TABLE OF CONTENTS – REFERENCE MATERIALS

Consent Agenda

Main Agenda (CONFIDENTIAL)

BUDGET FY14 – Overview for Board approval

Process overview

The FY14 budget process was carried out from October 2012 through July 2013. The original budget process changed in January to benefit from the implementation of the AtTask management system where all the activities of the staff are documented. As a result, the Draft FY14 Budget includes a breakdown of the operating expenses by the 160 programs that the organization is working on.

Additional budget requests from the Community were collected between March and April. Staff reviewed and recommended a funding decision to the BFC. A first set of requests was approved in Beijing for actions in the first 4 months of the fiscal year, and the final remaining requests recommended for funding are included in this final budget. Total amount of community requests funded is $651k.

The FY14 Draft budget was published for public comment on May 10th (closing on June 21st), comments were reviewed and answers published on July 5th.

After the publication of the draft on May 10th, changes were made to the budget for exceptional items: **ICANN strategy panels** ($3.2m) and **Atlas II** ($0.7m, the At Large summit requested to happen in London in June 2014). These additions were presented to the community in Durban with a possibility to provide comments until August 4th. Staff gathered comments and no comment provided required adjustments to the FY14 Budget and the latest changes.

The BFC reviewed the original budget process in October (Toronto), reviewed the amended process in February (Los Angeles), reviewed a draft budget overview in April (Beijing), reviewed the completed draft budget in May prior to publication for public comments (phone), reviewed the public comments and the updated budget in July (Durban), and reviewed the final budget submitted for board approval early August (phone).

Budget highlights

The FY14 Budget includes the following items:

- Revenues:
    - **Operations Revenues** of $88.2m, increasing by 11.7m from FY13 (76.4m): primarily due to the fixed fee from new registries (starting from delegation), and from the fee increase resulting from the conversion of the .com contract from fixed to variable fee.
    - **New gTLD revenues** of $112.1m, corresponding to the prorata for FY14 of the total revenue for the program, driven by the prorata for FY14 of the total expenses forecasted for the program. The FY14 revenue amount is lower than the FY13 revenue reflecting the decrease in new gTLD expenses year on year, as most of the main

phase of the evaluation work (Initial Evaluation) was performed during FY13.

- Operating Expenses: Why did you not include Strategy initiatives, DNS expansion (support & tech services) and Increased Community Engagement
  - **Operations -** $84.6m, increasing by $19.2m from FY13. The year-on-year variances include the following:
    - Impact of internationalization - $8.5m: expansion of the Global Stakeholders Engagement (formerly Global Partnerships) and Language Services teams, expansion of worldwide presence (Hubs and Engagement offices)
    - Impact of growth on supporting services – $7.5m: IT, Finance, HR, Meetings, PMO, Entreprise Risk Management, Administration.
    - Impact of 4 meetings in FY14 vs. 2 meetings in FY13 - $2.2m (excluding staff travel).
    - Other increases – $1.9m
    - Partially offset by the increase of Operations costs allocated to the new gTLD program – ($4.1m).

    The growth of the operating expenses is therefore largely driven by the establishment or the expansion of capabilities that are required to carry out ICANN's mission with the expected scale of registries in operation. Once these capabilities are in place, the current scope of operational expenses is expected to stabilize.

    As the long-term strategy plan is being designed, multi-year financial projections will be formulated on the same timeline, providing for a better perspective on the evolution of needs and resources.

  - **Other Operations items**
    - Contingency - $3.5m: unused in FY13. Corresponds to approximately 5% of annual operating expenses. $3.7 was presented in Durban. I put in $3.7. Should it be $3.5?
    - Exceptional items – $3.9m: the ICANN strategic committees for $3.2m and the Atlas II meeting for $0.7m.

  - **New gTLD expenses -** $61.9m, decrease of $22.2m from FY13 ($84..1m)
    - Mainly due to the program moving into extended evaluation and pre-delegation testing (completion of Initial Evaluation towards end of August 2013).

- Headcount: increases to 306 at the end of June 2014, from 239 at the end of June 2013. The change by function is included in the presentation.

The FY14 Budget includes also New gTLD specific data for the full multi-year program. The program's estimates have changed between June 2012 and June 2013 as follows:

- o **Evaluation cost estimates** have increased by approximately $15, and the **Refunds** estimate has increased by $26m, resulting in a Net remaining balance decreasing by $41m.
- o **Historical development costs** are retroceded to the ICANN Operations from the New gTLD program. The total amount to be reimbursed is $32.5m, and $17m have been retroceded by the end of June 2013, and $12m additional are expected to be retroceded in FY14.
- o **The Net remaining balance** is aimed at covering for risks costs defined as "costs hard to predict " include change in estimates, costs for unforeseen program steps, defense costs.

FY14 SO/AC BUDGET REQUESTS | $935,985 | $671,790 |

Request #	Community	Request Document Title	Request Amount	Recommended Amount	Decision/ Recommendation	Explanation/Notes	Round
FY14-A03-04	SSAC	3.4-SSAC-FY14 Budget Request -- SSAC Admin Comm Meetings	$15,000	$15,000	YES	This request is approved. Based on leader and staff feedback, these Administrative meetings have proven to be an effective planning and management resource for the SSAC leadership. Future availability of these meetings will be dependent on continued productivity as demonstrated by a written report from Staff supporting the community.	Regular Track
FY14-A04-01	NCUC	5-NCUC Fast Track Request FY14 Print Materials	$2,000	$2,000	YES	See Request #40 below. Based on positive experiences and feedback in FY13, ICANN staff has made accommodations to continue to provide GNSO non-contract community members with publication support in the form of production and printing resources. The Communications Team has established a process for this resource and will coordinate with the NCUC and other interested non-contract communities.	Regular Track
FY14-A06-05	BC	16-SO-AC-SG FY14 Budget Request BC 5 Sec-Support Banking	$6,240	$0	NO	Provision of this resource requires additional research, consideration and community dialogue with the ICANN Staff. Staff will explore initiation of this resource in FY14, but cannot offer it at the present time.	Regular Track
FY14-A07-02	NARALO	18-NARALO FY14 Budget Request - Final	$22,500	$0	NO. See note in explanation column and see description for the Community Outreach Travel Pilot Program below.	ICANN already has an organization-wide initiative underway for development of a community-wide outreach strategy and asks this community to participate in that effort before confirming an individual strategy. The Staff otherwise provides in-kind support services for these types of activities as resources are available and accounts for that support in the core budget. Moreover, ICANN does not provide grants for outside support. As a pilot effort, in FY14 ICANN will make additional travel support available for community outreach activities as outlined in the description of the Community Outreach Travel Pilot Program below. It is hoped that this initial pilot effort will prove helpful to the NARALO community.	Regular Track
FY14-A09-01	ISPCP – GNSO	26-ISP request for Outreach Support FY14 Budget	$6,000	$0	NO. See note in explanation column and see description for the Community Outreach Travel Pilot Program below.	ICANN already has an organization-wide initiative underway for development of a community-wide outreach strategy and asks this community to participate in that effort before pursuing individual strategies. The Staff otherwise provides in-kind support services for these types of activities and accounts for that support in the core budget. The Staff is ready to pursue discussions with the ISP community to help in this endeavor. As a pilot effort, in FY14 ICANN will make additional travel support available for community outreach activities as outlined in the description of the Community Outreach Travel Pilot Program below. It is hoped that this initial pilot effort will prove helpful to the ISPCPC community.	Regular Track
FY14-B01-01	RSSAC	30-RSSAC FY14 Budget Request - ICANN meetings	$33,000	$33,000	YES	ICANN will supply RSSAC community travel support to two ICANN Public Meetings in FY14; specifically, the Buenos Aires and Singapore Public meetings.	Regular Track
FY14-B04-01	RySG	36-RySG ICANN FY14 Budget Stand	inkind*	$0	NO. Resources to be made available in core budget.	Provision of in-kind technical support services like telephone conference bridges and web meeting resources is a standard part of the standard support toolkit that is already offered to the ICANN SOs and ACs. This support will continue in FY14 as part of the core ICANN budget.	Regular Track
FY14-B04-02	RySG	37-RySG ICANN FY14 Budget StandardRequest Priority 2	$18,000	$18,000	YES. See note in explanation column.	Support of new community members is a critical part of the short term expansion of this substantially growing community. Travel support will ultimately need to be factored into a more strategic approach for the GNSO and other community groups as the impact of new gTLDs is realized. In the meantime, the importance of this short-term support is acknowledged. Support granted for extra 2 travelers for the remaining FY14 meetings (2*3*3k = 18k)	Regular Track
FY14-B04-03	RySG	38-RySG ICANN FY14 Budget StandardRequest Priority 3	$3,600	$0	NO. Resource is to be made available in core budget. See note in explanation column.	In collaboration with the community, ICANN staff will provide part-time in-kind support on a pilot basis for administrative staff support resources. Funds will not be provided directly to the RySG and staff support will be managed by the ICANN staff. The Policy Development Support Team will initiate implementation discussions with community leaders after the Durban meeting.	Regular Track
FY14-B05-01	NCUC	39-NCUC FY14 Regular Budget Request (Policy Conference)	$11,100	$11,100	YES.	Staff needs to confirm schedule/space availability for Friday meeting pre-London.	Regular Track

