MEETING MINUTES
Tuesday – July 16, 2019
12:30 p.m. – 2:00 p.m.

I. Call to Order and Roll Call

Craig Schwartz, Managing Director, noted the presence of a quorum and called the meeting of the fTLD Registry Services, LLC (“fTLD”) Board of Directors (“Board”) to order at approximately 12:30 p.m. (ET) on Tuesday July 16, 2019.

Roll was called, and the following Directors attended in person:

The following directors attended by phone:

The following individuals participated on behalf of fTLD’s auditor:

The following individuals participated on behalf of fTLD:

Craig Schwartz, Managing Director, fTLD
Barry Epstein, Controller, ABA
Tom Greco, VP and Senior Counsel, ABA
Andrew Schiff, fTLD
Heather Diaz, fTLD

Mr. Schwartz noted that Heather Hogsett has been designated as BPI’s additional representative to the Board and welcomed her to the meeting.

The meeting was turned over to the RSM team who walked the Board through the 2018 Financial Audit.
II. RSM Audit Presentation

Mr. Billig stated that, overall, the audit went very smoothly and then handed the discussion to Mr. Marconi who went through the detailed presentation. Key items discussed included an overview of the process followed and the highlights for 2018.

There were no new significant accounting policies adopted or changes to existing policies in FY 2018 and no unusual transactions took place. Mr. Epstein added that there would be a refund of DC Franchise tax paid in prior years resulting in almost a $400K refund.

Mr. Billig stated that 2018 was a great year for fTLD and Mr. Lisker thanked both the RSM team and Mr. Epstein's group for a job well done.

The Board was asked to approve the 2018 Audit Report as presented. Upon a Motion made and seconded, the Board unanimously approved the Report.

III. Consent Agenda

Approval of Minutes

After a brief discussion and upon a Motion made and seconded, the minutes from both the April 11, 2019 and June 4, 2019 Board meetings were unanimously approved.

IV. Discussion Topics

General Update

Mr. Schwartz asked if there were any questions with respect to the General Update memo that had been distributed to the Board on July 10. Hearing no specific questions, Mr. Schwartz reviewed several items in that memo. He explained that conversations were underway with both ICANN and Neustar to transition technical services from Verisign. The estimated transition dates are currently targeted for early December and the team will be keeping all stakeholders apprised throughout the process.

fTLD is considering allocation of generic names to community members via auction. As fTLD's Affirmation of Commitments requires we take into consideration input from the community through our Advisory Council, this consultation was conducted last month. The Council voted in favor of moving forward. fTLD will begin taking the steps to do so in the fall, first with .INSURANCE and at some future date with .BANK.

fTLD has successfully completed audits that had been pending with ICANN related to fTLD's identification of security threats (i.e., abuse such as pharming, phishing, malware, and botnets) in .BANK and .INSURANCE. No issues found and no further action required.
It also appears that ICANN may be ready to open another application period for new gTLDs in late 2020 or early 2021 and .BANK will want to consider how it might want to be involved in the process. This could include (1) applying for additional gTLDs (2) offering support services to those who apply and (3) the potential need to allocate budget to defend against those applications that are similar to our current domains (e.g., BANK). Ms. Pavich asked if we had any idea what domains might be made available. Mr. Schwarz indicated that we do not know at this point, but the rumors indicate it may be brands (which make little sense) but we should know more in six to eight months.

Marketing and Engagement

Mr. Schiff presented the update on marketing activities and described several new tools available to banks. These include an interactive map showing the location of banks with BANK websites, the bank migration timeline and the bank customer FAQ. The later two items are currently the two most popular links/resources on the .BANK website. Mr. Schiff noted a number of other activities underway to promote .BANK including a Banking Journal article planned for the September/October edition and conference attendance (including ABA Annual and FS-ISAC). Ms. Hogsett asked if there were a communications toolkit for banks and Mr. Schiff indicated that the current toolkit needs to be refreshed. Ms. Pavich thanked the staff for the map and timeline and asked if the information on the map was publicly available. Mr. Schwartz stated that it was, through zone files and the whois feature on .BANK's website.

