

**Transcription ICANN61 San Juan  
CCWG-Auction Proceeds Meeting  
Sunday, 11 March 2018 at 17:00 AST**

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Erika Mann: Hi, everyone. Welcome to our meeting in San Juan, the (option proceed) meeting. My name is Erika Mann. Before we get started, can I get the sign if the recording started? Is it?

Man 1: (Unintelligible).

Woman 1: Yes.

Erika Mann: In the back. Thank you so much. I was looking for you.

So, we have one and a half hour today and we have few topics which are very interesting so that we don't want to spend too much time for the introduction but we will do a short introduction, topic wise, just few announcements. Please be so kind of us. Advice, we shouldn't move the mike too much when we talk. Please say your name at the beginning so that it's recorded and we have to watch as well, colleagues, who are participating in this group who are not with us today but joining us online. And (Yokov) will do this. She will be so careful and will be our guide.

Okay. With this, I hope I haven't forgotten anything relevant and I think we can start slowly. So, can we get the first item? Can I see the slide?

And I think there was a request, Bart? Is this still valid? Request from Bart and Becky? You would love to have the point...

Man: I'm touched. But I'm not Bart. I'm Martin.

Erika Mann: Martin, sorry. Martin. I don't know why I say Bart to you. That's tall. Yes. Is it valid? Yes.

So, can I see the agenda again, please? Sorry, (Yokov). I think it is points three and four. Yes.

So, Martin asked whether we can switch three and four. Sam and Xavier, is this okay for you? So, the board just would love to do a quick update, our board members, about the discussion the board has today and then we go into the expert discussion if it's fine with you?

Xavier Calvez: I would condescend.

Erika Mann: Yes? Okay. I got it. Okay. So, we will do it. Just keep it short so that we have then enough time for the discussion with Sam and Xavier.

Okay. Back to our slide on point one still. Just go on. So, this is just a quick reminder. Point one, we have six items on the agenda and I will just, very, very brief, do a quick introduction just for those who are new and haven't participated before. Just go, (Yokov), please. The next one. Next one.

So, just - this is just reminder in auctions. The mechanism in what we call of last resort to resolve string contention within the new gTLD program and there's a significant amount of money. So, be a little bit careful. Not all of the

\$233 million are, in the moment, available. They're still at least as far as it relates to the (dog rep). There's still a case pending. So, one has to wait here.

But nonetheless, it's a significant amount of money available. And the community started the discussion on how to deal these funds at ICANN52. So, it's quite a while ago. And the proposed charter for CCWG is submitted to all ICANN as (1Acs) prior -- was done prior to ICANN57 and then it was adopted and in CCWG, then started in January 2017.

Next please. And here you see, we have 26 members, 45 participants and 36 observers. And the goals, the way we have defined our objective is developing a proposal on the mechanism and to allocate in a new gTLD auction proceeds and this will be provided to the ICANN both for further consideration. Now, keep in mind, we work very closely with the board liaison. So, we try to minimize future risks and so far as we might get, if you would not have an intense communication channels, so we're minimizing the ways that the board might want to say to a future proposal. That's not what we like.

So, that's why we cooperate and we are very thankful for the close cooperation.

So, as part of this proposal, this group is expected to review the scope of fund allocation, due diligence, requirement to uphold accountability and the proper use of fund and how to deal these directly related method such as potential or actual conflicts of interest.

The group will not make determinations on particular users of the proceeds. This is up to future project phases then to define this process.

Can I have the next one?

Again, this is just a reminder. As part of the deliberation, this group require to factor in the following legal and fiduciary constraints. We have discussed it in prior sessions many time.

So, it shall be consistent with ICANN mission as set out in bylaws. And here, you see the language. I'm not going into the - in explaining this further. Private benefit concern. Again, you can see the connection, the relation to the language here. Must not be used for political purposes and should not be used for lobbying activities.

Concerning the first factor, we still have a debate from the very early time and discontinue consistent with ICANN mission and I'm pretty sure Martin and Becky will talk a bit about this topic later, how the board views this item because from the very early first reset, it's a very narrowly defined by the mission statement. It might practically only support what is already supported by the operational budget. So, there is an idea for a new language which would - could be, for example, supporting - supporting the mission.

So, either consistent with the mission and supporting and mission. So, we could broaden the scope a little bit but we will have a debate which will continue about this topic. That's not a debate we can close very quickly. And I'm pretty sure Xavier will want to make some further comments about this topic as well.

Next slide, please. So, we always review the conflict of interest consideration and everybody who participates is, please, reminded each time to review this and if there's an update, if there's personal interest, please make a declaration. This can be done either here or it can be done online.

And then we do have some procedural concern and thesis that ICANN, as the organization, will always be responsible for making sure that funds are provided to the appropriate organization, both in confirmation of mission and in making sure that funds are provided in a manner consistent with ICANN

501 status. And then, the board has to respect a certain fiduciary and financial concerns and they can be overruled by decisions taken either in this group or by further elaboration the future groups might want to take.

(Yokov), can we have the next one? So, this was the what we - you see where we are. Would you want to take over or shall I cover this still as well? Yes. I can do it quickly.

So, it's the - that's - you see the phases which we already build. So, we have identified six stages. We started with stage one which was the initial ones who of - what we call (charter) questions or these WebEx questions at the very beginning which are practically gating this particular environment.

Then we had the phase two that we address any (charter) questions that have been identified requiring a response before we could continue to the next phase.

And then we had phase three. And now, we are in phase four which is determined - which mechanism demonstrate most potential to meet CCWG expectation as well confirmed with legal and fiduciary constraints. Marika will talk about this quickly.

So, what we call mechanism for new commerce, this is practically the model we are looking to how the future or whatever it is going to be will be constructed. It can be, to give you, an example, it can be either an in-house model which would be then as part of a department, a new department, inside of ICANN. It could be emerged of as a different entity or it could be a total model outsource, still overseen by ICANN but practically outsourced.

So, we look into different models and we call this models mechanism because that's the term we used from the very beginning. So, don't be confused by this term.

And then, we have still two which are coming, five and six. And we hope we can finalize this until Panama so that we can then come together like we do today. And have recommendations coming out after Panama and then we can go for public comment phase. And hopefully, by the end of the year, we, hopefully, we are able to say we have at least concluded this part of our work.