Request #	Community	Request Document Title	Request Amount	Recommended Amount	Decision/ Recommendation	Explanation/Notes	Round
FY14-B05-02	NCUC	40-NCUC FY14 Regular Budget Request (Print Materials)	$8,000	$8,000	YES	Based on positive experiences and feedback in FY13, ICANN staff has made accommodations to continue to provide GNSO non-contract community members with publication support in the form of production and printing resources. The Communications Team has established a process for this resource and will coordinate with the NCUC and other interested non-contract communities. To manage costs, the staff will work with ICANN vendors and suppliers on behalf of the community.	Regular Track
FY14-B05-03	NCUC	41-NCUC FY14 Regular Budget Request (New EC Retreat)	$6,950	$6,950	YES	Combining community leadership strategy sessions with an ICANN meeting can be a cost-effective way to leverage the gathering of ICANN community members. Granted for a pre-meeting prior to the ICANN Public Meeting in Singapore.	Regular Track
FY14-B05-04	NCUC	42-NCUC FY14 Regular Budget Request (IGF Bali supplemental)	$8,000	$8,000	YES	This request was granted as part of the Fast Track process and has been revised to reflect a two additional NCUC travel slots for the IGF meeting.	Regular Track
FY14-B06-01	ISP	43-ISP request for Travel for Officers & WG Chairs FY14 Budget	$48,000	$0	NO. See note in explanation column and see description for the GNSO Non-Contract Leadership Travel Support Program below.	In FY13,on a pilot basis, ICANN increased travel funding to each non-contract GNSO community. The ISPCPC received three new leadership travel slots in FY13. That support will continue on a pilot basis in FY14, but the number of travelers per meeting (3) is not able to be increased. See the GNSO Non-Contract Leadership Travel Support Program below.	Regular Track
FY14-B06-02	ISP	44-ISP request for secretariat support FY14 Budget	inkind*	$0	NO. Resource is to be made available in core budget. See note in explanation column.	In collaboration with the community, ICANN staff will provide part-time in-kind support on a pilot basis for administrative staff support resources. Funds will not be provided directly to the ISPCP. Support will be managed by the ICANN staff. The Policy Development Support Team will initiate implementation discussions with community leaders after the Durban meeting.	Regular Track
FY14-B07-01	IPC	45-IPC leadership travel support to ICANN public meetings	$14,000	$0	NO. See note in explanation column and see description for the GNSO Non-Contract Leadership Travel Support Program below.	In FY13,on a pilot basis, ICANN increased travel funding to each non-contract GNSO community. The IPC received three new slots in FY13. That support will continue on a pilot basis in FY14, but the number of travelers per meeting (3) is not able to be increased. See the GNSO Non-Contract Leadership Travel Support Program below.	Regular Track
FY14-B07-02	IPC	46-IPC secretariat	$20,000	$0	NO. Resource is to be made available in core budget. See note in explanation column.	In collaboration with the community, ICANN staff will provide part-time in-kind support on a pilot basis for administrative staff support resources. Funds will not be provided directly to the IPC. Support will be managed by the ICANN staff. The Policy Development Support Team will initiate implementation discussions with community leaders after the Durban meeting.	Regular Track
FY14-B07-03	IPC	47-IPC outreach activities	$10,000	$10,000	YES, for publication support only. For travel support request, see note in explanation column and see description for the Community Outreach Travel Pilot Program below.	Based on positive experiences and feedback in FY13, ICANN staff has made accommodations to continue to provide GNSO non-contract community members with publication support in the form of production, printing and translation resources. The Communications Team has established a process for this resource and will coordinate with the IPC and other interested non-contract communities. Also, as a pilot effort, in FY14 ICANN will make additional travel support available for community outreach activities as outlined in the Community Outreach Travel Pilot Program below. It is hoped that this initial pilot effort will prove helpful to the IPC community.	Regular Track
FY14-B07-04	IPC	48-Organization of and IPC attendance at FY14 ICANN Inter-Sessional Meeting	$19,000	$0	NO	Due to there being four ICANN Public Meetings in FY14, there are not sufficent resources available to conduct another cross community inter-sessional meeting in FY14. Consideration will be given to continuing the Intersessional meetings in FY15.	Regular Track
FY14-B07-05	IPC	49-IPC Publications	$5,000	$5,000	YES	Based on positive experiences and feedback in FY13, ICANN staff has made accommodations to continue to provide GNSO non-contract community members with publication support in the form of production and printing resources. The Communications Team has established a process for this resource and will coordinate with the IPC and other interested non-contract communities. To manage costs, the staff will work with ICANN vendors and suppliers on behalf of the community.	Regular Track
FY14-B08-01	BC	50-SO-AC-SG FY14 Budget Request BC 6 - Outreach Material V2	$8,000	$8,000	YES	Based on positive experiences and feedback in FY13, ICANN staff has made accommodations to continue to provide GNSO non-contract community members with publication support in the form of production and printing resources. The Communications Team has established a process for this resource and will coordinate with the BC and other interested non-contract communities. To manage costs, the staff will work with ICANN vendors and suppliers on behalf of the community.	Regular Track

Request #	Community	Request Document Title	Request Amount	Recommended Amount	Decision/ Recommendation	Explanation/Notes	Round
FY14-B08-02	BC	51-SO-AC-SG FY14 Budget Request BC 7 - Leadership Development V3	$23,500	$0	NO. See note in explanation column.	In order to provide travel to non-community members, first a process must be developed to identify and select potential candidates. Staff is interested in collaborating with the community on developing those criteria. As an alternative pilot effort to provide some immediate support, in FY14 ICANN will provide additional travel support for community outreach activities as outlined in the Community Outreach Travel Pilot Program described below. It is hoped that this initial pilot effort will prove helpful to the BC community.	Regular Track
FY14-B08-03	BC	52-FY14 Budget Request BC 8 - Outreach Events V1	$10,000	$10,000	YES. Subject to conditions reflected in note in explanation column.	This is a valuable pilot idea which merits further exploration. Availability of sponsorhip funding up to the approved amount (and no more than $5000 per single event) will be dependent on consistency with regional outreach strategies developed in the ICANN regions throughout the world. Staff will develop an approval process that includes Regional Vice President approval and certification of consistency with regional strategic plans.	Regular Track
FY14-B08-04	BC	53- FY14 Budget Request BC 9 - Leadership Travel V2	$27,000	$0	NO. See note in explanation column and see description for the GNSO Non-Contract Leadership Travel Support Program below.	In FY13,on a pilot basis, ICANN increased travel funding to each non-contract GNSO community. The BC received three new leadership travel slots in FY13. That support will continue on a pilot basis in FY14, but the number of travelers per meeting (3) is not able to be increased. See the GNSO Non-Contract Leadership Travel Support Program below.	Regular Track
FY14-B08-05	BC	54- FY14 Budget Request BC 10 - Secretariat Services Pt1 V1	$3,840	$0	NO. Resource is to be made available in core budget. See Explanation note in far right-hand column.	In collaboration with the community, ICANN staff will provide part-time in-kind support on a pilot basis for administrative staff support resources. Funds will not be provided directly to the BC. Support will be managed by the ICANN staff. The Policy Development Support Team will initiate implementation discussions with community leaders after the Durban meeting.	Regular Track
FY14-B08-06	BC	55- FY14 Budget Request BC 11 - Secretariat Services Pt2 V1	$9,600	$0	NO. Resource is to be made available in core budget. See Explanation note in far right-hand column.	In collaboration with the community, ICANN staff will provide part-time in-kind support on a pilot basis for administrative staff support resources. Funds will not be provided directly to the BC and staff support will be managed by the ICANN staff. The Policy Development Support Team will initiate implementation discussions with community leaders after the Durban meeting.	Regular Track
FY14-B09-01	LACRALO	56-LACRALO FY14 Budget Request - Final	inkind*	$0	NO. Resource is to be made available in core budget. See note in explanation column.	Provision of in-kind technical support services like telephone conference bridges for meetings and webinars and other web meeting resources is a standard part of the in-kind services that are already offered to the ICANN SOs and ACs. This support will continue in FY14 as part of the core ICANN budget. Printing and publications services are also being made available in the FY14 budget.	Regular Track
FY14-B09-02	APRALO	57-APRALO - FY14 Budget AprIGF - Final	$9,000	$0	NO. See note in explanation column and see description for the Community Outreach Travel Pilot Program below.	As a pilot effort, in FY14 ICANN will make additional travel support available for community outreach activities as outlined in the Community Outreach Travel Pilot Program below. It is hoped that this initial pilot effort will prove helpful to the APRALO community. Another opportunity for support is to utilize the ICANN Speakers Bureau to get appropriate speakers for this event. Additionally, ICANN already has an organization-wide initiative underway for development of a community-wide outreach strategy and asks this community to participate in that effort before confirming an individual strategy.	Regular Track
	GNSO Non-Contract Leadership Travel Support Program	Durban meeting travel previously covered in Fast Track request process. $54,000*3=162,000		$162,000	In FY13, on a pilot basis, travel funding for the leadership of non-contract communities in the GNSO was provided, on a pilot basis. This support was extended to the Durban meeting and additional travel support for 3 persons per community will be extended to the Buenos Aires, Singapore and London Public Meetings. This will be a total of 18 travel slots, 3 for each of the following groups: NCSG, BC, IPC, ISPCPC, NCUC and NPOC. Consistent with the ICANN Travel Guidelines, each community has the flexibility to assign and subdivide (hotel, airfare, etc) those travels slots to any members of their respective communities. The longer-term development and implementation of a comprehensive travel program is something that will need to be addressed as part of ICANN's strategic planning efforts.	Durban meeting travel previously covered in Fast Track request process. $54,000*3=162,000	Regular Track

