

**ICANN Transcription – Abu Dhabi
GNSO – Commercial and Business Users Constituency (BC) Open Meeting Part 2
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On page: <https://gnso.icann.org/en/group-activities/calendar>

Man: Great. So, Becky, are you're loading up the slides, if you would take a couple of seconds to talk a little bit about what you do, where you sit, and your role, and (unintelligible) and how you work with us.

Becky Nash: Great. Thank you very much. Good afternoon everyone. I'm Becky Nash from ICANN org. I am the VP of Finance for ICANN. I report directly to Xavier Calvez, the CFO. And he sends his apologies, but we're dividing forces today.

My role at ICANN as VP of Finance is that I manage both the accounting and the financial planning and analysis departments. So that means that, in my role, I'm the direct report to the CFO that manages both the accounting side and the financial planning and analysis side. So I see full circle of all of the accounting and finance for ICANN.

And my role is to manage the entire FY or fiscal year operating plan and budget cycle. And we do have some slides today just to talk a little bit about that. And also engage with the community at ICANN meetings and also via Webinars, so that we are fulfilling our mission to seek guidance from the community members on how ICANN should allot the funds that we're receiving.

Okay. So with that, I'm going to go ahead and start this presentation.

Okay. This afternoon we're just going to cover a few short topics. One is the financial overview of FY17. So it will be our full fiscal year results. We're going to talk about financial planning long term and then we're going to talk about the reserve fund, the document that's up for public comment, and next steps.

This first slide is just a view of ICANN's reporting structure. So this is the view of the FY18, which is our current fiscal year, reporting structure. We just like to highlight how we present our documents for community members to review our financial results and our operating plan and budget.

Just on the left-hand side we report a segment called ICANN Operations, and we're just highlighting that that is the funding, and then the core baseline expenses for ICANN. The ICANN Operations segment does include PTI/IANA. As everyone knows, that is a separate legal entity but it is an affiliate of ICANN, so it consolidates into the ICANN operations segment.

The other blue box that you see in the middle is the expenses related to the IANA stewardship transition expenses. So that is the Work Stream 2 expenses for FY18, our current fiscal year, and prior years. And that box is listed over the Reserve Fund at the bottom or all of our funds under management. And the Reserve Fund is where the IANA stewardship transition expenses are funded from.

Our operations is from our operating fund.

And then over to the right of the slide, you can see the orange-colored boxes, which is where we describe a segment called the new GTLG program, where we have the funds that we collected as application fees, and each year, as the program progresses, we recognize both a portion of those funds and the expenses related to the program management. And those all come from the new GTLG fund, which is the bottom row, again, our funds under management.

And then the final box listed under that orange section is the Auction Proceeds. And again that's a standalone investment after the collection of the auction proceeds.

And the total of all of these boxes results in total consolidated ICANN.

And just as a point of reference, just this last Friday/Saturday, our FY17 annual audited (unintelligible) were published on the ICANN.org Web site. This year, for the first time, we have two separate audit reports. One is the total ICANN audited financials, which includes the operations of PTI, and there's lots of footnotes related to ICANN being the sole member of PTI, which is an affiliate.

And then we also have a separate standalone audited financial statements for the original nine months of PTI, because it commenced October 1st as operations 2016, nine months through 6/30/17. So again, the financials that we're going over today, we also have our audited financial statements on our Web site.

So this first slide is the full 12 months of the FY17 year-to-date financial overview. This is for the ICANN operations segment, and again it's the full fiscal year ending June 30, 2017.

Just as a financial overview, we can see that the funding or the revenue of actuals of 135 million as compared to our budget of 132 million for FY17, we have a positive difference or we are above budget by 2 million. The 2 million above budget for funding is primarily due to registrar fixed fees that were collected that exceeded our budgeted estimates for FY17. And the registry transactions and fixed fees were approximately on budget.

