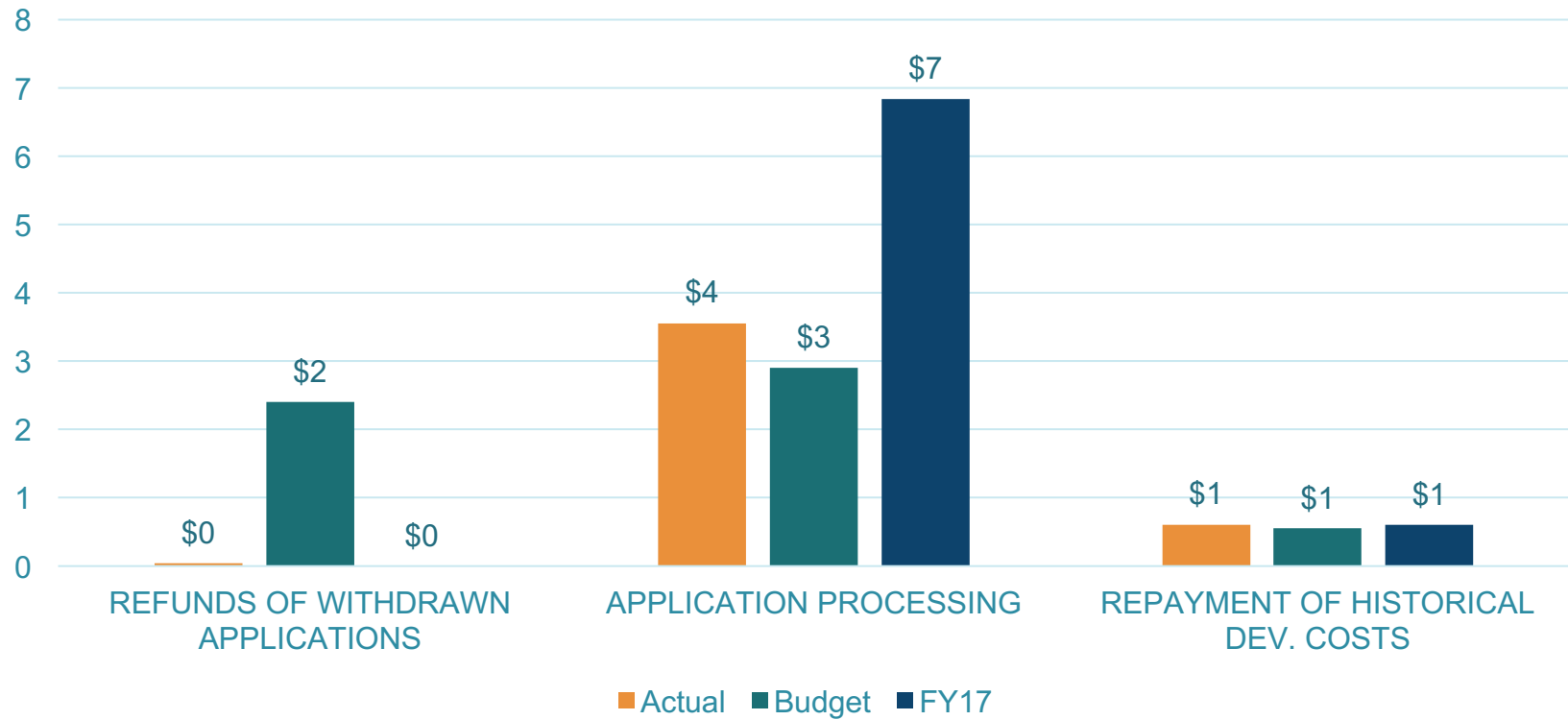
ICANN

New gTLD Program – Multi-year Forecast

Application fees collected $ 362

$ 274 $ 88

FULL PROGRAM FORECAST
- Refunds $ 53
- Costs $ 221

FY12-16 ACTUAL $ 221
- Refunds $ 42
- Costs $ 179

FY17 ACTUAL $ 27
- Refunds $ 2
- Costs $ 25

FY18 FORECAST $ 22
- Refunds $ 9
- Costs $ 13

FY19 & BEYOND FORECAST $ 4
- Costs $ 4

Legend:
- Refunds
- Remaining funds for unexpected expenses (including risks)
- Application processing costs
- .... Cumulative costs

In millions, USD- unaudited – Scale and Arithmetic inconsistencies are due to rounding to the nearest million.

FY18 Q1 (July - Sep 2017) Total ICANN Organization Actuals

TOTAL ICANN ORG.

	ICANN Operations (A)	IANA Stewardship Transition (B)	Total ICANN Operations (A+B)	New gTLD Program (C)	Total ICANN Org. (A+B+C)
Funding	$33	N/A	$33	$8	$42
Expenses*	($26)	($0)	($27)	($4)	($30)
Net	**$7**	**($0)**	**$7**	**$5**	**$12**

Total ICANN Operations is the sum of ICANN Operations (A) and IANA Stewardship Transition (B). Total ICANN Organization is the sum of ICANN Operations (A), IANA Stewardship Transition (B), and New gTLD Prgram (C).

*Expenses exclude bad debt, depreciation and refunds for withdrawn New gTLD applications which are included in the Funding line.

Funds Under Management as of 30 Sep 2017

Total Funds: **$ 459**
ICANN Operations: $ 100
New gTLD Program-related: $ 359

ICANN Operations

$96 (30 Jun 2017)
- Operating Fund, $35
- Reserve Fund $62

$100 (30 Sep 2017)
- Operating Fund, $37
- Reserve Fund $63

New gTLD Program

$363 (30 Jun 2017)
- New gTLD Funds, $128
- Auction Proceeds $235

$359 (30 Sep 2017)
- New gTLD Funds, $124
- Auction Proceeds $235

In millions, USD- unaudited – Scale and Arithmetic inconsistencies are due to rounding to the nearest million.