Request #	Community	Request Document Title	Request Amount	Recommended Amount	Decision/ Recommendation	Explanation/Notes	Round
	Community Outreach Travel Pilot Program	$1,500 per regional trip (as defined by ICANN Finance Team standard characteristics for regional 3 day-2 night trips). (5*1,500*10=75,000) (50*1,500=75,000)		$75,000	While organization-wide efforts are underway to develop a comprehensive ICANN outreach strategy, it is important to give individual communities some flexible support to start or continue targeted outreach efforts that support their own community recruitment strategies. A number of communities sought travel funding for various outreach and capacity building purposes in FY14. In order to provide resources in a consistent and well-managed manner, on a pilot basis ICANN is creating a Community Outreach Travel Pilot Program. As part if this program, the FY14 budget will allocate travel funding for each of the 5 At Large RALOS and the 5 GNSO Non-Contract community Constituencies. Funding will be available to each community for 5 "regional" outreach trips per year. The specific processes for how these resources are to be made available are still to be defined and established through collaboration between ICANN staff and the community. Critical components of the program will need to include specific pre-trip approval standards (including the processing of a short request form showing consistency of the trip with regional strategies developed by the community), record keeping to track all trips, and metrics to assess the effectiveness of this pilot effort. Staff will initiate that collaboration after the ICANN Public Meeting in Durban.	$1,500 per regional trip (as defined by ICANN Finance Team standard characteristics for regional 3 day-2 night trips). (5*1,500*10=75,000) (50*1,500=75,000)	Regular Track
FY14-A01-01	GNSO	FY14-A01-01 - GNSO - Council Strategic Planning Session	$46,240	$46,240	Approved as is.		Fast Track
FY14-A02-01	NPOC	FY14-A02-01 - NPOC - The role of Civil Society in developing the business model of the DNS in Africa	$27,000	$8,000	Approve for extended dates for already approved and supported travel for ICANN meeting #47.		Fast Track
FY14-A02-02	NPOC	FY14-A02-02 - NPOC - Impact of new gTLDs on NGOs/NFPs and on end-users	$5,000	$0	No funding provided for this request but please see the combined request # FY14-A04-02 where funding is provided for one NPOC traveler for the IGF meeting.		Fast Track
FY14-A03-01	SSAC	FY14-A03-01 - SSAC - Annual workshop	$80,000	$80,000	Approved as is.		Fast Track
FY14-A03-02	SSAC	FY14-A03-02 - SSAC - Meetings at IETF	$10,000	$10,000	Approved as is.		Fast Track
FY14-A03-03	SSAC	FY14-A03-03 - SSAC - Travel to ICANN Meetings	$20,000	$20,000	Approved as is.		Fast Track
FY14-A03-04	SSAC	FY14-A03-04 - SSAC - Administrative Committee face to face meetings	$0	$0	Deferred: this request will be evaluated during the regular track review period.		Fast Track
FY14-A03-05	SSAC	FY14-A03-05 - SSAC - Travel for IGF workshop	$5,000	$0	No funding provided.		Fast Track
FY14-A04-01	NCUC	FY14-A04-01 - NCUC - Print Materials	$0	$0	Deferred: this request will be evaluated during the regular track review period.		Fast Track
FY14-A04-02	NCUC	FY14-A04-02 - NCUC - Workshops & Related Outreach at IGF 2013	$12,000	$12,000	Approved, 3 travel support slots will be provided for this combined request. One supported travel for each of the following stakeholder group: NCSG, NCUC and NPOC (estimated $4,000 per group). The travel support is limited to airfare, lodging and per diem accordingly to the ICANN community travel guidelines.		Fast Track
FY14-A05-01	NCSG	FY14-A05-01 - NCSG - Workshop session at 2013 Internet Governance Forum	$12,000	$0	This request is approved as a combined effort from NCSG/NPOC/NCUC. Funding of $12,000 is provided to support 3 travelers under request # FY14-A04-02. One NCSG traveler will be supported for the IGF meeting. The travel support is limited to airfare, lodging and per diem accordingly to the ICANN community travel guidelines.		Fast Track
FY14-A05-02	NCSG	FY14-A05-02 - NCSG - Printed Brochures and Printed Communiques	$5,000	$5,000	Approved as is.		Fast Track
FY14-A05-03	NCSG	FY14-A05-03 - NCSG - Travel Support	$72,000	$0	No funding provided.		Fast Track
FY14-A05-04	NCSG	FY14-A05-04 - NCSG - Language Translation Services	$0	$0	No additional funding provided, this is already covered in ICANN general budget as part of GNSO Toolkit of in-kind services.		Fast Track
FY14-A06-01	BC	FY14-A06-01 - BC - ICANN Meetings Coordination	$3,200	$0	No funding provided.		Fast Track
FY14-A06-02	BC	FY14-A06-02 - BC - ICANN Meeting Preparation, Planning and Coordination	$9,600	$0	No funding provided.		Fast Track

Request #	Community	Request Document Title	Request Amount	Recommended Amount	Decision/ Recommendation	Explanation/Notes	Round
FY14-A06-03	BC	FY14-A06-03 - BC - Website and Wiki Update and Mailing List	$3,840	$0	No funding provided.		Fast Track
FY14-A06-04	BC	FY14-A06-04 - BC - Monthly member Conference Calls	$9,600	$0	No funding provided.		Fast Track
FY14-A06-05	BC	FY14-A06-05 - BC - Banking	$0	$0	Deferred: this request will be evaluated during the regular track review period.		Fast Track
FY14-A07-01	ALAC	FY14-A07-01 - ALAC - Extension of Authorized Departure Date for ExCom and specified liaisons	$16,000	$4,000	Approved for only the Durban meeting. No funding provided for the other meetings (Buenos Aires, Singapore and London)		Fast Track
FY14-A07-02	NARALO	FY14-A07-02 - NARALO - Outreach	$0	$0	Deferred: this request will be evaluated during the regular track review period.		Fast Track
FY14-A07-03	EURALO	FY14-A07-03 - EURALO - Participation at the 13th ICANN Studienkreis meeting	$5,775	$0	No funding provided.		Fast Track
FY14-A07-04	APRALO	FY14-A07-04 - APRALO - Workshop at IGF 2013	$32,000	$12,000	Approved for only 3 travelers. . No funding provided for the other meetings (Buenos Aires, Singapore and London). The travel support is limited to airfare, lodging and per diem accordingly to the ICANN community travel guidelines.		Fast Track
FY14-A07-05	AFRALO	FY14-A07-05 - AFRALO - Workshop at IGF 2013	$25,000	$15,000	Approved for only 3 travelers. . No funding provided for the other meetings (Buenos Aires, Singapore and London). The travel support is limited to airfare, lodging and per diem accordingly to the ICANN community travel guidelines.		Fast Track
FY14-A08-01	RySG	FY14-A08-01 - RySG - Ongoing support at the current level of service for organized teleconference calls	$0	$0	No additional funding provided, this is already covered in ICANN general budget as part of GNSO Toolkit of in-kind services.		Fast Track
FY14-A08-02	RySG	FY14-A08-02 - RySG - To enhance level of support for organized face-to-face meetings	$0	$0	No funding provided.		Fast Track
FY14-A08-03	RySG	FY14-A08-03 - RySG - Acquisition of an efficient and broad-use document management tool	$1,900	$0	No funding provided.		Fast Track
FY14-A08-04	RySG	FY14-A08-04 - RySG - Funding of one (1) additional travel slot for participation in ICANN Meeting 47 in Durban	$3,500	$3,500	Approved as is.		Fast Track
FY14-A90-01	ISP	FY14-A90-01 - ISP - Constituency outreach and support for continued participation	$0	$0	Deferred: this request will be evaluated during the regular track review period.		Fast Track
FY14-A90-02	ISP	FY14-A90-02 - ISP - Officer and WG Chair Travel to ICANN meetings	$64,000	$0	No funding provided.		Fast Track
FY14-A10-01	GAC	FY14-A10-01 - GAC - Increase in Supported Travelers to the three (3) ICANN meetings	$120,000	$30,000	Approved for only the Durban meeting. No funding provided for the other meetings (Buenos Aires, Singapore and London)		Fast Track
N/A	ICANN	GNSO leadership travel funding to ICANN meeting		$54,000	Approved for only the Durban meeting. No funding provided for the other meetings (Buenos Aires, Singapore and London)		Fast Track

ICANN
Board Meeting
August 22, 2013

FY14 Budget Approval

ICANN

Table of contents

FY14 Budget Overview
(In thousands)

STATEMENT OF ACTIVITIES	ICANN Ops				New gTLD Program				Total			
	FY14 Final Budget	FY13 Forecast	Incr/ (Decr)	%	FY14 Final Budget	FY13 Forecast	Incr/ (Decr)	%	FY14 Final Budget	FY13 Forecast	Incr/ (Decr)	%
TOTAL SUPPORT AND REVENUE	$ 88,158	$ 76,419	$ 11,739	15.4%	$112,105	$162,507	$ (50,402)	-31.0%	$200,263	$238,926	$ (38,662)	-16.2%
OPERATING EXPENSES												
Personnel	36,172	27,924	8,248	29.5%	16,317	7,462	8,855	118.7%	52,489	35,386	17,103	48.3%
Travel & Meetings	13,879	9,776	4,103	42.0%	217	73	144	198.4%	14,096	9,849	4,247	43.1%
Professional Services	18,742	16,224	2,518	15.5%	43,379	74,670	(31,291)	-41.9%	62,121	90,894	(28,773)	-31.7%
Administration	12,088	8,274	3,813	46.1%	1,963	1,896	67	3.5%	14,050	10,170	3,880	38.2%
Bad Debt Expenses	480	573	(93)	-16.3%	-	-	-	0.0%	480	573	(93)	-16.3%
Depreciation Expenses	2,540	2,094	446	21.3%	-	-	-	0.0%	2,540	2,094	446	21.3%
Community Support Requests	651	536	115	21.5%	-	-	-	0.0%	651	536	115	21.5%
Operating Expenses	$ 84,551	$ 65,402	$ 19,150	29.3%	$ 61,875	$ 84,101	$ (22,225)	-26.4%	$146,427	$149,502	$ (3,076)	-2.1%
CHANGE IN NET ASSETS DUE TO OPERATING ACTIVITIES	$ 3,607	$ 11,016	$ (7,409)	-67.3%	$ 50,230	$ 78,407	$ (28,177)	-35.9%	$ 53,836	$ 89,423	$ (35,587)	-39.8%
OTHER INCOME/ (EXPENSE)												
Contingency	(3,700)	-	3,700	0.0%	-	-	-	0.0%	(3,700)	-	3,700	0.0%
FX Translation Gain / (Loss)	-	154	154	100.0%	-	-	-	0.0%	-	154	154	100.0%
Investment Gain / (Loss)	-	3,914	3,914	100.0%	470	(47)	(516)	1102.5%	470	3,867	3,397	87.9%
Other Income/ (Expense)	$ (3,700)	$ 4,068	$ 7,768	191.0%	$ 470	$ (47)	$ (516)	1102.5%	$ (3,230)	$ 4,021	$ 7,251	180.3%
TOTAL NET EXPENSES	$ 88,251	$ 61,334	$ (26,918)	-43.9%	$ 61,406	$ 84,147	$ 22,742	27.0%	$149,657	$145,481	$ (4,176)	-2.9%
CHANGE IN NET ASSETS BEFORE CONTRIBUTION, HISTORICAL & RISK COSTS	$ (93)	$ 15,085	$ (15,178)	-100.6%	$ 50,699	$ 78,360	$ (27,660)	-35.3%	$ 50,606	$ 93,444	$ (42,838)	-45.8%
New gTLD App Support Contribution	-	(138)	138	-100.0%	-	-	-	0.0%	-	(138)	138	-100.0%
Historical Development Costs	11,687	16,941	(5,254)	-31.0%	(11,687)	(16,941)	5,254	-31.0%	-	-	-	0.0%
New gTLD Risk Costs	-	-	-	0.0%	-	(898)	898	-100.0%	-	(898)	898	-100.0%
Exceptional Items	(3,997)	-	(3,997)	0.0%	-	-	-	0.0%	(3,997)	-	(3,997)	0.0%
CHANGE IN NET ASSETS	$ 7,596	$ 31,888	$ (24,291)	-76.2%	$ 39,013	$ 60,520	$ (21,508)	-35.5%	$ 46,609	$ 92,408	$ (45,799)	-49.6%

