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

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## WHAT CAN I EXPECT AT ICANN68 IN RELATION TO THIS TOPIC?

The Cross-Community Working Group (CCWG) is in the final stages of preparing its Final Report and will not be meeting during ICANN68.

### 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, 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 considered as an exceptional, one-time source of revenue.

All ICANN Supporting Organizations (SOs) and Advisory Committees (ACs) have chartered the CCWG to propose a mechanism to allocate the new gTLD Auction Proceeds. Following approval by the Chartering Organizations, the CCWG will submit its proposals 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 \$208 million.<sup>2</sup> Details of the proceeds can be found [here](#). 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.

<sup>2</sup> Of the \$233.5 million USD in proceeds, \$133 million USD are proceeds from the .web auction. The resolution of the .web contention set is being challenged through ICANN's accountability mechanisms. \$36 million USD was allocated to the ICANN reserve fund. As of 30 June 2019, the net return on investment was \$10.5 million USD. Therefore, the total net auction proceeds as of 30 June 2019 are \$208 million USD, of which \$133 million USD are proceeds from the .web auction.

### **WHAT IS THE CURRENT STATUS OF THIS PROJECT?**

The CCWG is in the final stages of preparing its Final Report, which will then be submitted to the Chartering Organizations for their consideration. Following approval by the Chartering Organizations, the recommendations will be submitted to the ICANN Board for approval. The Final Report will set out the core issues that the CCWG addressed in carrying out its charter since its inception in January 2017. It will include responses to questions posed in the CCWG’s charter, a series of recommendations, as well as guidance to be considered in the implementation phase. The Final Report will also record the CCWG’s discussions regarding options around a mechanism(s) to allocate the new gTLD Auction Proceeds in accordance with ICANN’s mission and Bylaws.

The Final Report will discuss three possible mechanisms for allocation of auction proceeds, and make a recommendation about which of these mechanisms are considered the most suitable:

- Mechanism A: An internal department dedicated to the allocation of auction proceeds is created within the ICANN organization.
- Mechanism B: An internal department dedicated to the allocation of auction proceeds is created within the ICANN organization which collaborates with an existing nonprofit.
- Mechanism C: A new charitable structure (ICANN Foundation) is created which is functionally separate from ICANN org, which would be responsible for the allocation of auction proceeds.

The latest draft of the Final Report includes the following recommendation regarding the mechanisms, although it is important to note that the content of the recommendation could change up until publication of the Final Report:

*“The CCWG recommends that the Board select either mechanism A or mechanism B for the allocation of auction proceeds, taking into account the preference expressed by CCWG members for mechanism A.*

*As part of its selection process, the ICANN Board is expected to apply the criteria outlined by the CCWG in section 4.5 of this proposed Final Report for which additional internal and/or external input may be required (such as providing a reliable cost estimate). The ICANN Board is expected to share the outcome of its consideration with the CCWG Chartering Organizations and, if deemed necessary, involve the Chartering Organizations and/or CCWG implementation team in any deliberations that would benefit from Chartering Organization and/or CCWG implementation team input.*

*The CCWG strongly encourages the ICANN Board to conduct a feasibility assessment which provides further analysis of the recommended mechanisms, including costs associated with each mechanism, so that the Board can take an informed decision about supporting the most appropriate mechanism.”*

Other recommendations in the report focus on the following subjects:

- The establishment of an Independent Projects Evaluation Panel to consider and select projects to receive funding, regardless of the mechanism chosen.
- Objectives of fund allocation.
- Safeguards, conflict of interest provisions, and auditing requirements.
- Existing ICANN accountability mechanisms cannot be used to challenge decisions on individual applications.
- Timeframe for the disbursement of funds and the staging of disbursement in “tranches.”
- Review of the mechanism.

The Final Report takes into account feedback received through a **public comment period** on the **proposed Final Report**, which was held from 23 December 2019 through 14 February 2020, as well as subsequent CCWG deliberations.

#### **WHAT ARE THE EXPECTED NEXT STEPS?**

The CCWG will submit its Final Report to Chartering Organizations for their consideration. Following approval by the Chartering Organizations, the recommendations will be submitted to the ICANN Board for approval.

#### **HOW CAN I GET INVOLVED?**

Noting that the work of this group is nearly complete, 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). If another Public Comment period is held on the proposed Final Report, everyone is invited to provide input (see <https://www.icann.org/public-comments> for further details).

As the CCWG has already been in operation for a substantial amount of time and will soon complete 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.

**MORE INFORMATION:**

- CCWG Proposed Final Report: <https://go.icann.org/2GWNcWW>
- Public Comment proceeding for the Proposed Final Report: <https://go.icann.org/20tUCVO>
- CCWG Initial Report: <https://go.icann.org/2GGoknr>
- 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/display/CWGONGAP/Charter+Question+Templates>
- CCWG Work Plan: <https://community.icann.org/display/CWGONGAP/Work+Plan>
- CCWG workspace: <https://community.icann.org/x/yJXDaw>

**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, as well as the proposal to proceed with a CCWG. The feedback received confirmed the support for moving forward with a CCWG. 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 to develop a charter for a CCWG. All ICANN SOs and ACs, apart from the Country Code Supporting Organization (ccNSO), responded to this request and have put forward volunteers to participate. The drafting team 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 drafting team **reviewed all the input** 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. Then 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 each ICANN SO and AC confirmed the adoption of the charter. 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 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.

On 11 December 2018, the CCWG published its **Initial Report** for Public Comment. A total of thirty-seven (37) community submissions were received in response to the Public Comment forum. The CCWG revised the report taking into account the input received and published a proposed Final Report for public comment in December 2019. Twelve (12) comments were submitted in response to the Public Comment forum. Since February 2020, the CCWG has been meeting regularly and completed its review and analysis of the public comments received in order to finalize the recommendations and responses to the charter questions in the report.

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