(Yokov), can I see if there's another one? No. This is just the information about - so, Marika, you can move to the next one.

I don't think so. We need to have - if only - if there's an urgent expression concerning this point. Otherwise, I would just love to move forward. Okay. Thank you.

Didn't you wanted to have the two - or you want to move to two one down as well? The expert afterwards? No. It's fine with me. We can do this. Makes sense. Okay.

Then I would - maybe it's even better. We changed a little bit here. So, Martin and Becky, why don't you tell us a little about - you had the discussion today and the board and you send - recently, quite recently, a letter as well to us where you had certain questions and certain recommendations you wanted to make. So, why don't we give the floor to you and you, both of you. You're more than welcome. And explain what you think is relevant for us to know.

Man: Thank you very much, Erika.

Basically, as we have been consistently expressing, we're here to support the process to help make it happen in the best possible way and we want to be as proactive as we can as we have showed in the letter.

At the same time, we don't want to be prescriptive or taking over. So, in that - we offer things for you to consider. We don't tell you what to do. If that impression is over there, it's the wrong impression.

So, thank you. My name is Man. So, in that spirit, what we've done is very much also look to what is currently at the table, the mechanisms, the consideration and whereas it's obviously a bit early to make definite phase about the mechanisms because it also hangs together with how you want to spend the money and where you want to spend the money on. For instance, it will be a one week of project, the mechanism will be entirely different than if you would do many very little project for many years.

But with that understanding, we've looked at that and consider that and have from that perspective discussion with the board. So, what would we expect to see back? And we just have that (loss of hour).

Becky Burr: So, these are really some preliminary thoughts that the board has. It's not prescriptive at all but guidance and the hope that we can be proactive and we've sort of formed in a sense of kind of preliminary principles that we're thinking about.

So, clearly, we've talked throughout this about the fiduciary obligations of the board and the board's responsibility to act as trustee for ICANN's assets and exercise due diligence to make sure that the organization is well managed and that our financial situation remains sound and that, of course, extends to the mechanism used to allocate auction proceeds.

So, at a preliminary level, there seems to be agreement at the board that whatever the amount of founding is in the end, it should be allocated in tranches over a period of years. So, not all at once but, you know, maybe over two or three years, three years, four years, so that we make sure that the mechanisms are in place and are working properly to ensure that we're fulfilling those fiduciary obligations.

Some thought, very preliminary thoughts about whether there is some amount of money that would be allocated that would be so big that board would want to have some kind of signoff on it or not. There's no real view on that at this point at all.

The second principle is, of course, that however, the proceeds are used. They need to be used in service of the ICANN mission. And we talked about that a little bit and I just wanted to remind people that when we were talking about drafting the ICANN bylaws, we specifically use the language that ICANN has to - have to act in service of its mission.

And so, this provides some flexibility but it's not wide open and reflects some thinking that the community engaged in over a number of years.

The third principle which has a couple of components is, we would want the auction proceeds, the mechanism for allocating auction proceeds to be efficient, efficiency with respect to, sort of, the process by which the mechanism has chosen. But also, the mechanism itself should be efficient and effective and it should encompass the expertise and skillsets and scale necessary to minimize the overhead associated with allocating the funds and to maximize the impact of the auction proceeds.

So, its efficiency for the purpose of getting max - the maximum impact out of the auction proceeds that were - that we're looking at.

We also think - we're talking about the mechanism here but we think that the mechanism has to be capable of acting globally, being able to evaluate proposals from around the world and to make administer and monitor awards on a global basis, reflecting ICANN's global role and our diversity value.

So, although - this is not a prescription that says the funds must be distributed evenly across the world, this is just the mechanism selected needs to have the capacity to act globally in further - in service of ICANN's mission.

The mechanism needs to be accountable. And so, that leads us to think that we really need to have disbursement based on written timelines that establish clear milestones for release of project funding and establish accountability among recipients for the use of resources by grant recipients.

So, rather than, you know, say - allocating all of the - it depends, of course, this is not universal or absolute because you could have a smaller grant that it might make sense to grant all at once. But on - some of the larger things, we'd like to know what are the milestones, what's going to be accomplished? What's the timeline and have the funding follow that and have the allocation mechanism, have the ability to pull back and correct if something is going off the track or not delivering.

We also think that it's critical that that mechanism have the processes and procedures in place to evaluate and quantify the impact of the awards using what entities in this space call either fit to purpose or evidence-based evaluation methodology.

So, we think it's important for the community to understand how the auction proceeds are in how that - what effect they're having, how they are making the world a better place in service of ICANN's mission. And so that critical evaluation and monitoring capability is important as an accountability mechanism.

In addition, and as part of our fiduciary obligation. We think we need - ICANN itself needs to have established processes for monitoring and evaluating the functioning of the funding mechanism and for measuring the effectiveness of funded projects.

And then finally, the mechanism needs to ensure that we can be transparent with the ICANN community on what the process for evaluating grant applications is how decisions are made, what the criteria are, what the status of various projects or how the funds are being used and how that is affecting and achieving the goals.

So, there's a very high level. They're very preliminary but we wanted to share a bit of a framework to help the thinking as you go forward.

Man: So, what is - in a way, new and we thought a lot about it. So, you hear Becky use in service of the mission. That feels like a term that the board would probably be very happy with in the end. And of course, you know, that in the bottom side, that it's already set from the outset that the money will not be used for operational purposes.

So, somewhere in between there, in service automation, we seek for something that if it's up to me as a person, I would like to say over a couple of years, this is what we achieve that this thesis would make our environment a bit better.

Erika Mann: Yes. Thank you so much, both of you. This is Erika. I agree. I think this is very helpful - very helpful comments and thank you so much that you had to debate today because the definition in service of the mission definitely allows more flexible and broader understanding about future projects. Nonetheless, it still connects it back what we wanted to the mission. So, I think we are, with this definition, on a good path.

Personally, I like this. Do have, by the way, when we come to the discussion because we have, today, the first discussion with our expert and Marika, a little bit later, will explain just very quickly how we came to the conclusion of the mechanism and which are the ones we are looking at.

We do have with us two representatives as well from Nominet. So, Russell Haworth and - I didn't fetch your - the second name? Okay. Thank you so much.