*Exceptional items include ICANN Strategy Panels and ATLAS II.
Comments provided on subsequent slides.
Total multi-year New gTLD program information can be found on slide 14.

3

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FY14 Budget vs. FY13 Forecast – Revenue Overview
(In thousands)

	FY14 Budget	FY13 Forecast	Incr/ (Decr)	%
Existing TLDs				
Registry	$ 42,363	$ 38,808	$ 3,555	9.2%
Registrar	34,229	33,879	349	1.0%
RIR	823	823	0	0.0%
ccTLD	1,900	1,863	37	2.0%
IDN ccTLD	-	-	-	0.0%
Meeting Sponsorships/other	1,800	1,046	754	72.1%
Sub-total	$ 81,115	$ 76,419	$ 4,696	6.1%
New gTLDs				
Registry	$ 5,193	$ -	$ 5,193	0.0%
Registrar	1,850	-	1,850	0.0%
Sub-total	$ 7,043	$ -	$ 7,043	0.0%
ICANN Ops Revenue	$ 88,158	$ 76,419	$ 11,739	15.4%
New gTLD Application Fees	$ 112,105	$ 162,507	$ (50,402)	-31.0%
Total Support and Revenue	$ 200,263	$ 238,926	$ (38,662)	-16.2%

Comments provided on next slide.

Total multi-year New gTLD program information can be found on slide 14.

FY14 Budget – Revenue Variance Analysis
(In thousands)

FY13 Forecast	**$238,926**	

Variances - Fav/ (Unfav):

Registry	8,748	Transactions volume in historical gTLD registries is forecasted to decrease during the 2nd half of FY14 by 1%, as a result of the new gTLD registries starting operations, resulting in a flat transaction volume vs FY13. Full year effect of the conversion of .com contract from fixed fee to transaction adds (+$2.5M) in revenue for FY14. Revenues generated from new gTLD registries is (+$5.2M) in FY14, mostly from fixed fees.
Registrar	2,200	Revenues from existing TLDs has a impact of (+$0.3M) due to an increase in fixed fees from new registrars. The estimated transactions created by the new gTLD registries generate additional transaction fee revenue of (+$1.9M).
ccTLD	37	
Contributions &	754	The FY14 budget includes contributions from four meetings versus two in FY13.
New gTLD App Fees	(50,402)	Efforts and resources for the Initial Evaluation Phase were shifted from FY14 to FY13. As a result, expenses/revenue for FY14 is lower offset by higher expenses/revenue in FY13.

FY14 Budget	**$200,263**	

Total multi-year New gTLD program information can be found on slide 14.

5

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FY14 Budget - Expenses Variance Analysis
(In thousands)

				Budget for Fiscal Year ending								
				June 30, 2014								

SUMMARY	FY13 Forecast (Pro Forma)	>>>>>> Impact of Internation alization (incl. languages)	Strategy initiatives	DNS expansion (support & tech services)	Increased Community Engagement	Impact of growth on support services	4 ICANN meetings vs. 2*	New gTLD Allocation	Other variances	Total	FY14 Budget Final	%
Personnel	$ 27,924	$ 3,085	$ 655	$ 192	$ 1,493	$ 1,929	$ -	$ (1,086)	$ 1,982	$ 8,248	$ 36,172	29.5%
Travel & Meetings	9,776	2,333	-	83	1,144	(194)	1,058	(966)	645	4,103	13,879	42.0%
Professional Services	16,224	777	95	1,201	(478)	1,576	1,151	(1,643)	(161)	2,518	18,742	15.5%
Administration Costs	8,274	2,334	-	354	13	1,411	-	(469)	170	3,813	12,088	46.1%
Bad Debt & Depreciation	2,667	-	-	-	-	-	-	-	353	353	3,020	13.2%
Community Requests	536	-	-	-	135	-	-	-	-	135	671	25.2%
Subtotal	$ 65,402	$ 8,528	$ 750	$ 1,829	$ 2,306	$ 4,722	$ 2,210	$ (4,164)	$ 2,988	$ 19,170	$ 84,571	29.3%
Exceptional Items	-	-	3,246	-	751	-	-	-	-	3,997	3,997	0.0%
Contingency - 5% of Opex.	-								3,700	3,700	3,700	0.0%
ICANN Ops Operating Exp.	$ 65,402	$ 8,528	$ 3,996	$ 1,829	$ 3,057	$ 4,722	$ 2,210	$ (4,164)	$ 6,688	$ 26,866	$ 92,268	41.1%
Average Headcount	163	18	9	9	10	14	-	-	18	78	241	48.2%
ICANN Ops Revenue	$ 76,419										$ 88,158	15.4%
Change in Net Assets	$ 11,016										$ (4,110)	-137.3%
NgTLD Operating Exp.	$ 84,101										$ 61,875	-26.4%
Average Headcount	16								20	20	36	129.9%

The categories listed above are comprised of the following departments:	-GSE -Lang Svcs. -Government Engagement -Consult, rent, legal, etc. for int'l offices	-Strategic Initiatives -ICANN Strategy Panels	-Registrar -Registry -IDN DNS Industry Mgt -gTLD Executive -gTLD Operations - Customer service -IANA -DNS Ops -Security	-Community Engagement -Constituents/ Stakeholders Travel -Online Community Svcs. -Atlas II	-IT -HR -Finance -Project Mgt. -Meetings -Operations Executive -Enterprise Risk Management -Admin Support (excl. rent on int'l offices)			-Ombudsman -Executive -Communications -Policy Development -Legal -Board Support -NomCom -Contractual Compliance

Page 15/43

6

*Excludes ICANN staff and community travel costs, which are captured in their respective categories above.

FY14 Budget - Headcount by Function

Group	FY14 Budget EOY [1]	FY14 Budget Avg.	FY13 Forecast EOY [1]	FY13 Forecast Avg.	Incr/ (Decr) EOY [1]	Incr/ (Decr) Avg.
Ops						
00 - Reserved	1	1	1	1	-	-
01 - Executive	12	11	9	6	3	6
02 - Strategic Comm [2]	17	14	16	9	1	6
03 - GSE	36	29	17	14	19	15
04 - Gov Engagement	7	6	4	3	3	4
05 - SO/AC engagement	24	23	21	19	3	4
07 - Governance support	18	15	14	11	4	5
09 - Technical functions	48	43	37	42	11	1
10 - Operations [2]	49	44	39	30	10	15
11 - Compliance	19	18	17	15	2	3
Ops sub-total	231	206	175	148	56	58
Generic Domains Division						
06 - Domain Name Services	24	19	16	12	8	7
08 - GDD Executive	1	1	2	2	(1)	(1)
08 - GDD Operations	11	5	3	-	8	5
08 - Online community services	10	9	8	1	2	9
New gTLD Application Processing	29	36	35	16	(6)	20
Generic Domains Division sub-total	75	71	64	31	11	40
TOTAL ICANN	306	277	239	178	67	99

[1] End of year

[2] The Meetings team that is currently reported under Operations was reported under Strategic Communications in the published budget.

