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BRAD WHITE:

Hello and welcome to ICANN's quarterly stakeholder call. I'm Brad White, director of communications for North America. Today's call will last about 60 minutes, the agenda will be as follows. We'll get a President's overview for about 10 minutes, policy update for 10 minutes, management update for 15, financial update for about 10 minutes, and then we'll have a question and answer period for about 30 minutes.

Now as regards, that question and answer period, if you are on Adobe Connect, please type your question into the box labeled submit questions here. If you're on the phone, all you have to do is hit pound three, the operator will put you into the queue.

Let me note at this point that will this call is occurring in English, it is being simultaneously translated into five additional languages, French, Spanish, Arabic, Russian, and Portuguese. So if you are on one of those lines, same thing, just hit pound 3, you can ask your question, and then we will hear the English interpretation of your question.

Should we run out of time, if you have additional questions after this session ends, please send them to engagement at ICANN dot org. We do have a few questions that were submitted earlier, we'll get to those as time permits. This session is being recorded, and links to the presentation materials will be posted to our website in the resources section.

You can also find the link in the Adobe Connect box titled notes. Lastly, I would like to remind you to please mute your computer and phones.

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*Note: The following is the output resulting from transcribing an audio file into a word/text document. Although the transcription is largely accurate, in some cases may be incomplete or inaccurate due to inaudible passages and grammatical corrections. It is posted as an aid to the original audio file, but should not be treated as an authoritative record.*

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And with that, I will introduce ICANN President and CEO, Fadi Chehadé.  
Fadi?

FADI CHEHADÉ:

Thank you Brad. As a reminder, the purpose and rationale of the ICANN quarterly stakeholder call, is to provide a predictable and regular window into ICANN's activities, through a fact based update on progress, against our strategic objectives and our mission. This includes ICANN's role as coordinating body for names, numbers, and protocol parameters.

Our fiscal year runs from July 1<sup>st</sup> to June 30<sup>th</sup>. This quarterly call will focus on the fourth quarter of fiscal year 15, which just ended on the 30<sup>th</sup> of June, and I'm encouraged by the progress that has been made this year. Today, I'm going to provide you with a short overview of highlights from this last quarter, covering seven efforts. One, the beta KPI dashboard; two, strengthening operational performance and excellence; three, providing clarity around ICANN's contractual rule and remit; four, importance of the IANA stewardship transition in the context of maintaining the multistakeholder model by which ICANN operates; five, enhancing ICANN's accountability through a robust suit consistent review mechanisms; six, what we are doing to more fully enable and support the community and finally; seven, our focus on immersed participation, together with our partners, in the Internet governance ecosystem.

I am very pleased to say we anticipate launching the beta version of ICANN's key performance indicator dashboard, or KPI, on August 27<sup>th</sup>,

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which is the final piece in ICANN's planning cycle. This allows us to report on progress through the dashboard, and of course, these calls, and its part of the management discipline that we've been putting in place over the past year or so, in order to share this directly with you.

There are five objectives, 16 goals, and 28 identified KPIs in ICANN's five year operating plan, which is the same structure of the data KPI dashboard. The beta dashboard is an evolving process, and we want your input to help improve it. We are sharing this management tool with the public, in the spirit of transparency and accountability, so that anyone can see how ICANN is progressing against its operating plan.

Over time, our goal is to use this tool to monitor trends, and bring clarity to discussions. Now, moving on to ICANN's operational performance for the quarter, and reflecting of trends from the year. The FY 16 operating plan and budget was approved by the Board in June. In terms of financial for FY 15, we're finishing the year exactly as planned, with unaudited revenues slightly lower than expected, by 2 million, at 102 million, and operating expenses below revenue at 101 million, due to closed management of expenses.

The annual independent financial audit is currently underway to review financial year 15. ICANN's globalization efforts have also made headway during the year. Our Singapore office is now two years old, and in the fourth quarter, we've expanded the office. We are moving to a larger facility, and the three hubs will have longer lease terms, reaffirming our commitment to the globalization strategy.

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We've made progress on globalizing ICANN's functions. We have 70% of ICANN's functions now based in the Asia Pacific region, 90% in the Europe, Middle East, and Africa region, and of course, are fully staffed in the Americas and Caribbean. Since June 2013, our staff headcount has grown by 63%. However, in FY 15, as planned, we slowed this growth down considerably, and shifted our focus to developing our current staff, as demonstrated by only 34 new hires, or just 10%, in the year, primarily in Asia Pacific, Europe, Middle East, and Africa.