So, they - we will have a separate discussion with the experts on Nominet because they have an interesting example. Nonetheless, I think, in particular, what you said a few minutes ago and then what we will hear from Sam and from Xavier as our ICANN expert, I think you will have probably some interesting comments to make about your own model and about the changes in - that you perceive are coming up in the Nominet fast environment.

So, thank you so much for being with us as well.

So, do we need a further discussion on what we heard from the board? Can we all take this home with us and keep it and come back to you at a later stage and we can then move forward? Or we have - yes, please? Marilyn, we have another one? Good. Marilyn, please.

Marilyn Cade: Thank you. Marilyn Cade speaking. My question's - and I see somebody else down there as well.

My question is very brief and I'm - I think I understand your implications. But just because we're both being interpreted and recorded, I'm going to refer to the comment you made of not used for operational purposes which I would take to mean not used for operational purposes for ICANN but I think that we have to be realistic that the - there will be an operational cost managing whatever.

So, I just want to clarify that that was also your intent?

Man: No, that's right. I mean, the operational costs of this version is something that would within the front as well but not like the normal work we do.

Erika Mann: This was (Martin), by the way. So, please be all reminded. Don't forget your name, to state your name at the beginning. (Yokov)? You had somebody else and then there was the gentleman. Wait a second, please.

Woman 1: There's a question from a remote participant. Edmon is asking on the topic of alignment with ICANN mission since the new bylaws expressly made content and services using domain names, with projects that, for instance, promote content or control of content be considered against the ICANN mission?

Becky Burr: So, I think that we did provide earlier some comments hypotheticals and scenarios and before I categorically said anything, I'd, obviously, want to make sure I understood exactly what we're talking about.

But essentially, content control is not within ICANN's mission. So, it'd be very hard to see a project involving content could be in service of it.

Erika Mann: Thank you. Daniel, please?

Man So, I'm really happy to have heard this report. In particular, the timing beat is important. You mentioned that, of course, we should not disperse the fund in one shot but you mentioned three to four years as a duration of the operation. And I think it's very important to understand exactly what are the, sort of, the constraint or the - what people want to achieve in the end because once we have the duration, we can start thinking about the amount of project because we have also, probably other constraint that we do and want to hire hundred project officers.

So, given the number of project officer and the duration, we can probably have a good idea of what should go into each project.

Erika Mann: Sure.

Man So, the timing of the operation report...

Erika Mann: But just one. We shouldn't have a discussion about, you know, how we define the project right now. But, Becky, please. But it's a good point, (Daniel).

Becky Burr: Yes, very good point. I just want to make sure. I mean, there are million different ways that you could organization this. So, a good decision could be made to invest the entire amount and only spend the interest income from the proceeds. All that - all we're saying is that if a decision was made to treat it, for example, some sort of a thinking finite fund, that we wouldn't - we would be concerned about sort of allocating and disbursing all of the funds in a single year without having the ability to make sure that we are on the right path that we have the controls in place and that kind of stuff. And that's all that was meant to get to.

Erika Mann: Thank you so much, Becky.

Okay. I see Vanda. Really?

Vanda Scartezini: Yes. Just to make it clear, we are talking about before you have (metrics and) capacity of have some feedback on how good the distribution, how well is the projects going, so it's better to not proceed for another call. That's - yes.

Erika Mann: (Sebastien), please. Last one. I don't take any one further because we want to focus on the discussion with our experts today.

(Sebastien): Thank you. Again, sorry, for asking (the floor). I wanted to be sure about the part of the board report not to use for spending for - what was the name? Operational budget.

Because you are talking about the part of the auction proceeds that will be distributed to the process that we will organize. And it's important to

underline that because the other part if (unintelligible) part of this money is putting in with the fund, then it will be used for operational purposes.

And it's important to underline, to be sure it's what you meant when you give us your report. Thank you.

Man: I think that these operational funds we mean was currently in the budget to be spent this kind of activities. So, Sam, would you want to add anything to that or...

Sam Eisner: You know, I think - this is Sam Eisner with ICANN Legal. In terms of the budget and operational work and I know we've had some discussions, you know, there's - of course, the general practice that ICANN has had now, the auction proceeds have been segregated and we haven't been using them as a dip in to - or to the operational needs that the organization. ICANN's budget is developed in a way that segregates the auction proceeds to allow this committee conversation to happen and we're not - again, the auction proceeds don't figure into how ICANN calculates the operation the operational budget. To me, that's operating plan.

You know, one of the things that I think the CCWG could think about is, you know, are there future activities with ICANN that you'd like to see happen within ICANN that might be worth allocating from the auction proceeds to that and then consider how that could happen. And also, you know, there's also the question of reserve fund and other things that don't go into the operating fund that are - that is a fund that's used to support ICANN's operations but for other specific uses.

So, I think that there are - there are many different ways to look at it and there are some questions that I think, you know, drew the conversations. I've heard some community suggestion as some other programs that people might want to see even ICANN doing that I think we can consider it's not necessarily about ICANN allocating it through the operation today which is

the commitment that we've made and we haven't touched those funds in that way.

But it doesn't mean that it couldn't be something that the community would consider vital for ICANN's operations in the future but aren't there and as a funding source particularly in this - in the realm of that (budgetarian) funding conversation that we're having across the community that we're not expecting ICANN's budget to grow, we have the budget to do what we do today. If you want us to do more things, maybe we need to find those funds from somewhere else.

So, I think that's another component of that conversation.

Erika Mann: This is Erika and I'm pretty sure this debate will continue. It's not something we can conclude today but we have a very good understanding how the board wants to see the discussion to be taped and I think it's very much in accordance with what thinking in this community. So, that's, already, I think a good path forward which we now have. Thank you so much for this again.

I will now hand it over and we will not conclude the discussion. So, luckily, we always have you on our calls as well to be looking forward to debating the topic.

I'm handing over now to Marika. Marika will, again, explain the various mechanism and models we are looking into, the ones which we have defined so far. And she will explain as well the - how we reached out to experts and how we want to build contacts with them and then we will hand over to Sam and to Xavier to be our first experts today explaining one of potentially two models.

Marika, please.

Marika Konings: Thank you very much, Erika. So, this is Marika.

So, just to give you a little bit of background to where we at and, you know, we're starting today, as Erika mentioned, our first exchange with external experts that have been identified by the CCWG. At the last ICANN meeting, we spend significant amount of time brainstorming, you know, the different models or mechanisms that the working group could be looking at. And based on that conversation, that the group basically identified four potential models.