We also have on this slide the funding for FY16, just as a point of reference. So you can see that the current year or the year ending 6/30/17, we have revenue again at 135 million. And last year, for FY16, it was at 126 million. So you can see that we were 9 million above last year's performance.

The baseline expenses without the IANA stewardship transition, you can see that we were at 129 million as compared to a budgeted FY17 expenses of 132 million. So we were below budget by 4 million for FY17. Primarily we underspent in the area of personnel, and then some timing on some projects.

The stewardship transition expenses for FY'17 were \$5 million and that was compared to the budget of \$9 million. So we were below budget or underspent for FY'17. But as many of you know, the Work Stream 2 activities moved from '17 into '18 so that full difference actually was then transferred into the FY'18 timeframe. And that spend is expected to be completed in FY'18.

Just to talk about the net, we have net actual asset of \$1 million. That's compared to the budgeted deficit of \$9 million. And again, we were below budget by \$10 million just primarily due to the change in the Work Stream 2 IANA transition of \$3 million and in the under spend in the baseline expenses.

These slides are part of our ongoing accountability where we do provide our quarterly stakeholder call slides. And these are published on our Website after each quarterly stakeholder call. We wanted to break out, down below,

from the baseline expenses the breakout then of the IANA stewardship transition expenses just as a point of reference.

This next slide gives a view of total ICANN Organization, so again when we discussed our reporting structure on the first slide, we talked about our different segments where we use our baseline operations including the IANA stewardship transition, then we have our new gTLD program, and then we have our total ICANN Organization.

So here you can see that from a total ICANN Organization, the funding for FY'17 was \$290 million. And that's compared then to the expenses of \$155 million. And you can see the net asset change of \$135 million. And then again, this includes baseline operations, new gTLD program, including the auction proceeds that were received in July of 2016, which are included in this fiscal year, and that's the main driver for the \$135 million net asset change there.

This slide gives a view of our funds under management as of June 30, 2016, as compared to 2017. So, on the left hand side we have the two comparisons for the 2016 ICANN operations funds as compared to the 2017 ICANN operation funds. So as you can see, total funds for ICANN operations was \$96 million, and the change there is really just the change between the green box and the blue box which is the change between our operating fund and our reserve fund.

So as of June 30, 2017, the reserve fund went down and the operating fund went up. And we arrived at approximately the same amount of \$96 million as compared to \$97 million. And that change was primarily due to the funding for the IANA stewardship transition project which has a payment lag compared to when the dollars are spent and so the dollars were then transferred out of the reserve fund.

On the right hand side we have the new gTLD program, both the application fees that have been collected up front and then used for the program, and the auction proceeds. So as you can see 2017 as compared to 2016 we have the increase in the auction proceeds for the \$135 million that were received in July of 2016, which is part of the fiscal year 2017. And then the new gTLD program funds have decreased due to the progression of the program.

This next section we're going to talk about long-term financial planning. So long-term financial planning is a topic being discussed between the community and ICANN and the Board. Why is this a topic at this time? It's really due to the community workload after the IANA stewardship transition has been completed, the fact that there are limited resources, ICANN's funding is growing at a slower pace year over year so we are really looking at the fact that the funding is going to limit the resources over time.

The next key reason why we're having this discussion on financial planning on a long-term basis is that the next five years strategic plan needs to be renewed and updated. So currently ICANN has a five-year strategic plan and that covers the years from FY'16 through FY'20. And currently we're developing the operating plan and budget for FY'19. And we are then now underway planning for the next cycle of the five year strategic plan.

So what are we looking to accomplish? We would like to establish a five-year rolling plan. We would like to have strategic objectives resulting from prioritization. And what that means primarily is due to the constraints based on the fact that the funding is stabilizing or growing at a slower pace, year over year, that results in limited resources and as a result we really need to evaluate our strategic objectives based on a set of prioritized actions.

The what is also going to include milestone based roadmap of action plans, including resource requirements, again, limited by resources availability. So one of the new items that we're introducing for this five year strategic plan is

to really quantify the resource requirements at the time that the plan is being established.

