
Cross-Community Working Group: New Generic Top-Level Domains Auction Proceeds

WHAT CAN I EXPECT AT ICANN62 IN RELATION TO THIS TOPIC?

The Cross-Community Working Group (CCWG) is organizing a face-to-face meeting from 15:15-16:45 local time on Wednesday, 27 June 2018. The CCWG is expected to provide an update on the Initial Report and preview proposed recommendations with the community. The Initial Report is expected to be published after ICANN62.

WHAT IS THIS ABOUT?

The New Generic Top-Level Domain (gTLD) Program established auctions as a last resort to resolve the competition sets between identical or similar terms (strings) for new gTLDs – an issue known as string contention. Ninety percent of contention sets scheduled for auction have been resolved through other means before reaching an auction conducted by Power Auctions LLC, ICANN’s authorized auction service provider. However, it was recognized from the outset that significant funds could accrue as a result of several successful auctions. The proceeds derived from such auctions have been reserved and earmarked within ICANN until such time as the ICANN Board authorizes a plan for the appropriate use of the funds. These proceeds are to be considered as an exceptional, one-time source of revenue.

All ICANN Supporting Organizations (SOs) and Advisory Committees (ACs) have chartered a CCWG to propose the mechanism to allocate the new gTLD Auction Proceeds. Following approval by the Chartering Organizations, the CCWG will submit its proposal(s) to the ICANN Board for consideration.

WHY IS THIS IMPORTANT?

The new gTLD Auction Proceeds, derived from these last resort auctions, are distinct and ring-fenced funds. The Auction Proceeds are a single revenue source derived from all new gTLD Auction Proceeds round 1. The proceeds, net of direct auction costs, are fully segregated in separate bank and investment accounts. The proceeds are invested conservatively with any interest accruing to the proceeds. Since June 2014, 17 contention sets have been resolved via ICANN auctions. The total net proceeds to date are \$233.5 million USD. Details of the proceeds can be found [here](#). As of 10 February 2018, nine contention sets remain to be resolved. It is important to keep in mind that approximately 90 percent of contention sets scheduled for auction are resolved prior to the auction. The total amount of funding resulting from auctions will not be known until all relevant applications have resolved contention.

WHAT IS THE CURRENT STATUS OF THIS PROJECT?

The CCWG commenced its deliberations at the end of January 2017. It currently has 26 members appointed by the different Chartering Organizations, 46 participants, and 36 observers. The CCWG is tasked with developing a proposal(s) on the mechanism that should be developed to allocate the new gTLD Auction Proceeds. As part of this proposal, the CCWG is also expected to consider the scope of fund allocation and due diligence requirements that preserve ICANN's tax status, as well as related matters such as potential or actual conflicts of interest. The CCWG will NOT make any recommendations or determinations with regard to specific funding decisions (i.e., which specific organizations or projects are to be funded or not).

Furthermore, the CCWG deliberated on its approach for dealing with the charter questions and the proposed timeline. It agreed to the following phases:

1. Initial run-through of all charter questions to assess initial responses, identify possible gating questions, and determine the potential order in which questions need to be dealt with;
2. Address any charter questions that have been identified as requiring a further detailed response before commencing the next phase;
3. Compile a list of possible mechanisms that could be considered by the CCWG;
4. Determine which mechanism(s) demonstrates most potential to meet CCWG expectations and conforms with legal and fiduciary constraints;
5. Answer charter questions, as organized per Phase 1, for mechanism(s) that demonstrate the most potential;
6. Publish Initial Report for public comment following consensus on mechanism and responses to charter questions that meet legal, fiduciary, and audit constraints.

To date, it has completed work on Phases 1 and Phase 2. Work products coming out of these phases, including the proposed objectives for fund allocation and examples of possible projects, were [shared](#) with the ICANN Board liaisons for feedback. The CCWG is in the process of reviewing the [feedback](#) in order to determine whether to update its work products.