The first one being department created as part of ICANN org that will be responsible for, you know, all the aspects of fund allocation. Second option would be the department that created this part of ICANN org would actually - which would work in collaboration with an existing charitable organization and basically looking at how to, you know, divide - the division of labor between those.

Third option will be a new structure would be created, something like, for example, an ICANN foundation and the fourth option that was identified was that an established entity or entities, for example, a foundation to our existing funds are used while ICANN would still have oversight of processes to ensure the coherence within the mission and fiduciary duties.

So, as the group started looking at those mechanisms, they identified a number of questions which they felts would help - would be helped informed by reaching out to external experts, individuals, and organizations to have a lot of experience in this area that could provide some insights in some of the questions that these different mechanisms triggered with the CCWG.

So, the group actually worked its way through a number or quite a long list of potential organizations and individuals, small subteam looked at those developed questions and based on that, 24 external experts were approached with a request to respond to a questionnaire that was developed by the CCWG.

Again, as part of the identification of those experts, that small team looked at - making sure that there was a balance between, you know, different types of organizations, for example, individuals or consultants advising a charitable organizations or foundation, small foundations, large foundations, organizations that have, you know, that have charitable functions that are within the ICANN space, those that were, for example, at a government level and also looking at, you know, making sure that those geographic distribution in that regard.

So, those status went out, I believe, early in February with the request of providing input ideally in time for this meeting but, you know, we have to recognize that we did, of course, asked quite a few questions and it is a busy time for many people.

So, today we have received five written responses. Those have all been posted on the Workspace. So, I would encourage you to review those. You know, there are couple that have indicated that they are working on input. I would like to encourage everyone here as well, for those of you to have to direct links with those people that we approach, to follow up with them because that really made a difference, I think, with the responses we received so far, the personal contact really helped in, you know, convincing people to contribute to this because, of course, we're asking them for their knowledge and their time while they may not, obviously - have an obvious link to ICANN or, you know, the work that group has undertaken.

So, something that the group will need to consider but, you know, we don't to go into the detail today is to consider how to review the input that is received, what staff has started doing and that may be helpful as you - as a response come in that we gather all the responses into an Excel sheet so you can actually easily review and compare what the different experts have said to similar questions that may allow them - the group to come to some kind of conclusion on each question based on the input received.

Something that, you know, we may get to as we look at the workplan. Something to consider is because for each of the expert categories, we identified one expert with which the group would like to have an exchange, like, we're having today with Sam and Xavier. But there are number of those that have not responded.

So, we need to make a determination of whether someone else should be identified for a meeting or a call or whether sufficient input is provided as a result of the written responses. But again, that's something we can probably consider at a future meeting.

And I think with that, I think we're handing it over to Sam and Xavier, our first experts that are here with us. They shared as well their written input and we'll pull it up in a second on the screen as not everyone may have had the chance to review that but I'm sure they'll share more details on that. Thank you.

Sam Eisner: Thanks, Marika.

You know, I'm Sam Eisner, I'm one of the deputy general councils that ICANN and I'm here today with Xavier Calvez, ICANN CFO and we both work regularly with the CCWG, so probably heard us before. We've provided some input on legal and fiduciary requirements and participates across meetings.

We went through the questions and we have questions, maybe not - or responses, maybe not to each individual one but often to groups of questions. And, I think you've heard from the board's preliminary input and also Daniel's question brought this up nicely, so in the first - in the first place, ICANN really doesn't have internal expertise in developing grant-making and (phone) traffic programs. That's not what we do, right?

So, neither Xavier or I have really deep understanding about that, though we've done a lot of learning through the process.

And so, some of the questions, particularly, the general ones, to the extent that they're asking about specific recommendations or best practices for the development of programs, we didn't really feel that it was appropriate for us to answer those.

But we did have some general reflection that some of the questions that are post both in this general section as well as across the document really needed some of the specifics, like you're asking about, Daniel, earlier. You know, we could - we would understand better what we might need to do if we understood a little bit more of the goals such as the duration or the size of individual things because if you're going to have, as you're saying, a 100 different projects as opposed to 50 projects or as opposed to 20 projects, each one of those creates different issues of magnitude and different things that you might need to address. And that also impacts the costs, et cetera.

So, as Becky and Martin noted, you know, there's also the sense from ICANN org that if you had (staged) and programmatic and planned distributions, that seems a lot more prudent of approach than just putting out the money all at once. It gives a lot of - a lot more opportunity for assessing accountability both to ICANN and the ICANN community and exercising good fiduciary controls over it.

And then just as a reminder across all of these answers, neither the ICANN board or the officers of ICANN are able to see their fiduciary obligations to a third party even if the third-party oversight role is developed. So, as we look at these different types of scenarios and to the extent that there's more external involvement. There would always be an area for ICANN to have an obligation to exercise levels of oversight and exercise a fiduciary duty.

Those might be different depending on the direct nature of ICANN's involvement but that would be an aspect that's always there.

With that, I'll turn to Xavier to talk more specifically about the mechanism one.

Xavier Calvez: Thank you, Sam. And just to compliment what Sam was saying about our experience relative to this type of programs that she said, at ICANN, none of us have, of course, that experience because ICANN has not done this. I also personally don't have previous experience with the matter.

So, relative to the questions that we're asked in on budget and costs notably - and I think, Marika, if you may want to scroll further down? There's a second me as well coming up. Well, you may want to debate that with others. Thank you.

So, the one of the one questions is here on this screen relative to budget and cost. In many place in this questions, you will see that we have laid out an answer that speaks a little bit generally as to what experience ICANN has or doesn't have as well as emphasizes that the answer to the questions very often will also depend upon a number of parameters that are (not) yet defined like the number of projects, the size of those projects, the timeline which has also been referred to earlier.

Relative to the ability to segregate the operations associated with the disbursement of funds, ICANN has, already today, the experience and the practices to be able to segregate both funds which is already something we do with the auction proceeds but tools who organizes segregation of operations that allow to maintain a clear financial statements, operating procedures, sometimes, of course, personnel separations between one part of the upper, the ICANN organization and another part of the ICANN organization.

So, in the model, where ICANN would handle all or even part of the overall process. We have the experience to create that segregation including mechanisms of reporting that demonstrate that segregation. So, that's something we know how to do and have been doing. There's a few examples relative to that where we have for now several years segregated the new gTLD program, the funds associated with the new gTLD, the resources, sometimes dedicated employees to the new gTLD program as well as a number of processes that are specific to it.