The how for the financial planning, long term strategy, ICANN's budget is mostly committed. As you know, our activities, we have a core base of activities and then coupled with a new initiative of our emerging trends where we're going to analyze those trends and then prioritize annually, excuse me, annually, the actions required. So this is a tradeoff between existing activities and new work that is arising from trends.

So the next steps that we're embarking upon is to define a strategic plan and the development process and engage with the community on what those milestones are going to be. Yes.

Steve DelBianco: Hi, just one quick question which you may have covered earlier. What was the investment necessary for the new document management system? And is it part of the five year or was it something I saw earlier?

Becky Nash: That was a very good question. So there has been a recent Board approval for the ITI project, is that what you're referring to?

Steve DelBianco: Göran calls it the document management system, his words, not mine.

Becky Nash: Okay. So that has been a recent project that is considered a key project as part of the current year FY'18. I'd have to just double check the approval amount and it is definitely something that would be contemplated for the next strategic plan, but as of right now it did occur in FY'18, the year that we're in.

So just to summarize on this slide, for our long-term financial planning, we talked a lot about the limited resources, the need for prioritization and then the fact that we need to define the steps related to implementing a new strategic plan and engage with the community on that process.

This next slide we're going to give an update on the reserve fund. There is a reserve fund document that is under public comment at this time. And we would just like to highlight that the established rationale and the 12-month target level have already been discussed and that we are publishing the areas of rationale separately from a governance and replenishment process. So currently it is a document related to the rationale and target level that's under public comment which is running from the 12th of October through the 30th of November. And that public comment period is going to be ending on the 30th and a report back out on the public comments will be issued by the 22nd of December.

The next steps on this process, again, ICANN Org will provide responses to public comments, and then ICANN Org will propose investment policy update and our Board finance community will review and recommend to the Board a decision. After that is covered for the rationale and target level, the next step will be to issue a document related to the governance model and the replenishment of the reserve fund.

Steve DelBianco: This is the BC, we're well aware of comment periods and so are commenting on it and have a draft we're working on now. But you call it a 12-month target level and yet there was a range in there of 12-17 months. And while it surprised you to know the BC will recommend it be at the upper end of 17.

My question for you is on the investment policy, is that investment as in the kinds of instruments you can invest cash funds in for purposes of earning some interest? Is that the investment we're talking about?

Becky Nash: Here we're referring to actually the governance and replenishment of investments. So it's not necessarily the investments related to the instruments, but it's actually related to how the reserve fund is governed and the replenishment requirements.

Andrew Mack: Sorry, Becky, I used to be a banker but it was a long time ago. Can you explain that again? I didn't quite follow it. You say it's about - how are you using the term "instruments" and...

Becky Nash: Thank you for your question. The discussion on this slide is related to governance from a Board perspective on how we should reinvest our net assets into the reserve fund. It's not necessarily based on the asset management of existing funds. I hope that clarifies your question. Okay.

Jimson Olufuye: Sorry, Becky. Just a quick follow then, so is like investment policy is the same as the reserve fund policy or something?

Becky Nash: I'm sorry, could you repeat the last part of your question?

Jimson Olufuye: Yes, yes just wanted clarification with this foundation just giving the investment policy - the investment policy document, is it the same as reserve fund policy, you're talking about?

Becky Nash: Thank you for your question. No, there is an investment policy that ICANN.org publishes on our Website. And at this point in time there is a review of changing some of the governance aspects of the investment policy meaning what is the authority of ICANN.org versus the Board on how to direct replenishment of the reserve fund. So it's going to be part of the existing investment policy which already covers asset management and how we should invest. And it's going to be amended then to include governance and target levels for replacement policy for the reserve fund.

Jimson Olufuye: Okay, that's all right, but we'll be sending in our comments with respect to the need for more clarity in terms of reserve fund policy (unintelligible) and then the investment fund with respect to assets management and others. Thank you.

Andrew Mack: And, Marilyn, you had a quick question?