As part of Phase 3, the CCWG identified a number of external experts and a set of questions for these external experts to address. The [input](#) received has helped

the CCWG to better understand the strengths and weaknesses of each mechanism under consideration, namely:

- Creation of a new ICANN Proceeds Allocation Department as part of the ICANN organization (ICANN org) to manage the fund.
- Creation of a new ICANN Proceeds Allocation Department as part of the ICANN org, which would work in collaboration with existing charitable organization(s).
- Creation of a new structure independent from the ICANN org, such as an ICANN foundation.
- Usage of one or more established entities, such as foundation or fund, with the ICANN org overseeing their processes to ensure mission and fiduciary duties are met.

As part of Phase 4, the CCWG took a straw poll to determine whether any of the mechanisms identified above would not sufficiently meet the CCWG identified criteria or conform with legal and fiduciary constraints. Such mechanisms could therefore be discarded for the next phase of its work. The CCWG identified criteria includes cost-effectiveness and capabilities to operate and execute globally distributed projects. The results of the straw poll did not demonstrate a clear preference for one mechanism over another, although a slight preference was identified by CCWG members who ranked the different mechanisms according to the CCWG identified criteria.

WHAT ARE THE EXPECTED NEXT STEPS?

The CCWG has commenced Phase 5 to answer the charter questions for each mechanism. Following this exercise, the CCWG may be able to verify whether views within the CCWG have changed with regard to the mechanism that best meets the different criteria. After the conclusion of Phase 5, the CCWG is expected to share the outcome of its work with the community for input through its Initial Report, which is expected to be published after ICANN62.

HOW CAN I GET INVOLVED?

Anyone interested can join this effort at any time as a participant or observer. Please complete the [registration form](#) or email the Generic Names Supporting Organization (GNSO) Secretariat at gnso-secs@ICANN.org.

MORE INFORMATION

- New gTLD Auction Proceeds CCWG Workspace, including Charter, background documents and information: community.icann.org/x/yJXDAw
- CCWG Charter Question templates: community.icann.org/Charter
- CCWG Work Plan: community.icann.org/Work+Plan

BACKGROUND

Following a number of sessions on this topic during the ICANN53 in Buenos Aires (see <https://buenosaires53.icann.org/en/schedule/mon-soac-high-interest> and <https://buenosaires53.icann.org/en/schedule/wed-cwg-new-gtld-auction>), a [discussion paper](#) was published in September 2015 to solicit further community input on this topic, as well as the proposal to proceed with a CCWG on this topic. The feedback received confirmed the support for moving forward with a CCWG. James Bladel, the GNSO Chair at the time, reached out to all the ICANN SOs and ACs to ask for volunteers to participate in a Drafting Team (DT) to develop a charter for a CCWG on this topic. All ICANN SOs and ACs, apart from the Country Code Supporting Organization (ccNSO), responded to this request and have put forward volunteers to participate in the DT. The DT commenced its deliberations on Tuesday, 23 February 2016. A draft charter for community discussion was published in advance of ICANN56 and discussed during the [cross-community session](#) held at ICANN56. Following ICANN56, the DT [reviewed all the input received](#) and updated the proposed charter accordingly. On 13 September 2016, [this proposed charter](#) was shared with all ICANN SOs and ACs with the request to review it and identify pertinent issues that would prevent adoption of the charter, if any. Subsequently, a webinar was held on 13 October 2016 to allow for additional time and information to undertake this review. The final proposed charter was submitted to all ICANN SOs and ACs on 17 October 2016, and subsequently each ICANN SO and AC confirmed the adoption of the charter. Subsequently, a [call for volunteers](#) was launched and the CCWG was chartered by all ICANN SOs and ACs to propose the mechanism to allocate the new gTLD Auction Proceeds. The Chartering Organizations are, namely, the Address Supporting Organization (ASO), the At-Large Advisory Committee (ALAC), the ccNSO, the GNSO, the Governmental Advisory Committee (GAC), the Security and Stability Advisory Committee (SSAC), and the Root Server System Advisory Committee (RSSAC). Following approval by the Chartering Organizations, the CCWG will submit its proposal(s) to the ICANN Board for consideration.

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