So, that's something we've done in the past and we can do again. We also have done that and are doing that with the PTI entity which is, in this case a specific legal entity in which a number of specific and defined activities are segregated. So, that's something that is possible, known, for us to do.

So, relative to budgeting and costs, there was a question on how do you develop and ensure that accountable practices are in place to manage both from a budget and accounting practice, the auction proceeds funding is sustainable in a responsible manner? So, it's a very broad question, it's not specific, really, to budget and costs but as we indicated here, we wanted to make sure that, at least, it is clear that we are able to segregate the operations and be able to report on them transparently.

And of course, also, allowing then to ensure that there is clear management of the funds, of how the funds are used, that we are able to monitor how much of the funds have been used as - and that we are able to report on that publicly and transparently so that there's full understanding of what is happening relative to the program and we are fully accountable to it.

Can we scroll down a little bit further on that question three, please? So, what fiduciary and auditing requirements, whether financial or nonfinancial, we need to be established for this program? So the fiduciary and including auditing requirements are very much - or how they are being handled or managed, will very much depend on the mechanism that will be existing. If

it's fully internal operations of ICANN, they will need, of course, to be mechanisms, operational mechanisms to ensure and controls defined to ensure that there is clarity on the evaluation on the decisions of disbursements, on the actual disbursement, as well as on the monitoring of the projects once the disbursement has been made.

Under a much more delegated approach where they would be a third party involved with either a fraction or nearly all the process of the disbursement, there would be also absolutely fiduciary and auditing requirements as Sam indicated earlier. The responsibility of ICANN does not disappear with the funds being handled by your different entity that he partners with but they will be very differently organized because there's a third party involved.

So, there are, obviously processes that needs to be - that need to be designed specifically under the model where the third parties involved. For example, contract signed with that specific entity that defines the roles and responsibilities associated with that entity participating to the process of disbursement and that will need then to include as well, controls mechanisms of potentially audit where ICANN would reserve the right to be able to go and see how the funds are being used or how the evaluation process is being handled in order to ensure that the operations handled by that third party need the requirement that let ICANN stay accountable.

In these requirement - these audit requirements or fiduciary requirement pertain to all the - nearly all the phases of disbursement. So, we'd simply listed here that during solicitation, we need to make sure there's openness and fairness during the application process or the application evaluation process. We need to ensure whether its ICANN or in another revision that does it itself, we need to ensure there is fairness, there is completeness that the process of evaluation is of high quality in order to ensure there is adequate evaluation.

The process of decision and approval needs to be very clear as well. Yet again, whether I can handle directly or third party participates to that process, he needs to be well defined, well documented, auditable so that we can verify that it happens and that it happened and that it can be also reported publicly upon.

Monitoring is the same thing. It's another opportunity to remind everyone that the obligations of ICANN do not stop with the disbursement. You could argue they start with the disbursement or at least they continue with it after the disbursement. What that means is that we will need to ensure we have mechanisms in place to be able to ascertain that the funds that have been disbursed to recipient are being used in accordance with the purpose for which the recipients was granted the funds which has been, of course, the result of evaluation and the decision process that led to say that purpose is appropriate for ICANN. We agreed to give you money, of course, we then need to make sure that this money is being used as per the intended purpose.

That could take varied forms, of course, that depend upon what the project is that these funds are being used for. The recipients may not be the end user that is targeted to benefit from this money. It could be an organization that itself has a purpose to support individuals or users themselves. So, are funds providing the expected benefit to those users? That's something that ICANN will need to ensure it has the ability to audit and check that may take complexity in time and efforts that vary, depend upon the nature of those projects.

Marika, can we scroll down a bit? Can you keep us the - action five, please?

So, we may have already covered a little bit the question as well. In the case of separate departments or a new department would be created within ICANN for the purpose of this program, ICANN would need as we indicated earlier to for - first of all, we create in our systems, in our internal processes

and systems a new department. We isolate it. It's fairly easy to do. We do that all the time.

And the personnel that would be dedicated, for example, to the program, would be part of this department. But in addition, we would need to also be able to capture the efforts provided by other parts of the organization to the program even if these other functions do not have dedicated personnel within the department that is created for the program.

So, to just take an illustration that uses the new gTLD program as a - as an example for the new gTLD program for several years, we had a dedicated department that had the resources that only work on the program but we also had efforts from other departments take legal, take finance, that supported the program but have dedicated the resources in that department.

So, we were measuring the efforts of those supporting functions and allocating costs to the new gTLD program to reflect the fact that these functions contributed to the program. So, we could use a similar model for a department that would be within ICANN created for the purpose of the program.

We already talked about the fact that it is expected that the funding of that specific department or of allocated resources to it would come itself from the auction proceeds and we would, of course, have a very specific set of accounting books for the purpose of this department, so that we can isolate the costs and be able to then allocate from the auction proceeds the funding of that department based on the cost that have been allocated to it. And again, we would be reporting on that transparently as well so that everyone can see how that works and that it's effectively done.

Question six, so can you provide an estimate of the cost of setting of this model. So, this is giving me the opportunity to repeat something that I have already said a few times at various meetings of the group, is that the actual

costs of supporting the program are not - just dependent on the model, they are dependent on many parameters that affect the amount of resources that then need to be put in place which themselves trigger the amount of costs.

So, the costs are a result of what we intend to do, how do we do it, and of course, as a result, how much resources are required? So, it's very difficult at this stage without the clarity on the objectives and the number of parameters defining how the projects would be funded and the size of the projects themselves and possibly the duration of the program, what the cost of that specific model would be or of any model for that matter.

Just to take a very simple illustration of why we are reserving the answer to that question is simply, if you imagine, for example, that a requirement is defined to - have the decisions made on each project audited. So, someone else than the person who made the - that who evaluated the decision comes after the fact to verify that the decision was correctly documented. We could decide that this is done only on a sample basis. Out of 10 projects, one is re-verified.

That would have a certain cost associated to it. If we decide that all requests are "evaluated a second time," in quotes, or audited as to whether the decision was correctly evaluated, that will have a very different cost and that is not yet defined. So, that's an illustration of why the costs are very much dependent upon what we actually want to do to ensure full accountability and transparency on the on the program.