Marilyn Cade: It's very quick. Thank you, Becky. Marilyn Cade speaking. In the - and I will of course be at the budget working group tomorrow, but just a quick question. The auction proceeds of dotWeb are handled separately, and I'm not - I'm looking for detail but just where did they go so when I go look at the detailed budget I can see because they're not in the auction proceeds of the new gTLD, they're someplace else, right?

Becky Nash: Thank you for your question, Marilyn. If I go back to the slide on funds under management, you can clearly see that the funds under management on the right hand side we do call those investments part of the new gTLD program only because there are two separate investment funds; one is related to the application fees that were collected up front and relate to the ongoing expenses of the program. And then the separate investment fund is where we house the auction proceeds. So they are separate and they're not used for any of the ongoing...

((Crosstalk))

Marilyn Cade: ...it's Marilyn. I need to ask my question again. My understanding is that the funds for dotWeb are actually not a part of the new gTLD auction proceeds and that there's an ongoing lawsuit which - so which would mean to me that they would be able to be dispersed until the lawsuit. I don't want - I'll take this up with you separately but I'm just trying to figure out, you know, where's our revenue. I know there are other liabilities, where's our revenue? Is the dotWeb \$30 some million in the auction proceeds total or is it may be someplace else?

Becky Nash: Thank you for your question. Just to confirm, it is in the total of the funds under management and for FY'17 it is in the total of the funding that came in.

So those were all the slides that we had to cover. So if there are any more questions, please let me know.

Andrew Mack: Yes, Becky, thank you. That was great and very generous of you. Marilyn, please.

Marilyn Cade: Becky, and maybe this - we'll pick this up tomorrow, but there's a slide that talks about work on identifying emerging trends and that new work, blah, blah, blah, and that there will be a strategic plan with community engagement. Will there be something in more detail that the constituency can look at around that?

Becky Nash: Thank you for your question. Yes, at this time we're just in the planning stages of how to plan for the process of the next five year strategic plan. And as that becomes available then we're going to start engaging on - with the community on the entire process. So we're just in the beginning stages because there are two more years, FY'19 and '20, left on the current five year strategic plan.

Andrew Mack: Got it. So any other - Barbara?

Barbara Wanner: Just quickly, is it possible to have a copy of your slide deck? Is that available to the community or...

Becky Nash: Certainly, I believe it's uploaded, is it not? The slide deck.

Barbara Wanner: Could you email to me and I'll distribute it to the BC? Okay, thanks.

Becky Nash: Great.

Andrew Mack: Great, Jimson.

Jimson Olufuye: Yes, thank you so much, Becky. This has to do with the reserve. I saw we had \$10 million surplus, so to speak, so is there any decision on that? Is it going to the reserve fund or any?

Becky Nash: So I think what you're talking about is that after FY'17 we had a net asset excess. So on the slides you're going to see the net asset excess as compared to the budget but what's more important is to actually see how the actual P&L or the statement of activities have a net asset excess. And any excess that's Board-approved will be transferred to the reserve fund. But they are two different things, I just want to highlight that a budget versus actual positive variance is different than actually revenue and expenses resulting in a positive difference.

Andrew Mack: Great. Thank you, Becky. As you can probably tell, there's a lot of interest and some no small capacity amongst the Business Constituency. So we look forward to communicating with you more in the future. And as you're doing things, before they're fully baked, by all means please do ping us, talk to us, we're interested in being a part of the future of ICANN so.

Becky Nash: Great. Thank you very much.

Andrew Mack: Good. Ladies and gentlemen, we were - I would say about halfway done with the discussion of outreach and - do you...

((Crosstalk))

Andrew Mack: Right, exactly. So I am - Jimson, yes since Becky got finished I was going to pass the ball back to you.

Jimson Olufuye: Okay, thank you very much, Andrew. Which actually is very important, as a matter of fact, it was outreach that brought me to the scene and thanks to Marilyn for the hard work and the - and of course Mack and everybody, so we need to continue to engage and we cannot stop engaging.