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Headcount Growth (FY13 to FY14)
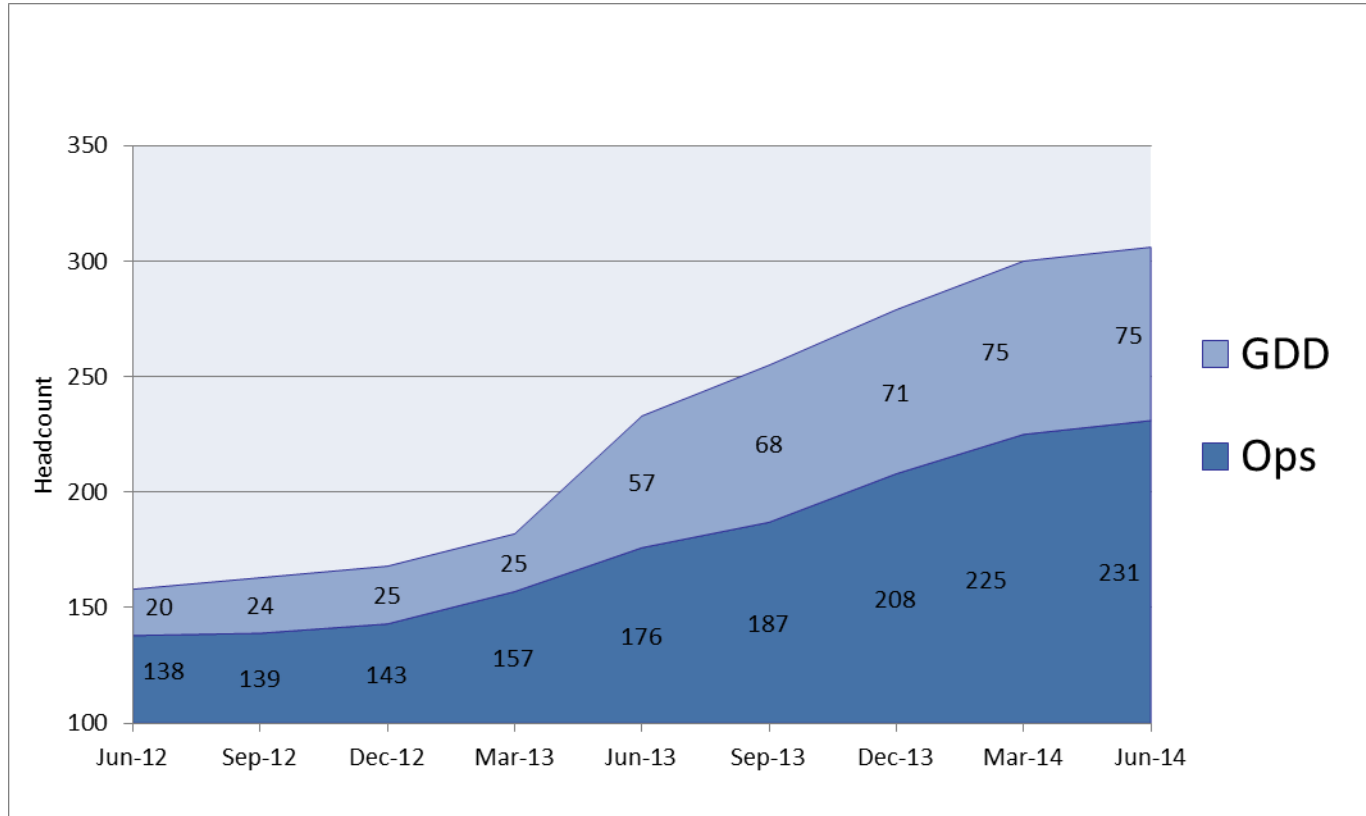
FY14 Operating Plan and Budget

New gTLD Program

New gTLD Program – Financial Summary
(In thousands)

FULL PROGRAM		
Current Estimate (June 2013)	**Prior Estimate (June 2012)**	**Variance Current vs. Prior Fav/ (Unfav)**

	Current Estimate (June 2013)	Prior Estimate (June 2012)	Variance Current vs. Prior Fav/ (Unfav)
Total Application Fees	$ 363,342	$ 370,000	$ (6,658)
Less: Total Refunds	(52,025)	(32,930)	(19,095)
Net Application Fees	**$ 311,317**	**$ 337,070**	**$ (25,753)**
Expenses			
Evaluation Costs	$ 130,458	$ 142,618	$ 12,160
Overheads	41,371	14,238	(27,133)
Historical Development Costs	32,454	32,454	-
Total Operating Expenses	**$ 204,283**	**$ 189,310**	**$ (14,973)**
Remaining Balance	**$ 107,035**	**$ 147,760**	**$ (40,725)**

	Current Estimate (June 2013)	Prior Estimate (June 2012)	Variance Current vs. Prior Fav/(Unfav)
Remaining Balance	**$ 107,035**	**$ 147,760**	**$ (40,725)**
Risk Reserve *	110,040	120,000	(9,960)
Net Remaining Balance	**$ (3,005)**	**$ 27,760**	**$ (30,765)**

* Risk Reserve of $110.0M includes $1.2M of actual costs incurred through May 2013

VARIANCE EXPLANATIONS

Application Fees   (6,658)
(i) Applications 1930 vs. 2000 budgeted (-$12.9M).
(ii) ICANN Applicant Support Contributions, 1 approved application vs. 15 budgeted (-$1.8M); offset by fees of (+$.1M)
(iii) Application fee of $5K/each for applicants who applied to the program but did not complete the process (+.8M).
(iv) Assumed 85 applications will elect CPE at $10K/application (+.8M). Fees for RSTEP to be billed to applicants (+2.8M).
(vi) Applicants that paid $185K each but withdrew from program prior to the release of the applicant list (+3.5M).

Refunds   (19,095)
Total projected withdrawals 646 vs. 545 budgeted; Total applications reflect withdrawals to date and projected withdrawals. For breakdown of refund milestones, see table 1.0 in appendix.

Evaluation Costs   12,160
Objection Processes (+17.1.0M); Initial Evaluation (+3.0M); Quality Control (-$1.2M); Extended Evaluation (-$3.3M); Program Administration (-$4.5M); All other (+.9M).

Overhead   (27,133)
ICANN staff allocation (-$15.6M); gTLD team (-$6.8M); Other overhead (-$4.7M).

Risk   (9,960)
The risk reserve of $110M represents the total balance for the program to date for active applications. This includes actuals of $1M. Future costs until the end of the program cannot be estimated.

10

New gTLD Program – Financial Summary
(In thousands)

	EXPENSES			REVENUE		
	Current Estimate (June 2013)	Prior Estimate (June 2012)	Variance Current vs. Prior Fav/ (Unfav)	Current Estimate (June 2013)	Prior Estimate (June 2012)	Variance Current vs. Prior Fav/ (Unfav)
FY12	$ 5,594	$ 1,917	$ (3,677)	$ -	$ -	$ -
FY13	101,042	84,316	$ (16,725)	162,507	153,801	$ 8,706
FY14	73,562	87,544	$ 13,982	112,105	159,833	$ (47,728)
FY15	24,085	15,532	$ (8,553)	36,705	23,436	$ 13,269
Full Program	$ 204,283	$ 189,310	$ (14,973)	$ 311,317	$ 337,070	$ (25,753)

VARIANCE EXPLANATIONS

Expenses *   (14,973)

ICANN Staff Allocation (-$15.6M); gTLD Team (-$6.8M); Other Overhead (-$4.7M); Evaluation Processing (+12.1M),

Revenue   (25,753)

Refunds (-$19.1M); New gTLD Applicant Fees (-$8.4M); ICANN Applicant Support (-$1.8M); Additional application fees: CPE Fees (+.8M) and Extended Evaluation Fees (+2.8M) for RSTEP.

* Detailed explanation of expenses provided subsequent slides

11

New gTLD Program – Operating Expenses
(In thousands)

1930 Applications	Current Estimate Full Program (June 2013)	Prior Estimate Full Program (June 2012)	Variance Current vs. Prior Fav/(Unfav)
Operating Expenses			
Direct Costs			
Initial Evaluation	70,417	73,495	3,078
Extended Evaluation	6,800	3,540	(3,260)
Quality Control	9,851	8,600	(1,251)
String Contentions	2,426	2,505	80
Objection processes	7,690	24,800	17,110
Pre-delegation	24,216	25,128	912
Program Administration	9,058	4,550	(4,508)
Indirect/Overhead			
gTLD Team	12,415	5,599	(6,816)
ICANN Staff Allocation	22,769	7,118	(15,651)
Other Overhead	6,187	1,521	(4,666)
Total Operating Expenses	$ 171,829	$ 156,856	$ (14,973)

See comments on variances on the next slide.

12

New gTLD Program – Expense Variance Analysis
(In thousands)

NgTLD		
Prior Estimate (June 2012) Expenses	**189,310**	
Variances - Fav/ (Unfav):		
Initial Evaluation	3,078	Due to favorable contract negotiations, String Similarity Panel (+$5.1M); Registry Services (-$.1M); DNS Stability (-$.2M); Geographic Names (-$.3M); Fin/Tech/Ops Panel (-$1.4M) due to rework and additional evaluation due to change requests.
Extended Evaluation	(3,260)	Unbudgeted RSTEP costs to be offset by separately billing to applicants (-$2.8M); Assumed 400 apps will go to EE - 200 Fin and 200 Tech @ $10K/app (-$.5M); Favorability due to lower applications 1930 vs. 2000 budgeted (+.1M).
Quality Control	(1,251)	Change in sample population and scope of work (-$1.2M)
String Contentions	80	
Objection Processes	17,110	Govt Objection cases received were 10 @ assumed rate of $150K vs. 2000 @ $4.7K (+7.9M); ALAC cases 5 vs. 40 (+$5.3M); Independent Objections costs (+3.9M).
Pre-Delegation	912	Favorability due to lower applications 1930 vs. 2000 budgeted (+$.9M).
Program Administration	(4,508)	TMCH (-$3.9M); Consultants for QC, LCs and Panel Coordination (-$.4M); EBERO (-$.1M); URS (-$.1M).
gTLD Team	(6,816)	Due to program needs the following functional areas were identified: gTLD Operations, gTLD Initial and Extended Evaluation, gTLD Post-Evaluation, gTLD Customer Service, gTLD Systems, and gTLD Rights Protection.
		(i) gTLD Support - 8 headcount (-$2.5M)
		(ii) gTLD Post-Evaluation which includes Contracting, Pre-delegation testing, CPE and Auctions - average headcount 7 vs. 0 budgeted (-$1.8M)
		(ili) gTLD Systems - average headcount 4 vs. 1 budgeted (-$1.0M)
		(vi) gTLD Customer Service which includes resources for Istanbul and Singapore - average headcount 16 vs. 6 budgeted (-$.6M)
		(v) gTLD Rights Protection - new functional area (-$.4M)
		(vi) gTLD Initial and Extended Evaluation team - average headcount 3 vs. 2 budgeted (-$.4M)
		(vii) gTLD Operations - 2 headcount (-$.1M)
ICANN Staff Allocation	(15,651)	Staff allocation increased due to additional support needed for the NgTLD program. Percentage of allocation ranges from 10% to 25% for each departments total operating expenses.
		(i) FY13, $5.7M vs. $2.1M (-$3.6M)
		(ii) FY14, $9.8M vs. $2.1M (-$7.7M)
		(iii) FY15, $6.0M vs. $1.7M (-$4.3M)
Other Overhead	(4,766)	Legal professional services not included in budget (-$4.4M); All other i.e. travel, etc. (-$.3M).
Current Estimate (June 2013)	**204,283**	