I think, specifically, for the CCWG, we do understand that it is actually useful for the CCWG to have some understanding of what the costs can be with those for each of those models so that it can inform the decisions that you will need to make as to which preference do you have because costs may be, should be, the factor of your decision there and the board has already provided their own perspective that the effectiveness and the efficiency of the program needs to think it through, again, how much it would cost as well.

So, with a slightly different hat than expert, I understand that we will need to work with the CCWG to try to help providing some understanding of costs so that it informs your decision about the mechanisms down the road and I understand that are not doing that right now, but I - we'll take more work down the road.

With that, I'll pass it on to Sam for the next section of the questions. Thank you.

Sam Eisner: Thanks. So, also within the section, there were some questions about the role the community and whether there's any expertise in developing a program where there had been assessments by external stakeholders or group of the communities surrounding application processes.

As we've explained earlier, ICANN really doesn't have experience in developing grant-making programs and the external stakeholder reliance also is part of it. Clearly, ICANN has expertise in liaising with stakeholders and seeking stakeholder input so I think that's something that we needed to develop, we could. But we were - we'd also be very interested in the grant-making experts input on that to make sure that it was done to the best practices if it's something that was put in.

The next question go to the setup of the fund and what type of separation will be in place and I think this goes directly to what Xavier was saying before. You know, we - as we've explained, we do have experience both with creating separate departments as well as separate entities such as PTI, the type of cost that we go into setting up a separate entity, it depends on what the purpose of the entity is if we need 501(c)(3) status so there's - there are many different questions that go along with that and there are different cost, too.

And if a separate entity is recommended, is it something that would require shared - that we could use shared services with or would we have to create a whole separate line of legal systems, et cetera. Those are all factors of cross and would have to - we'd have to work that out once we heard more feedback from the community about what's being envisioned.

And then this also goes directly to the - the employment in question, would people be considered ICANN employees and what other working arrangements would be considered. This has a lot to do with what it looks like and what we're intending to achieve and how long people might be there. I think the focus instead - I'd recommend the focus beyond getting the right expertise to perform the work that we need and then when we identify the people with the right skillset, that might also help us understand, is that someone we bring on as a full employee, would it be a contract for a period of time where we only need those specific expertise for a certain, you know, for ramp-up as opposed to running it, et cetera.

There are many different questions around that but that really is - that's a really deep detail of implementation that, I think, we have - ICANN has demonstrate that we know how to bring in good people to do work and they'll brought in on a bunch of - in many different arrangements, depending on where they are, what they're doing, how long they intend to work for us. And so the goal would be to bring in the right people, to do the right work for the most cost effective way and I think that's something we would all agree to today as a principle so we could handle the actual details of employment or nonemployment at a later time.

So, Marika, just a quick time check before we go on to mechanism two? Are we still good?

Erika Mann: Yes. We have 25 minutes. I would love to have a discussion. How much more time do you need? What do you believe? I want to hear a little bit

comment as well both for doing our (custom adjustment) from Nominet as well. So, what do you think Sam? Xavier?

Xavier Calvez: I think a lot of the comments that we have made on the mechanism number one, actually, also plays to mechanism number two and...

Erika Mann: Ten minutes for you or more or five minutes? What do you believe?

Xavier Calvez: I was going to offer that we actually skip talking further about the answer on mechanism number two because the group already has that document and we have already covered many of the questions.

Erika Mann: Picture the most important point for you. I don't want to really limit you. That's not fair to you. So, just keep in mind that we have a little bit time left for question and answers.

Xavier Calvez: Okay.

Erika Mann: Are you okay with these all? Yes.

Sam Eisner: So, one thing I like to point out on the to you which is about the collaboration with an existing charitable organization, one of the questions that came up in there was surrounding the need for - I'm trying to - whether or not the - a proper - public/private partnership was possible and there's a reference to the Stanford Engineering School Venture Fund.

And so, I think - with the mention of that, one of the concerns we had was that it was actually a totally different envisioning of the auction proceeds that we'd had before and if this is the way that you see it going, let's have a conversation. But the venture fund, we did some looking into - it was more of a - actually, venture being invested. The returns on that investment being used to return back to the school to do things like endowment and scholarships and fellowships.

And that's a very different use than the auction proceeds that we've been discussing today which would be ICANN finding ways to make grants for people to do projects but with no expectation of a return of financial investment to ICANN for further endowment. So, we wanted to make sure that there was some consideration - if there had been further interest in doing something like that, I think we need to bring that out on the table because it's a very different model than what we've had.

Erika Mann: Just I - I see a few comments. Is this comment directly related to this particular topic? Okay. Then I take them. But only to this particular topic, please.

Mei Lin Fung: I propose...

Erika Mann: Please state your name first.

Mei Lin Fung: Mei Lin Fung, People Centered Internet. I propose looking at the center's venture fund and one of the reasons for doing that is to not look at the auction proceeds, it's just a limited fund and once it's gone, it's gone that there's a potential for actually investing in things that could pay back, like, could extend the life of the auction proceeds and continue the grant making. So, that was the purpose of suggesting that.

Erika Mann: Thank you, Mei Lin. Vanda and Marilyn, please.

Vanda Scartezini: This is - Xavier and Samantha. We understand that's not the purpose of ICANN and I have been in that position to administrate some and selected projects around the country. And what I see from your point of view is that coordination should be the focus.

Whatever is the model, the position that you should have is coordinate in some way what others are doing been inside your group or outside your

group. And I haven't seen your approach on that. That was something that I would like to (about it). Thank you.

Erika Mann: No, no replies, Xavier. Can we pass this question? That's a different one than which relates to the Stanford Investment Fund so can we pass this question? Come back to you, Vanda, a little bit later and we will continue the discussions, Xavier. So, no - directly to the fund, Marilyn? Please.

Marilyn Cade: Directly to the fund. Marilyn Cade. But I think it's directly to the use of the word and the purpose of the word (picture). I think that is - I will just say I think that it's totally out of scope for the -and far beyond what we should be examining, spending time on, and I'm - I think it also is extremely, extremely difficult for us to explain and justify taking such an approach to the broader community. So, I'd like us to at least, move it to the bottom of the stack.

Erika Mann: Yes. We don't have it yet in our models at all. It was a recommendation. We will neglect such kind of recommendations but we don't have it in the moment in our - the model description and the mechanism on which we have defined so far.