We are using opportunity to recognize those (unintelligible) for the first time, there was in passing recognition earlier so we have allowed (unintelligible)

from Egypt is the President of (GDT) company in Egypt, and I think there are some other - is there another person with us for the first time, (Apollo), right, is (Apollo) there? Yes, that's (Apollo) from Brazil. Is there another person? Well we have a number of new membership...

((Crosstalk))

Jimson Olufuye: Yes, yes, (unintelligible). Yes, from Democratic Republic of Congo. So we are making progress. And I want to highlight for the benefit of some of our members that cannot recall the BC did very well, about three years ago when the issue was raised about a fee and the membership fee and the BC graciously reduced the fee up to 70% of members from developing countries. So and that is good incentive for at least everyone to be able to participate in work we're doing.

Specifically, next week we'll be having another outreach in Abuja Nigeria. BC been having collaboration with AFICTA since 2013, thank Marilyn, Steve DelBianco, of course Andrew Mack regularly at event. Next week also (Laurence) will be there - all be engaging. That event we expect to (unintelligible) participation, the first time we collaborating with the Nigerian government to organize big ICT event and we're hoping there will be more traction and awareness and whatever.

So the BC FAQ sheet will be used, of course taking some of this along with us and I want to thank BC for believing and reaching out because let's face it, it (unintelligible) years back but happy that now we are (unintelligible) and we are really living up to our commitment to the global community. On like what many - what was saying that business - and just look at it one part of the world and they're not interested in reaching out to the rest of the world, it's not true. So this is substantive evidence that the entire business is committed to outreach. Thank you, Andrew.

Andrew Mack: Great, Jimson. Thank you very much. Marilyn, please.

Marilyn Cade: Marilyn Cade. I'd just like report very briefly on an idea which I will put in writing but it came up when Chris Chaplow and Michelle Chaplow were in the United States. And I talked about very, very briefly with a couple of the European associations. When we met as ICANN in Brussels, the BC organized an extremely successful event that included the European Commission staff and the GAC, etcetera.

Since that time, and we're doing individual outreach, but we have not done a significant outreach in Europe because we are well-represented overall compared to the developing countries. But since that time this concept of summits has emerged that ICANN has provided funding for, the NCUC, the At Large. And I've spoken with Lisa and also with Digital Europe staff about whether they would be interested in helping to organize a business summit the day before in Barcelona because that will be the high level GAC meeting so it will be very senior people coming from the GAC.

And whether we might organize a business summit which is more about topics that interest business to get them to come, and then make one part of it about outreach and engagement at ICANN. Lisa thinks that this is a good idea and is interested in collaborating it. And (Patrice) from Digital Europe is also interested just in exploring it. And because we have two members - we have a member in Spain, Chris Chaplow, they have very deep contacts into the associations that are at the user level, media, hotel, etcetera.

So I just want to throw that out, Andrew, and I'll write something up but if we - it would require us to put some money into it but I think we could ask ICANN to put in a substantial amount of money, such as \$60,000 or \$70,000 and then we could put in \$30,000 or \$40,000. I am talking about a really high quality business level summit which we could also, in the cocktail event, invite the high level GAC representatives and the Board.

Andrew Mack: Okay. First of all, thank you. It's an interesting idea. Maybe a little rich for the budget that we have currently but there - the idea of leverage is a good one. I would like to complement our Brazilian colleagues who helped us to win tremendous leverage with ICANN facilitating (Navarro) and (Mark)'s participation in (unintelligible) I think. And in FutureNet where we talked with ICANN staff and they said we'll cover it. And so one of the lessons for me is ask. And come to them with a clear indication of what you want and that we've thought it through very carefully.