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New gTLD Program – Multi-Year View
(In thousands)

1930 Applications	Statement of Activities for Full Program (June 2012)	Current Estimate Full Program (June 2013)				
		FY12 Actual	FY13 Forecast	FY14 Forecast	FY15 Forecast	Total
New gTLD Applicant Fees	368,000		-	-	-	359,554
ICANN Applicant Support Contributions	2,000		-	-	-	138
Auction Proceeds	-		-	-	-	-
Additional Application Fees	-		-	-	-	3,650
Refunds	(32,930)		-	-	-	(52,025)
Net Application Fees	$ 337,070	$ -	$ 162,507	$ 112,105	$ 36,705	$ 311,317
Operating Expenses						
Direct Costs						
Initial Evaluation	73,495	3,172	58,400	8,845	-	70,417
Extended Evaluation	3,540	-	-	5,100	1,700	6,800
Quality Control	8,600	-	4,344	5,508	-	9,851
String Contentions	2,505	-	-	1,040	1,386	2,426
Objection Processes	24,800	39	4,586	3,065	-	7,690
Pre-delegation	25,128	-	4,902	16,272	3,041	24,216
Program Administration	4,550	450	2,438	3,550	2,620	9,058
Indirect/Overhead						
gTLD Team	5,599	689	1,737	6,428	3,561	12,415
ICANN Staff Allocation	7,118	1,137	5,725	9,889	6,018	22,769
Other Overhead	1,521	107	1,968	2,179	1,933	6,187
Historical Development Costs	32,454	-	16,941	11,687	3,826	32,454
Total Operating Expenses	$ 189,310	$ 5,594	$ 101,042	$ 73,562	$ 24,085	$ 204,283
Net Remaining Balance	$ 147,760	$ (5,594)	$ 61,466	$ 38,543	$ 12,620	$ 107,035
Investment Income	-		91	845	500	1,436
Investment Management Fees	-	-	(138)	(376)	(222)	(735)

14

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FY14 Registrar Fees

FY14 Budget - Registrars Fees
(In thousands)

The Registrars fees are to be approved by the Board before submission to voting by the Registrars.

Around 1,000 registrars are currently accredited by ICANN. This relationship is governed by the Registrar Accreditation Agreement (RAA), of which the most recent version was approved in June 2013.   The three versions of the agreement currently in use were approved in 2001, 2009, and 2013. The RAA is a five year agreement that provides for the following types of fees:

- Application fee
- Annual accreditation fee
- Variable accreditation fee

    - Per registrar variable fee
    - Transaction based fee

In addition, since 2009, the budget has assumed an Add Grace Period (AGP) excess deletion fee to eliminate domain tasting. The amount for AGP deletion fees was assumed to be zero in past budgets and is also assumed to be zero for the FY14 budget. Figure 3-5 shows all registrar fees.

FY14 Budget - Registrars Fees cont.
(In thousands)

Figure 3-5

(in thousands, US dollars)	FY 14 BUDGET	FY13 FORECAST	FY13 BUDGET	FY14 Budget Change from FY13 Forecast	
Application Fees	420	360	140	60	14%
Accreditaiton Fees	4,215	4,137	4,000	78	2%
Per Registrar Variable Fees	3,800	3,800	3,800	-	0%
Discounts	(380)	(380)	(380)	-	0%
Transaction Fees	26,174	25,947	28,296	227	1%
AGP Excess Deletion Fees	-	16	-	(16)	
Registrar Revenue-Traditional	34,229	33,880	35,856	349	1%
Transaction Fees Related to New gTLDs	1,850			1,850	100%
Registrar Revenue -Total	36,079	33,880	35,856	2,199	6%

17

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FY14 Budget - Registrars Fees cont.
(In thousands)

Application fees are paid one time by prospective registrars at the time of application. For FY14, the application fees are estimated to be $420,000 based upon a volume of 120 applications and a per application fee of $3,500 per application.

Annual accreditation fees are fees that all registrars are required to pay annually to maintain accreditation. The fee is $4,000 per year. Unless a registrar is operating under the 2001 version of the RAA, (2001 RAA) registrars have the option of paying the annual $4,000 accreditation fee in quarterly installments of $1,000. For FY14, the annual accreditation fees are estimated at $4.2 million, based on an estimate of a total of 1,050 registrars renewing and being newly accredited.

Variable accreditation fees are determined based on the transaction type and volume of each registrar. There are two types of fees associated with the variable accreditation fees:

- Per registrar variable fee
- Transaction based fee

FY14 Budget - Registrars Fees cont.
(In thousands)

Per registrar variable fees are budgeted at $3.8 million but are expected at $3.4 million for FY14, to be paid by the registrars as a whole. The per-registrar fee is based on a validated concept that ICANN often expends the same quantum of effort in providing services to a registrar regardless of size. However, provided that the registrar is considerably smaller in size and in activity, some registrars will continue to be eligible for "forgiveness" of two-thirds of the standard per-registrar variable fee. To be eligible for forgiveness, the registrar must have (1) less than 350,000 gTLD names under its management and (2) no more than 200 attempted adds per successful net add in any tld. Forgiveness will be granted each quarter to all registrars that qualify.

The amount per registrar is calculated each quarter by dividing $950 thousand (one-fourth of $3.8 million) equally among all registrars that have at least been accredited for one full quarter or have made at least one transaction, taking into consideration the forgiveness factor.

In addition, a discount of 10 percent is granted to those registrars that are operating under the 2009 or 2013 RAA. The FY14 revenue budget assumes a 10 percent reduction across all registrars due to the low percentage of registrars currently operating under the 2001 RAA.

FY14 Budget - Registrars Fees cont.
(In thousands)

Transaction based fees are assessed on each annual increment of an add, renew or a transfer transaction that has survived a related add or auto-renew grace period. This fee will be billed at $0.20 per transaction for registrars operating under the 2001 RAA, and $0.18 per transaction for registrars operating under the 2009 or 2013 RAA. As of April 2013, majority of domain names are managed by registrars operating under the 2009 RAA. The FY14 transaction fee revenue is calculated at the lower rate of $0.18 in the anticipation that most transactions will be billed at $0.18 by the end of the fiscal year. Transaction volume is expected to increase slightly over the next year to an average of 36 million transactions per quarter.

Add-grace period excess deletion fees are assessed on each domain name deleted, in excess of the threshold, during an add-grace period. The threshold is the larger of 50 or 10% of total adds, per month, per tld. The rate per excess deletion is $0.20.

20

Report of Public Comments

Title:	Proposed Renewal of .INFO gTLD Registry Agreement
Publication Date:	13 August 2013
Prepared By:	Karla Valente

Comment & Reply Periods:		Important Information Links
Open Date:	3 June 2013 & 25 June 2013	Announcement
Close Date:	24 June 2013 & 15 July 2013	Public Comment Box
Time (UTC):	23:59	View Comments Submitted

Staff Contact:	Cyrus Namazi	**Email:**	cyrus.namazi@icann.org

Section I: General Overview and Next Steps

Section II: Contributors

At the time this report was prepared, a total of [number] (n) community submissions had been posted to the Forum. The contributors, both individuals and organizations/groups, are listed below in chronological order by posting date with initials noted. To the extent that quotations are used in the foregoing narrative (Section III), such citations will reference the contributor's initials.

Organizations and Groups:

Name	Submitted by	Initials
Verisign, Inc. (Verisign)	Keith Drazek, Director of Policy	KD

Individuals:

Name	Affiliation (if provided)	Initials
Chris Chaplow	Managing Director, Andalucia.com S.L.	CC

Section III: Summary of Comments

General Disclaimer: This section is intended to broadly and comprehensively summarize the comments submitted to this Forum, but not to address every specific position stated by each contributor. Staff recommends that readers interested in specific aspects of any of the summarized comments, or the full context of others, refer directly to the specific contributions at the link referenced above (View Comments Submitted).

Renewal (Section 4.2)
ICANN should provide a detailed explanation clarifying both the nature and scope of the proposed change in language in Section 4.2.

- The section was modified to introduce new language (not found in the .com, .net, or .org agreements) prohibiting any change upon renewal to at least one, and possibly all, of the enumerated exceptions to the requirement that renewal be upon terms similar to the terms in the Registry Agreements for the five most "reasonably comparable" gTLDs.
- It is unclear whether this change is intended to apply solely to the definition of Registry Services, or whether it is intended to apply to all of the enumerated exceptions listed in Section 4.2.

Verisign (24 June 2013)

Resolution of Disputes (Section 5.1)

This section was modified to incorporate language from the most recently proposed draft of the new gTLD Registry Agreement requiring mandatory mediation prior to the initiation of arbitration proceedings. The newly proposed mediation requirement is poorly defined and suffers from the same deficiencies as the mediation provisions in the proposed new gTLD Agreement:

(a) no mechanism is proposed in the event the parties are unable to agree to a mediation provider and no timeframe for resolution is provided;

(b) the rules of mediation are determined by the mediator, creating uncertainty and inconsistency in mediation processes;

(c) the provision is vague as to whether the parties may obtain relief from a court to protect against irreparable harm without going through the mediation process first; and

(d) as a general matter, the proposed language inserts a pointless and costly non-binding mediation requirement that will likely serve only to delay ultimate resolution of any dispute.

Verisign (24 June 2013)

Change in Control (Section 6.3)

This new section was added to mirror terms of the most recently proposed draft of the new gTLD Registry Agreement to provide for the right of ICANN to terminate the agreement if it reasonably determines to withhold its consent to the change of control.

