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

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## **WHAT CAN I EXPECT AT ICANN63 IN RELATION TO THIS TOPIC?**

The Cross-Community Working Group (CCWG) will be presenting its Initial Report and recommendations to the community during its session on Monday, 22 October from 13:30-15:00 (CEST).

## **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, 49 participants, and 37 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).

The CCWG conducts its work in six phases. For details, please see the background section below.

During phase three of its work, the CCWG identified four mechanisms for further consideration that could serve as a possible organizational structure for fund allocation, namely:

- Mechanism A: A new ICANN Proceeds Allocation Department created as part of the ICANN organization
- Mechanism B: A new ICANN Proceeds Allocation Department created as part of ICANN org, which would work in collaboration with an existing charitable organization(s)
- Mechanism C: A new structure (e.g. ICANN foundation)
- Mechanism D: An established entity or entities (e.g. foundation or fund) (ICANN would organize the oversight of processes to ensure mission and fiduciary duties are met)

Most recently, the CCWG drafted initial responses to the charter questions from the perspective of each of the mechanisms, with a view towards identifying areas where additional expert input was needed. During its face-to-face working sessions at ICANN62, the CCWG discussed these initial responses and reviewed detailed descriptions of the mechanisms produced by an external expert resource.

The CCWG sent a set of follow-up questions to the experts for input, reviewed the feedback received, and refined its evaluation of the four mechanisms.

The CCWG also conducted a survey among the CCWG members and participants to rank the four mechanisms based on expert input received and criteria established. Using the results of the survey, the CCWG has agreed to focus on Mechanisms A and B, include some discussion of Mechanism C, and deprioritize Mechanism D. While all mechanisms will be described in the Initial Report, only the prioritized mechanisms will be fully detailed and highlighted as preferred mechanisms in the Initial Report.

### WHAT ARE THE EXPECTED NEXT STEPS?

In the coming weeks, the CCWG plans to complete the remaining substantive work. Drawing on results from the survey to rank the four mechanisms, the CCWG is finalizing responses to the charter questions from the perspective of the most promising mechanisms. The CCWG is also drafting recommendations to include in the Initial Report. The CCWG aims to deliver its Initial Report for public comment prior to ICANN63 and plans to present and discuss it with the ICANN community. Following its review of the input received from the public comment forum, the CCWG will finalize its report and recommendations and submit them to the Chartering Organizations for consideration.

### 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](mailto:gnso-secs@icann.org).

As the CCWG has already been in operation for a substantial amount of time and has progressed in its deliberations, newcomers are expected to catch up on the discussions to date and to not reopen previously closed topics, unless new information is presented.

The ICANN community is also encouraged to provide input on the Initial Report during the public comment proceeding, which will be found here: <https://www.icann.org/public-comments>.

### MORE INFORMATION

- New gTLD Auction Proceeds CCWG Workspace, including Charter, background documents and information: <https://community.icann.org/x/yJXDaw>
- CCWG Charter Question templates: <https://community.icann.org/x/PNrRAW>
- CCWG Work Plan: <https://community.icann.org/display/CWGONGAP/Work+Plan>

### BACKGROUND

Following a number of sessions on this topic during 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.

The CCWG deliberated on its approach for dealing with the charter questions and the proposed timeline. It agreed to the following six 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.

**Staff Responsible:** Marika Konings, Emily Barabas, Joke Braeken (ccNSO)