I think that there are resources there for us if we're clever and we couch it in the right ways and we can get some nice leverage. I'd also like to put in a plug that for what Jimson mentioned, I've now had the opportunity to speak to, I think, three AFICTA summits, or this will be my third. I've only gone to one but I've been to one, but I - but there are lots of opportunities for us to be visible in South America, in Asia, in Africa remotely. And I know that it's very much appreciated by the audiences and it reflects very well on the BC in part because of what Jimson just said, that we want to show that we are in fact - not just multi-regional but also multilingual and that's the other thing that I think is really interesting.

We have a native Portuguese speaker, a native French speaker, a native Arabic speaker? Yes, exactly. And those are our three new members. And so I, you know, shout out to all of you, that's a really important thing. So, (Mark), you wanted to jump in.

(Mark): Very quickly, Andrew, I would like to just to inform everyone that as far as next year is concerned, since we'll have three events that are Spanish speaking countries, they are based in Spanish-speaking countries, (unintelligible), we want to have a very structured approach to this so that there is no discontinuity, that we don't do events that feel separate in nature because they shouldn't be, we are going to Puerto Rico which despite ICANN calling North America and not inviting next generation from Latin America, that's a separate discussion, but it is a Spanish speaking country. And later

we're going to Panama, Spanish speaking country. And we finish in Spain, Spanish speaking country. We see that as a very (unintelligible) now, you know. Kind of Spanish speaking.

So we see in that the opportunity to build on the experience that we had this year and really build an agenda to work on and given the support that the outreach committee has given to us and individual members of the BC as well, we counted Jimson, Steve, Marilyn, Chantelle, and you are all helping us - all the time we expect this should be successful. So...

((Crosstalk))

(Mark): And (Navarro) is expressing that I am conveying a message that we have, so we'd like to thank everyone publicly for your help and state that we are aiming towards making this into something that will be worthwhile in a global sense, not simply as minor interventions that, you know, we want to make this.

Andrew Mack: Any other comments? Great, well again, many thanks to our new members. Please, we wish not just to have you here but to engage with you so you stay. And we wish the BC to reflect your concerns, your regional concerns, your business concerns so that we can take those into our mind as well and to walk the walk, to be as we say we would like to be which is truly international and multilingual and true representative of global business.

So the last thing I have on the agenda is AOB, any other business? Are there any other issues that people have on their minds? Because it is now 5:27, we're scheduled for one full hour in addition and I would love nothing more than to give you back an hour of - or close to it - of your time. Marilyn, please go ahead.

Marilyn Cade: Thank you. And I - Marilyn Cade. I apologize, I didn't have time to get the information in writing and post it out to everyone, but I think we've all heard by now that the GAC election is done and we know who the chair is. But a

level of detail that might be useful for us to all know is there are now five vice chairs. And historically there was a chair, no vice chairs; then there was a chair and a vice chair; then a chair and two vice chairs. Now the GAC has - this is a major move forward for them. So there were two of the new - three of the vice chairs - sorry - two of the vice chairs are new. The other three are returning. And the chair is Manal from Egypt who is a long-standing friend and engages very closely with the Business Constituency in a number of settings.

Egypt - her boss, for instance, let me say this differently, Egypt has hosted an ICANN meeting, it's hosted an IGF. It is also just as an FYI for all of you who might be interested, it is also the host now of the North American IGF and the African IGF which is taking place in a short period of time. She's very directly involved...

((Crosstalk))

Marilyn Cade: Sorry?

Andrew Mack: You said North America, I'm guessing you meant North Africa

Marilyn Cade: Right, North Africa. So just when you congratulate her - I'm just adding in a piece of information about the long standing nature. Now here's the tough part of the story, the other candidate - is this transcript public? It is, isn't it, perhaps we can strike - perhaps we can - Olga has done a tremendous amount of work within the GAC to also help to open up the engagement, so I just wanted to mention that.

Andrew Mack: Great. Thank you, everyone. It's been a long day, a lot of meetings, a lot of time spent together. On behalf of the BC let me thank you all for your perseverance and your energy and your patience. And I think it's time for us to adjourn this meeting. Thank you all very much.

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