- The newly proposed language allows ICANN to withhold consent to a change in control based on undefined criteria, standard or process, entirely undermining the consent provision itself. ICANN's refusal to define such criteria gives ICANN the flexibility to make inconsistent discriminatory and/or dilatory determinations.
- ICANN has also removed all limitations on its ability to assign the agreement in Section 8.5, including the requirement that the assignee be a "nonprofit corporation organized for the same or substantially the same purposes." This creates an unfettered right to assign the agreement to an entity that may not be appropriate for running/monitoring registries (meaning technical expertise or commitment to the Internet) and to an entity in an unknown jurisdiction.

Verisign (24 June 2013)

Access to Registry Services (Section 7.1(a))

This section was amended to include a new provision requiring Afilias to amend its Registry-Registrar Agreement (RRA) to require registrars to use the 2013 Registrar Accreditation Agreement (RAA)

within 60 calendar days of notification from ICANN to Afilias that registrars representing 67% of the registrations in the TLD have executed the 2013 RAA.

- This new provision is an example of an attempt by ICANN to assert regulatory control over the registrar constituency by leveraging the interrelated nature of the various contracts governing the provision of registry and registrar services, which raises possible competition issues. Contrary to the established procedure for consideration of proposed RRA amendments, ICANN is mandating that the registry operators amend their RRAs (an agreement approved by ICANN but to which ICANN is not a party) to include an ICANN-mandated provision that requires registrars to enter into the new 2013 RAA with ICANN (an agreement to which the registry operators are not a party) in order to avoid a suspension of service from the registry operators under the RRA.
- Faced with the existing contractual restrictions on its ability to force registrars to adopt the 2013 RAA, ICANN has chosen to leverage the fact that the RRA, unlike the RAA, contains an amendment procedure under which registrars are required to accept ICANN-approved amendments to the RRA within 15 days after receiving notice of an amendment. This attempt appears to directly conflict with both the spirit of the multi-stakeholder process and the express terms of the RAA as it currently exists.

Verisign (24 June 2013)

RSEP 2008008--"Phased Equitable Reallocation of Non-Compliant .INFO Sunrise Domain Names"
The ICANN Board should take the opportunity of the .INFO contract renewal to request a review of the implementation of RSEP 2008008. Afilias has implemented RSEP 2008008 in a dubious manner.

- Only 85 of 1,231 names were allocated under Phase 1: Request for Proposals. Afilias unilaterally discarded the remaining RFPs in order to gain financial advantage by moving directly into Phase 2: Auction in December 2012, thus collecting the auction income.
- Of the 85 names that were allocated in April 2011, most are now for resale, do not resolve or redirect, demonstrating noncompliance with the RFP. Afilias has ignored my request to enforce the terms of its own RFP. ICANN compliance advises me that "ICANN does not have authority to require Afilias to enforce this language."
- Afilias has not been transparent and has not kept the community informed about the process.

C. Chaplow (24 June 2013)

Section IV: Analysis of Comments

General Disclaimer: This section is intended to provide an analysis and evaluation of the comments received along with explanations regarding the basis for any recommendations provided within the analysis.

Renewal (Section 4.2)

The substantive changes to the renewal provision in Section 4.2 clarify the conditions to renewal of the Agreement and provide for a mechanism through which ICANN and Registry Operator will resolve

disputes regarding the terms and condition of the Agreement upon any future renewal of the term of the Agreement. Like other registry agreements, the current registry agreement for .INFO, provides for presumptive renewal so long as certain requirements are met. The agreement also provides that upon renewal, changes may be made to render the terms similar to other comparable agreements.

Resolution of Disputes

ICANN believes mediation is a beneficial dispute resolution mechanism as it facilitates discussions and compromise between the parties. In addition, the provisions were drafted to provide flexibility to the parties and the mediator to craft proceedings best suited to reach an amicable resolution of a dispute. ICANN notes that the mediation provision included in the New gTLD Registry Agreement, and proposed to be included in the .INFO Registry Agreement, was the subject of several rounds of public comment and discussion. These comments were factored into the language ultimately adopted in the New gTLD Registry Agreement, and proposed here.

Change of Control

The change of control provision proposed in the .INFO Registry Agreement, and already adopted in the New gTLD Registry Agreement has been substantially revised over time to address concerns relating to ICANN's consent over change of control transactions. As revised, ICANN cannot void such transactions (or prevent their occurrence), but may terminate the Registry Agreement in circumstances where ICANN withholds its consent to an assignment via change of control. ICANN acknowledges the concerns raised in the comments, and notes that the provision provides for the general parameters under which parties will seek consent to assignments, etc. A precise listing of each item or procedure that will be followed when analyzing requests is inappropriate as such listings and procedures are likely to evolve over time, as the marketplace develops and as ICANN and the registry community become accustomed to making and responding to such requests in a prudent manner.

Access to Registry Services (Section 7.1(a))

ICANN takes note of the comments raised regarding the new provision included in the .INFO Registry Agreement to facilitate the transition of its registrars to the 2013 Registrar Accreditation Agreement approved by the ICANN Board. The new provision was included to help expand the benefits of the 2013 RAA.

RSEP 2008008--"Phased Equitable Reallocation of Non-Compliant .INFO Sunrise Domain Names"

ICANN takes note of the comments raised regarding RSEP 2008008.

Report of Public Comments

Title:	Proposed Renewal of .ORG gTLD Registry Agreement
Publication Date:	13 August 2013
Prepared By:	Karla Valente

Comment & Reply Periods:		Important Information Links	
Open Date:	21 June 2013	Announcement	
Close Date:	12 August 2013	Public Comment Box	
Time (UTC):	23:59	View Comments Submitted	

Staff Contact:	Cyrus Namazi	Email:	cyrus.namazi@icann.org

Section I: General Overview and Next Steps

Following the closure of the public comment period and the publication of this report of public comments, the next step will be for the ICANN Board to consider the proposal and the related public comment at the next available meeting.

Section II: Contributors

Section III: Summary of Comments

> *General Disclaimer: This section is intended to broadly and comprehensively summarize the comments submitted to this Forum, but not to address every specific position stated by each contributor. Staff recommends that readers interested in specific aspects of any of the summarized comments, or the full context of others, refer directly to the specific contributions at the link referenced above (View Comments Submitted).*

SPECIFIC COMMENTS

Whois Requirements (Section 3.1 (c)(v))
In terms of Section 3.1(c)(v), IPC applauds the recognition that ICANN's Internic web page could serve as a portal for cross-registry Whois access, as recommended by the Whois Policy Review Team, and that therefore Whois data from .ORG should be supplied in a compatible format. This obligation should not be limited to apply only to the Internic interface "as it exists as of the effective date of the agreement," but also as it may be modified from time to time. *IPC (8 August 2013)*

IPC also supports the new requirement for .ORG to provide links to the forthcoming ICANN page "containing Whois policy and education materials." This provision should be expanded to cover links to any cross-registry registration data service operated by or on behalf of ICANN (such as the Internic service called for by the Whois Policy Review Team, or the common interface for global Whois search that is being created pursuant to the Board's November 2012 Whois resolutions). *IPC (8 August 2013)*

Access to Registry Services (Section 7.1(a))

ICANN should be commended for efforts to expand the benefits of the 2013 RAA as broadly as possible. In fact, Section 7.1(a) should be strengthened by deleting the last sentence of Section 7.1(a)(viii), which without justification makes the .ORG obligation to require 2013 RAA adherence conditional on Verisign (com/net), Neustar (biz) and Afilias (info) making similar requests. At a minimum the sentence should be revised so that the obligation becomes operable as soon as the same 2/3 threshold is reached in all 4 gTLDs, whether or not this has triggered a registry request for this revision. Otherwise, as currently drafted the .ORG agreement will permit registry operators such as Verisign to indefinitely delay the transition, and no other major legacy gTLD will be required to impose the 2013 RAA requirement until Verisign decides to do so. *IPC (8 August 2013)*

Uniform Rapid Suspension (URS)
ICANN should amend the .ORG contract to provide for a timely and reasonable transition to the applicable consumer protection mechanism--the URS system--that will be required for all new gTLDs. *IPC (8 August 2013)*

Section IV: Analysis of Comments

General Disclaimer: This section is intended to provide an analysis and evaluation of the comments received along with explanations regarding the basis for any recommendations provided within the analysis.

Access to Registry Services

ICANN takes note of the comments raised regarding the new provision included in the .ORG Registry Agreement to facilitate the transition of its registrars to the 2013 Registrar Accreditation Agreement approved by the ICANN Board. The new provision was included to help expand the benefits of the 2013 RAA.

Rights Protection Mechanisms

The .ORG renewal proposal does not include a requirement to comply with the Uniform Rapid Suspension (URS) rights protection mechanism (RPMs). This RPM has so far only been approved in the context of new gTLDs. The URS is new and requires a "ramp-up" period before it is able to absorb the full workload of the entire gTLD namespace. Additionally, registrants have procured domain names in existing gTLDs with an understanding of the landscape of existing RPMs. New RPMs affect registrants, as well as registries and registrars. They should be introduced in existing gTLDs after a bottom-up community discussion.

Report of Public Comments

Title:	Proposed Renewal of .BIZ gTLD Registry Agreement
Publication Date:	13 August 2013
Prepared By:	Karla Valente

Comment & Reply Periods:		Important Information Links	
Open Date:	3 June 2013		Announcement
Close Date:	15 July 2013		Public Comment Box
Time (UTC):	23:59		View Comments Submitted

Staff Contact:	Cyrus Namazi	**Email:**	cyrus.namazi@icann.org

Section I: General Overview and Next Steps

Following the closure of the public comment period and the publication of this report of public comments, the next step will be for the ICANN Board to consider the proposal and the related public comment at the next available meeting.