On cybersecurity. We continue to strengthen and enhance our security structures, and remain vigilant and alert. We'll address this in the management update later in the call. We've also conducted our first ICANN wide internal European Foundation for Quality Management Assessment, EFQM, which has identified improvements for the organization to adopt as part of the business excellence framework.

Now, I'll give an update on contractual compliance activities. The final year of the three year contractual compliance audit program has completed now, with a 96% compliance rate. Out of the 128 audited, two registrars were terminated during the request for information phases, and three registrars were terminated during the remediation phase.

Please refer to the published report for additional details. Another round of the new registry agreement audit was launched on the 23<sup>rd</sup> of March, for 11 top level domains. The audit program is in the remediation phase now. I am pleased to announce that ICANN finalized, and on-boarded, four new members of the pick DRP, the

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public interest commitment dispute resolution procedure standing panel, which now consists of seven individuals.

Turning now to an update on the IANA stewardship transition and enhancing ICANN's accountability. The community remains busy. It was been over 16 months since NTIA announced its transition, to transfer its stewardship of the IANA functions to ICANN and the global multistakeholder community. This historical announcement was long awaited, in a recognition of both ICANN's maturity and the international support for the multistakeholder processes.

Over the past months, enormous progress has been made by the community. With the IANA stewardship transition and enhancing ICANN accountability processes, reaching an incredible milestone. Both the IANA stewardship transition coordination group, ICG, and the cross community working group for accountability, have posted proposals for public comment for the transition of the stewardship of the IANA functions, to the global multistakeholder community.

These proposals are currently out for public comment. The comment on the IANA stewardship transition proposal ends on October 8<sup>th</sup>, and on 12<sup>th</sup> of September, pardon me, on September 8<sup>th</sup>, and on 12<sup>th</sup> of September for the enhancing ICANN accountability proposal. I am pleased that NTIA announced in response for the community's feedback, that it plans to extend the IANA functions contract with ICANN for only one year, expiring September 30<sup>th</sup>, 2016.

The global community has been making extensive and important progress on the IANA transition proposal, and the anticipated extension

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of the IANA functions contract is consistent with the work plan laid out months ago by the multistakeholder community.

This additional time is necessary for the community to complete its work, and for ICANN to implement the community's proposals. As we said many times, it is important to get this right, and we are glad the community has the additional year it needs.

We have made it a long way since March of last year, and we are on track. Now, we are nearly at the end of phase one, but we are not quite there yet. This slide shows that all that has been accomplished by the community in phase one. We are relying on this public comment period, to provide community input, and finalize the recommendations, for strong proposals that meet the criteria set out by NTIA to enable the transition.

ICANN staff and the community are working hard to raise awareness of the public comment periods, and to ensure that the ICG and CCWG on accountability have whatever support they need, to take these proposals over the finish line. As of now, the goal is to have both proposals, finalized, during or shortly after, ICANN 54 in Dublin, which will ensure, we are prepared for phase two, the NTIA review and evaluation.

Next I will talk about some of the programs and efforts in place to support our community. ICANN is committed to providing the tools, resources, and programs to support the community due to its important work. The Next Gen program remains strong, and we've seen 53 participate in FY 15, to engage ICANN with 18 to 30 year olds, both

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during and more broadly, after ICANN meetings. The Fellowship program has also been a success with 140 fellows during the year. And a record 446 applications for ICANN 54 in Dublin, 50 have been selected to participate.

These programs have seen us engage with new stakeholders, who are at the start with their relationship with ICANN, and help engage the next generation of the community. Our educational and academic outreach effort, focus on building a global audience that is knowledgeable about the wider Internet ecosystem through training, panel discussions, and learning platforms, including the successful ICANN Learn.

We are currently upgrading the ICANN Learn platform to allow for greater customization and individual personalization. Let's move on to my last topic, Internet governance. ICANN continues to participate in the world summit on information society, WSIS review process, in partnership with other Internet organizations. We presented, at the first consultation held at the UND, in July, and made a formal submission in coordination with the cross community working group on Internet governance.

We continued to have ongoing bilateral with officials in New York, and are working on preparations for the meeting in October. ICANN is also following the drafting process for the final document, working in collaboration with ICANN's sister technical organizations.

Preparations for the Internet governance forum in Brazil in November, are also ongoing, including the preparation for the multistakeholder advisory group meeting, the MAG, in September, and the sessions for

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the IGF itself. ICANN also continues to support and participate in many regional and national Internet governance forums.