Mr. Schwartz added that the Advisory Council has met several times from April to June and made recommendations on two items:

- Service Provider Eligibility, a topic for discussion and Board consideration later in today’s meeting.

- Allocation of Reserved Names via Auction as noted above.

Statistics

Mr. Schwartz briefly walked through the current statistics. BANK As of December 31, 2018, ~2,169 U.S. banks and ~379 international; 5,023 domains had been registered. As of June 30, 2019, the registrations were ~2,171 U.S. banks and
At the end of 2018 there were 439 activated domains (407 U.S. and 32 international). By the end of June 2019, the number was 483 (448 U.S. and 35 international) and fTLD is currently seeing several new banks activating per month.

With respect to renewals, through April the renewals are running at 93%. May and June are the largest renewal periods so we should have better insight by the end of August. fTLD should be on track to hit the 87.5% renewal rate set in the 2019 budget.

The overall statistics for .INSURANCE have not changed significantly during the December 31, 2018 to June 30, 2019 period (international registrations increased by five and total number of domains increased by nine). As reported at prior Board meetings, the team has not been investing significant marketing efforts with the .INSURANCE TLD and letting it "chart its own course." While .INSURANCE still remains a profitable aspect of fTLD's business, the vast majority of names are defensive registrations.

Consideration

The meeting was turned over to Ms. Diaz to discuss the proposed changes to fTLD's policy documents related to Service Provider eligibility. The Board was reminded that any changes to the policies require Board Approval, a public comment period and then ICANN approval. Ms. Diaz reviewed the proposed changes and asked if there were any questions. Mr. Angel congratulated the team for the great work they have done clarifying the eligibility requirements. Mr. Ross asked if these changes would have any impact on the 2019 budget. Ms. Diaz indicated that there would be no impact.

There being no further questions and upon a Motion made and seconded, the proposed policy changes for .BANK and .INSURANCE were unanimously approved.
Verisign technical services and totaled $218K. For comparison purposes, net revenue for this same period last year was $1.53M. 

Assets as of May 31, 2019 were $12.84M with $11.55M in cash. The majority of cash is now in a money market account earning a competitive interest rate. Accounts receivable of $1.08M were primarily registration fees due from Verisign, and these have subsequently been collected.

Total liabilities were $3.55M with deferred revenue representing $3.26M of this. Of this deferred amount approximately $1.48M of it will be recognized in FY’19.

Members’ equity was $9.29M as of May 31, 2019 compared to $6.37M a year earlier on this date. Total assets (cash) and members’ equity were reduced subsequent to the May 31, 2019 balance sheet date due to the board approved $3.0M distribution which occurred in June.

FtLD’s updated 2019 forecast shows a significant positive increase in net income compared to the original 2019 budget. Overall, the revised forecast projects $4.02M in cash receipts/receivables, $4.12M in gross recognized revenue, and a net income of $2.0M. The original budget was for a net income of $1.58M. Cash receipts, recognized revenue and revenue after variable expenses are all greater than the original budget due to a variety of reasons. We also expect a $172K positive variance in total expenses for 2019.

There being no comments, the Board was asked to accept the five-month financial report and updated forecast and upon a Motion made and seconded, the Board unanimously accepted the report.

V. Open Discussion

Mr. Ross asked about the investment strategy with respect to the cash accounts. Is there any thought being given to moving the assets that are currently in the money market accounts to longer term investments? Mr. Feeney agreed that this might make sense. Mr. Epstein indicated that he will look into longer term investment options and report back on his findings during the next Board meeting.

Mr. Lisker asked if there were any additional information regarding any plans for Truist to apply for and use a .BANK domain. There was no further news to report on this issue and Mr. Harrington noted that the banks are limited by the regulators on what they can say at this time.

VI. Adjournment

There being no further business Mr. Schwartz thanked everyone for their participation and reminded the Board that the next meeting would be by teleconference on October 10, 2019.

The meeting was adjourned at approximately 2:00 p.m. (ET).
Respectfully submitted,

Thomas J. Greco