So, back to you, Sam. I think we have clarified this point. We will keep it as not looking into it right now but, of course, if there is a request coming further, we will look into it. Please, Sam.

Sam Eisner: I think from our perspective, the remainder of the questions and the remainder of the answers to the questions really align to the things that we laid out before with the principles of no matter what type of structure, what time of mechanism is developed, there always will be a place for ICANN and a requirement for ICANN to hold a fiduciary position over how this happened. There will always will be a need for ICANN to have some sort of monitoring over it.

And so, you just still see that peppered through and I think that that's really one of the important takeaways.

Xavier Calvez: Just one quick additional comment in relation to Vanda's point earlier in the - and the answer that we've provided to mechanism number two. We are emphasizing the point that I think you're just making on the fact that if they raise the third party or potentially several third parties involved in the process which is this topic of that model, collaboration is going to be key, of course. But we also think that a very clear definition of roles and responsibilities for each of the participants to the overall end-to-end process will be key and it's indispensable to ensure first operational efficiency and effectiveness and also avoiding risks that there is overlap, that there is misses of actions and some.

And also that collaboration needs to be defined also because yet again, as we've said before, no matter how many intermediary organizations participate to helping ICANN to deal with this program, ICANN needs to retain the ability to be throughout the process and therefore the definition of roles and responsibilities, we'll also need to ensure that that's the case and collaboration has to be present and has to be enabled and it's also an element of complexity to have several organizations into an element of cost as well. Thank you.

Erika Mann: Thank you so much. So, please, question. We have 20 minutes about. A little bit more even - Marilyn? And then followed by Daniel and for those who are online, please raise your hand and let us know. I'll put in the chatroom if you have a question and if you can't use the mike, just please indicate in the chatroom your questions. Thank you so much.

Marilyn Cade: Thank you. It's Marilyn Cade speaking. I do have a number of questions but I am going to actually suggest that I defer my questions to the ICANN staff who are much more available to us because you participate on our call so that we can get to discussions with some of our other experts. And I think

that actually, if we do that, learning from them, we may also inform the comments or questions that I would have.

So, that would be my suggestion, Erika.

Erika Mann: Sorry, I just see somebody said they can't participate because they can't see the mikes, so I'm just checking what is technically going on. You'd look at it? Thank you so much.

Marilyn Cade: But you understand what I was suggesting?

Erika Mann: No, I was not listening. Apologies.

Marilyn Cade: Sorry. Very quickly, I was saying I have a number of questions but what I propose to do is to save them and submit them to the list and, of course, we have access to our ICANN staff. I really feel that I will be much more informed by hearing from the other experts and that may even modify my question.

Erika Mann: I like this a lot. Thank you so much, Marilyn. Daniel?

Man Yes. It's not so much a question that I have - I have read all the document and, you know, but just a repeat for me. It's just that I think we're at the point where we can soon make a recommendation because sort of the - the argument in favor of solution one are just piling up in my opinion.

We've mentioned the fact that there will be less indirect cost if we do it internally, there will be a finer control over the - where the money goes plus we've learned through Sam and Xavier that ICANN has the know how to do this kind of segregation, has done it before and we have from the board that, you know, the mechanism has to account for (globality), accountability, evaluation, all the thing that ICANN is pretty good at even if he haven't done evaluation of projects for funding, ICANN has done a lot of evaluation. I

mean, your (probing) evaluation, you know, whether it's non-comm, people or other things. So, I think it's all going in a direction of the first solution so that's just my remark.

Then regarding the community involvement, I think it is very important because I keep hearing that the scope is going to be just by, you know, fiduciary or whatever legal concern. But in the end, I remember hearing that the auditor, the people that actually control that ICANN stays within its mission, have no idea what is the difference between such and such technical project, so they rely on ICANN to tell them that this is, you know, in scope and the sort of a decision is going to be made by the community not by this group or the board.

So, I think the issue that we have to think about is if at some point someone finds that one of the project is completely outside of the mission on ICANN and goes to the press and then ICANN has to react to its own community, sort of like complaining about the scope issue. So, it's important that within these mechanism that we're going to design, the communities involved at this level of scoping the project, not so much at the evaluation of the value of the project because if you look at all the project and in scope, it doesn't - it doesn't help to have a large community what is the most valuable of all of them. We have to have, you know, an expertise of focus on this evaluation. But in terms of the scoping, since that's what the problem may come in the future from the community disagreeing that something is in scope with the project.

And I have another question related to another expert comment that I didn't understand but I think I can take that offline and, yes, that's about it. One thing that I've learned by talking to one expert is that there's not so much of difference for a staff to manage \$100,000 project or \$500,000 project versus managing a \$10 million project or a \$5 million project, basically. So, if you want to minimize the cost again, we have some ways the project that, you know, amount, basically that's sort of a rule of them.

Erika Mann: Thank you, Daniel. This is Erika. I think we - one of the question you raised, we have to come back to not now but in the future as soon as we have clarity about the model which we favor. We might then want to look into how the - one day the structure might have to be designed for the community participation. But I believe this is probably too early to look into this right now and we might even have to park it for a later stage.

I was just wondering in looking if there is something you would want to contribute from your point of view because...

Man: Erika?

Erika Mann: Yes? Sorry, (Martin).

Man: Just to highlight, thank you for your comments but if the impression, the takeaway would be that model one is the model that we think is best and it is more because of that is most time spend on in the presentation. Model four has, for instance, the advantage that's really of the expertise for the evaluation part but you would still have work to oversee it. So, please, don't jump too early. That's all I wanted to say.

Erika Mann: No, no, no. I think everybody here - but thank you so much, Martin, for clarifying this. I think everybody who is here in this room understands that we will look into the other models as well and we will have different experts participating in calls so this is one model or one and a half model we are looking at today.

So, would you be interested in maybe sharing some of your experience and how you observe the discussion. We hope we will have more in-depth discussion with you as one of our experts. So, that's Nominet again which has a trust fund and great experience in this field. I believe more than 10 years.

So, just maybe a quick perspective from you.

Russell Haworth: Thank you. So, for the record, Russell Haworth from Nominet.

I will try and be brief. There's a lot of information to share but I think the - and I won't answer all the four questions because it might take a while as well. In short, though, just to set the context, Nominet set up the Nominet trust over 10 years ago and we did that because as opposed to having (a pause of) money, every year we had an excess money that we, frankly, we're trying to find a way to put it to good use because part of our constitutional foundation is to have an impact on public benefit.

