

Replenishment Strategy for the ICANN Reserve Fund

18 April 2018

The ccNSO Strategic and Operational Planning Committee (SOPC) welcomes the opportunity to comment on ICANN's proposal regarding the Replenishment Strategy for the ICANN Reserve Fund.

First Consultation Paper

Considering the emergency nature of the ICANN Reserve fund and the kind of withdrawals occurred in the recent past, it is important that any future policy sets out clearly the criteria that must apply for money to be taken from the fund, including a definition of new and major programmes resulting from exceptional unforeseen external events.

Agreed Target Level

We support the ICANN Board resolution recommending 'changes to the ICANN Investment Policy to include (a) an updated rationale for the Reserve Fund and (b) a confirmation that the target level of the Reserve Fund will be set at a minimum of 12 months of Operating Expenses'. We look forward to reading the updated rationale.

Second and Third Consultation Papers

- We believe that the establishment and governance of the Reserve Fund is critical in any organisation. Reserve Fund resources should also be invested appropriately.
- The paramount fiduciary responsibility of the ICANN Board is to insure the financial health, and thus, the continuity of ICANN the Corporation.
- The ICANN Board has already at its disposal the means to replenish the Reserve Fund to its (minimum) recommended level of 12 months of Operational Expenses.
- The DNS community should be kept regularly updated on the procedure governing access to and withdrawals from such a fund.

Sources of funding

We believe that an additional source of funding could be the savings that ICANN might make from prioritising and optimising several activities,.

Replenishment strategy

We would like to highlight the following elements:

- We would like clarification as to the reason why the contribution from auction proceeds cannot exceed US\$36m. We do not agree with US\$36m limitation. We recommend the ICANN Board immediately resolve to allocate US\$68m from the Auction Proceeds fund to the Reserve Fund to completely fund the Corporation's Reserve Fund to a level of 12 months of current operational expenses.
- The ICANN Board should commit to applying the US\$15m million in proposed operational savings that has been proposed to back-fill the Reserve Fund deficit to re-funding the Auction Proceeds fund.
- Earlier in the proposal, we read that 'contributions from ICANN Org to the Reserve Fund replenishment are the result of a reduced allocation of ICANN's resources to its on-going activities, in order to produce a surplus that is allocated to the Reserve Fund'. We would like to stress the importance of the concept of optimisation, which differs from the concept of 'reduced resource allocation'. Thus, the US\$15m contribution gained from ICANN Org operational savings should be also achievable by optimising existing efforts. We would also like to understand how this part of the proposal fits into the FY19 Operating Plan and Budget.
- The contribution from the leftovers of the new gTLD programme should be compulsory considering that part of the risk (and therefore the need to have a proper reserve) lies therein.
- Additional funds from contracted parties could be questionable. Eventually, it would be better to increase any possible replenishment from auction proceeds.

- As this is a Reserve Fund that does not have all the resources that might be needed, we recommend the replenishment take place as soon as possible. Not restricting the contribution from auction proceeds would assist with this, which is why a reason for the apparent arbitrary limit should be provided.

Assumptions

We would like to know what the Reserve Fund level set at a minimum of 12 months of Operating Expenses will look like in the context of the Budget.

Does it mean that the budget for each Fiscal Year (after the Reserve Fund is replenished) will include a figure for the Reserve Fund level for that particular year, adjusted to match the Operating Expenses? Will there be a description of the sources for replenishing the Reserve Fund in case the Operating Expenses are higher than in the previous year, or an explanation of how the excess amount will be used if Operating Expenses are budgeted lower than in the previous year, and whether the Reserve Fund will be decreased accordingly?

From our understanding, in the event of a decrease of Operating Expenses the changes will not affect the Reserve Fund since it is set to a minimum of 12 months of Operating Expenses. In this situation the Reserve Fund will contain more than the 12 months Operating Expenses, so no actions are needed.