Section II: Contributors

At the time this report was prepared, a total of three (3) community submissions had been posted to the Forum. The contributors, both individuals and organizations/groups, are listed below in chronological order by posting date with initials noted. To the extent that quotations are used in the foregoing narrative (Section III), such citations will reference the contributor's initials.

Organizations and Groups:

Name	Submitted by	Initials
Verisign, Inc. (Verisign)	Keith Drazek, Director of Policy	KD
Intellectual Property Constituency (IPC)	Claudio DiGangi, Secretary	CD

Individuals:

Name	Affiliation (if provided)	Initials
Michael Santiago (M. Santiago)		MS

Section III: Summary of Comments

General Disclaimer: This section is intended to broadly and comprehensively summarize the comments submitted to this Forum, but not to address every specific position stated by each contributor. Staff recommends that readers interested in specific aspects of any of the summarized comments, or the full context of others, refer directly to the specific contributions at the link referenced above (View Comments Submitted).

GENERAL COMMENTS

.BIZ has not been promoted as it should have been. By now it should have been the second most-used domain after .COM. Most of the public does not even know it exists. An agreement should be signed with an organization willing and able to promote it until it becomes as ubiquitous as .COM. *M. Santiago (6 June 2013)*

SPECIFIC COMMENTS

Whois Requirements (Section 3.1 (c)(v))
In terms of Section 3.1(c)(v), IPC applauds the recognition that ICANN's Internic web page could serve as a portal for cross-registry Whois access, as recommended by the Whois Policy Review Team, and that therefore Whois data from .BIZ should be supplied in a compatible format. This obligation should not be limited to apply only to the Internic interface "as it exists as of the effective date of the agreement," but also as it may be modified from time to time. *IPC (15 July 2013)*

IPC also supports the new requirement for .BIZ to provide links to the forthcoming ICANN page "containing Whois policy and education materials." This provision should be expanded to cover links to any cross-registry registration data service operated by or on behalf of ICANN (such as the Internic service called for by the Whois Policy Review Team, or the common interface for global Whois search that is being created pursuant to the Board's November 2012 Whois resolutions). *IPC (15 July 2013)*

Renewal (Section 4.2)
ICANN should provide a detailed explanation clarifying both the nature and scope of the proposed change in language in Section 4.2.
- The section was modified to introduce new language (not found in the .com, .net, or .org agreements) prohibiting any change upon renewal to at least one, and possibly all, of the enumerated exceptions to the requirement that renewal be upon terms similar to the terms in the Registry Agreements for the five most "reasonably comparable" gTLDs.
- It is unclear whether this change is intended to apply solely to the definition of Registry Services, or whether it is intended to apply to all of the enumerated exceptions listed in Section 4.2.

Verisign (24 June 2013)

Resolution of Disputes (Section 5.1)
This section was modified to incorporate language from the most recently proposed draft of the new gTLD Registry Agreement requiring mandatory mediation prior to the initiation of arbitration proceedings. The newly proposed mediation requirement is poorly defined and suffers from the same deficiencies as the mediation provisions in the proposed new gTLD Agreement:
(a) no mechanism is proposed in the event the parties are unable to agree to a mediation provider and no timeframe for resolution is provided;
(b) the rules of mediation are determined by the mediator, creating uncertainty and inconsistency in mediation processes;
(c) the provision is vague as to whether the parties may obtain relief from a court to protect against irreparable harm without going through the mediation process first; and

(d) as a general matter, the proposed language inserts a pointless and costly non-binding mediation requirement that will likely serve only to delay ultimate resolution of any dispute.
Verisign (24 June 2013)

Change in Control (Section 6.3)
This new section was added to mirror terms of the most recently proposed draft of the new gTLD Registry Agreement and to provide for the right of ICANN to terminate the agreement if it reasonably determines to withhold its consent to the change of control.

- The newly proposed language allows ICANN to withhold consent to a change in control based on undefined criteria, standard or process, entirely undermining the consent provision itself. ICANN's refusal to define such criteria gives ICANN the flexibility to make inconsistent discriminatory and/or dilatory determinations.
- ICANN has also removed all limitations on its ability to assign the agreement in Section 8.5, including the requirement that the assignee be a "nonprofit corporation organized for the same or substantially the same purposes." This creates an unfettered right to assign the agreement to an entity that may not be appropriate for running/monitoring registries (meaning technical expertise or commitment to the Internet) and to an entity in an unknown jurisdiction.

Verisign (24 June 2013)

Access to Registry Services (Section 7.1(a))
This section was amended to include a new provision requiring Neustar to amend its Registry-Registrar Agreement (RRA) to require registrars to use the 2013 Registrar Accreditation Agreement (RAA) within 60 calendar days of notification from ICANN to Neustar that registrars representing 67% of the registrations in the TLD have executed the 2013 RAA.

- This new provision is an example of an attempt by ICANN to assert regulatory control over the registrar constituency by leveraging the interrelated nature of the various contracts governing the provision of registry and registrar services, which raises possible competition issues. Contrary to the established procedure for consideration of proposed RRA amendments, ICANN is mandating that the registry operators amend their RRAs (an agreement approved by ICANN but to which ICANN is not a party) to include an ICANN-mandated provision that requires registrars to enter into the new 2013 RAA with ICANN (an agreement to which the registry operators are not a party) in order to avoid a suspension of service from the registry operators under the RRA.
- Faced with the existing contractual restrictions on its ability to force registrars to adopt the 2013 RAA, ICANN has chosen to leverage the fact that the RRA, unlike the RAA, contains an amendment procedure under which registrars are required to accept ICANN-approved amendments to the RRA within 15 days after receiving notice of an amendment. This attempt appears to directly conflict with both the spirit of the multi-stakeholder process and the express terms of the RAA as it currently exists.

Verisign (24 June 2013)

ICANN should be commended for efforts to expand the benefits of the 2013 RAA as broadly as

possible. In fact, Section 7.1(a) should be strengthened by deleting the last sentence of Section 7.1(a)(viii), which without justification makes the .BIZ obligation to require 2013 RAA adherence conditional on Verisign (com/net) and PIR (org) making similar requests. At a minimum the sentence should be revised so that the obligation becomes operable as soon as the same 2/3 threshold is reached in all 4 gTLDs, whether or not this has triggered a registry request for this revision. Otherwise, as currently drafted the .BIZ agreement will permit registry operators such as Verisign to indefinitely delay the transition, and no other major legacy gTLD will be required to impose the 2013 RAA requirement until Verisign decides to do so. *IPC (15 July 2013)*

Uniform Rapid Suspension (URS)
ICANN should amend the .BIZ contract to provide for a timely and reasonable transition to the applicable consumer protection mechanism--the URS system--that will be required for all new gTLDs.

- The .BIZ renewal should incorporate a commitment to adopt the URS if, after a review of its functioning in the new gTLDs, the URS appears to be reasonably effective in achieving its objectives.
- It is worth noting that the draft agreement (1) provides for automatic renewal at the expiration of term (2019), without changes other than those reflected in the five other largest gTLD agreements (section 4.2); and (2) lacks the so-called "unilateral amendment" process (even though the final version of that process is a shadow of its former self) that is in the new gTLD registry agreement. As a result, it may be impossible to incorporate improvements in the .BIZ registry agreement, no matter how important they may be, other than through the extremely time-consuming process of enacting new Consensus Policies. This is inappropriate in the case of URS, which was adopted after extensive community input and debate, and which will be subject to a thorough review during which time the community will have an opportunity to provide further input.

IPC (15 July 2013)

Section IV: Analysis of Comments

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Renewal (Section 4.2)

The substantive changes to the renewal provision in Section 4.2 clarify the conditions to renewal of the Agreement and provide for a mechanism through which ICANN and Registry Operator will resolve disputes regarding the terms and condition of the Agreement upon any future renewal of the term of the Agreement. Like other registry agreements, the current registry agreement for .BIZ, provides for presumptive renewal so long as certain requirements are met. The agreement also provides that upon renewal, changes may be made to render the terms similar to other comparable agreements.

Resolution of Disputes

ICANN believes mediation is a beneficial dispute resolution mechanism as it facilitates discussions and compromise between the parties. In addition, the provisions were drafted to provide flexibility to the parties and the mediator to craft proceedings best suited to reach an amicable resolution of a dispute. ICANN notes that the mediation provision included in the New gTLD Registry Agreement, and proposed to be included in the .BIZ Registry Agreement, was the subject of several rounds of public comment and discussion. These comments were factored into the language ultimately adopted in the New gTLD Registry Agreement, and proposed here.

Change of Control

The change of control provision proposed in the .BIZ Registry Agreement, and already adopted in the New gTLD Registry Agreement has been substantially revised over time to address concerns relating to ICANN's consent over change of control transactions. As revised, ICANN cannot void such transactions (or prevent their occurrence), but may terminate the Registry Agreement in circumstances where ICANN withholds its consent to an assignment via change of control. ICANN acknowledges the concerns raised in the comments, and notes that the provision provides for the general parameters under which parties will seek consent to assignments, etc. A precise listing of each item or procedure that will be followed when analyzing requests is inappropriate as such listings and procedures are likely to evolve over time, as the marketplace develops and as ICANN and the registry community become accustomed to making and responding to such requests in a prudent manner.

Access to Registry Services (Section 7.1(a))

ICANN takes note of the comments raised regarding the new provision included in the .BIZ Registry Agreement to facilitate the transition of its registrars to the 2013 Registrar Accreditation Agreement approved by the ICANN Board. The new provision was included to help expand the benefits of the 2013 RAA.

Rights Protection Mechanisms

The .BIZ renewal proposal does not include a requirement to comply with the Uniform Rapid Suspension (URS) rights protection mechanism (RPMs). This RPM has so far only been approved in the context of new gTLDs. The URS is new and requires a "ramp-up" period before it is able to absorb the full workload of the entire gTLD namespace. Additionally, registrants have procured domain names in existing gTLDs with an understanding of the landscape of existing RPMs. New RPMs affect registrants, as well as registries and registrars. They should be introduced in existing gTLDs after a bottom-up community discussion.