So, what we did is we set up a trust to essentially appropriate some of our profits on a yearly basis and we took that and we got a tax deduction for it and the benefits of doing that was the - it went into a trust, it was managed independently by a board of trustees. And so, that's an important context because it really does mean that Nominet did not fit on the board of trustees and just direct exactly where the money was going.

That said, there was oversight from Nominet to make sure that it was strong corporate governance. My learned colleague to my right here is our lawyers so I'm sure we can take some of these offline if people have got questions as well.

Now the point being, really, is that over the 10 years who have done this, Nominet Trust has grown to be the leading social tech fund in the U.K. We've invested about 45 million pounds into Nominet trust over the course of that time and I think it's generally had a really strong positive social impact.

The reason I'll be quick but essentially 10 years on, we are now in a position where we are reevaluating how we deliver public benefits. And so, the important part of the story here is that we've now recognized that Nominet

Trust has done a great and is ready for attracting external input and investors into accelerating the next phase of growth. Nominet itself is now taking the public benefit approach in-house. So, we are now hiring team to essentially direct some of the profits that we generate into public benefit and they're managing that for ourselves.

So, I think we've seen this both sides. One of which is setting up the trust, trying to manage that and some of the governance complexities of that as well as bringing it in-house and we're in the process of doing that.

Part of the reason why we brought it in-house over the last couple of months even, this is real time, is because we're, as an organization, our purpose is to create more of a vibrant digital future which is more connected, inclusive, and secure. And the reason why I wanted to bring that up is because I think it's very difficult to say, well, we're focused very much on the mechanics here as opposed to what the purpose is.

And I think, actually, what the really discussion is, what's the purpose of any fund regardless of how you structure it and if we focused on what the purpose is of whether we're trying to have an impact on connectivity, inclusivity or security, whether what's the extent of it and in Nominet, we want to positively impact a million lives a year. So, what's the aspiration?

And so, those are the more fundamental point. So, I think the reality is, those questions that we're post here are very important questions and need to be coming out. But I would also post it that we also need to look at what the purpose of the fund is because that actually may direct to indifferent areas. It might be that you want to break up some of the money and put it into different parts, for example.

So, I guess, without packaging all those questions now, I think the bigger order question for me when I read the questions that were here was what's the purpose of the fund, what's the objectives, what's the ambition. Because

then we can get into, okay, given those what are the structures that you - we could create either in-house, within ICANN, or via our trust or some other structure to achieve that but I'm not sure necessarily or not seeing anything so far that articulates what we're trying to achieve, what's the ambition, what's the magnitude, what areas are we trying to solve whether that's in education around inclusivity, security, connectivity, or any other cause?

So, I think our experience is kind of mixed and varied and we're happy to answer some of these questions and we'll take a crack at looking at how we can contribute to this process but I think it's just helpful to understand the journey that Nominet's been on over the course of the last years and why we've seen it both sides via our trust that's now managed by some governing structure as well as now bring in-house to be more directive and how we invest public benefit proceeds.

Erika Mann: Yes. Just a second. Edmon, I like to ask Xavier to look at your question but just in the chatroom and then he can reply to it directly because I don't want to disrupt the discussion here and I have Marilyn next. Sam, you wanted to post a question directly? Yes. Then go ahead. Is this okay? Marilyn and then I think you - afterwards, Sam, go, please.

Sam Eisner: Thanks. Sam Eisner again from ICANN. I think it would be interesting, as you say, you might be taking up after the question. So, one of the things I'm actually more interested in and from what you said - Nick, I don't know from your time if you were involved in the initial discussion of this operation, what kind of ideas like you do the separation and this isn't for anything answering right now, I don't want to take up the time. But I think these are some of the things that might be really interesting to hear and for us to think about as the CCWG.

But what were some of the decisions that led to that, you know, did it kind of have the similar purpose of Nominet where there are purposes aligned or was there an opportunity to be flexible between them and then what kind of

decisions guided the decision to actually separate, allow the trust to become vibrant on its own and then bring, probably, the benefit work back in to Nominet and now different those that work might be going in the future because I think that that helps - that might help us get a little bit further into that purpose discussion that you were mentioning.

Erika Mann: Yes. I will recommend not to answer this. Now, we have three minutes left. So, because I wanted to bring in as many as possible. But please, when you hopefully be able to reply as much as you can to our questions and then participate in one of our expert discussion, we can come back to the - this question as well.

Marilyn, please?

Marilyn Cade: My question - Marilyn Cade. My question is somewhat similar but maybe a little bit - I have been familiar with Nominet now for probably several years and also the approach that you were taking in the trust and in addition to Sam's question and maybe it's kind of a refinement but the idea of did you need that external learning experience in order to inform a decision that you would change today? So, when you think about answering Sam's question, also maybe help us understand whether the external approach that you first took was critical to your being able to establish different internal process and govern it today?

Russell Haworth: Well, just in the essence of that, we will endeavor to capture all of that in our response.

Erika Mann: Okay. We have only one minute left. So, first of all, a big thank you to Sam and to Xavier, to Russell, to Nick, for being so quick in jumping into the discussion today and we are looking forward for future cooperation in this field.

And we have, actually, only one announcement, probably to make as the next call. Marika, I need you.

Marika Konings: Thanks, Erika. This is Marika. So, basically, we're going to back to our usual schedule of meeting or at least starting the meeting two weeks after the meeting so which means that the next meeting is scheduled for Thursday, 29th of March, 2018 at 1400 UTC. We'll work with the leadership team to look at the overall work plan. It was an item we had here, but we won't be able to cover today, to look at, indeed, how many further meetings do we need with external experts, what is the timeline or the deadline, the group wants to set for itself to deliver the initial report and that will then, hopefully, inform as well whether we need to increase frequently of meetings or duration of meetings to be able to achieve that set target.

Thank you so much. Erika. And please be so kind. Review the experts you recommended and in case they haven't responded yet, please be so kind. Pick up the phone and give them a call or send them an e-mail so that we can have, let's say, up to 10 experts at least replying which would be, I think, a good outcome. And from each of the groups and the mechanism we identified, we need to have at least one expert. Thank you so much for participating and have a good evening.

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