For the NetMundial initiative, the inaugural council meeting was held in Sao Paulo on the 30<sup>th</sup> of June, and issued a communique. The link is here for your reference. It was a productive meeting that adopted terms of reference, endorsed the NetMundial solution's map, adopted governance and operational procedures, and electing five co-chairs, and finally, supporting the engagement from community project proposals.

And with that, I'll now hand over to David Olive for the policy update.

DAVID OLIVE:

Thank you Fadi. I am David Olive, ICANN's vice president for policy development support, and I will provide an update on this past quarter's policy development activities. As you may know, ICANN's policy development work relating to the technical coordination functions, are formed and refined by the ICANN community, through its three supporting organizations, and influenced by its four advisory committees, in a bottom up, multistakeholder, open and transparent process.

Other Internet policy and technical organizations are also involved in policy development. For example, the Internet Engineering Taskforce and the regional Internet registries. Today's policy update will cover four groups for a more complete picture of policy development activities: the generic names supporting organization, the country code names supporting organization, the number resource organization and

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address supporting organization, as well as the Internet engineering taskforce.

My colleague Adiel will talk to you about these last two groups a little later. Proceeding on to the generic name supporting organization, or GNSO, highlights are here on this slide. In addition to the topics listed, a significant milestone was reached on the IANA stewardship transition, with the unanimous council approval, of the final transition proposal of the cross community working group on naming related functions.

Furthermore, substantive work on enhancing ICANN's accountability is ongoing. In the fourth quarter, the council requested a preliminary issues report, the first step in a policy development process, to explore the new generic top level domains subsequent procedures. It also adopted the final report on the translation and transliteration of contact information done by that working group, and recommendations of the GNSO policy and implementation working group.

The generic name supporting organization currently has 14 active policy development processes under way, and at various stages of work, including the proxy and privacy services and their accreditation, and the use of curative rights mechanisms to protect the names of international governmental organizations and international non-governmental organizations.

This quarter also saw the implementation of the recommendations of the governmental advisory committee and generic names supporting organization consultation group, on early engagement in the policy

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development process and issues, and the extension of the council liaison to the governmental advisory committee.

Discussions continued with other supporting organization and advisory committees of ICANN, on a possible cross community working group to explore issues around the new generic top level domain auction proceeds, and ways to coordinate and plan for community activities under the format of the new ICANN meeting strategy, which will take effect in 2016.

This quarter also saw the publication for public comment of the initial report of the independent examiner to review the effectiveness of the operations of the generic names supporting organization, including certain recommendations. Turning now to the country code community in the fourth quarter, the IANA stewardship transition and ICANN accountability processes, also continued to be major focuses, as you can see on the highlights of this slide.

Because of the importance of these two processes, and in close cooperation with the regional country code top level domain organizations, critical efforts continued to reach out to and engage the entire country code community, including nonmembers of the country code naming support organization, in this decision process around the cross community working group stewardship proposal.

For example, in addition to all of the sessions on this topic, the ccNSO dedicated four session at their meeting in Buenos Aires to inform and discuss the final cross community working group stewardship proposal,

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which was then broadly supported by the country code top level community, present at ICANN 53 in Buenos Aires.

Recently in the last quarter, the council adopted the framework of interpretation, a key policy related process on how the management of a country code top level domain may be delegated or re-delegated, from one manager to another. In anticipation of the June 2015 Board resolution directing the staff to begin implementation, the council appointed the former chair and co-chair of this working group as an advisory team to assist staff in the implementation process when needed, and to inform the community on progress made.

In other areas, the ccNSO strategic and operational planning working group has been diligently working on its comments on ICANN's FY 2016 operation plan and budget. Finally, to follow up on a readiness issue, after the successful launch and implementation of a repository of contact details to allow email transmissions in readiness for potential security incident, the ccNSO council is creating a committee to oversee and guide further developments and use of this repository.

Now I will hand it over to Adiel Akplogan, vice president of technical engagement, to give you an update on behalf of the address supporting organization, the number resource organization, and the Internet engineering taskforce. Adiel?

ADIEL AKPLOGAN:

Thank you very much David. I will continue with the ITF and the [inaudible] activity updates. As you may know, the ITF has conducted its [inaudible] last month in [inaudible]. As usual, it was the opportunity

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for the Internet technology community to advance their work on Internet standards, and also explore new areas of interest.

As of [inaudible] meetings now, the ITF is getting more involved in coding through activities such as [hack a thon?]. The first formal edition took place during ITF 93. During that meeting, protocols are being implemented in real time during the [hack a thon], two days before the meeting. This [hack a thon] this year, future coding [inaudible] protocols, but also on new ones such as HTTP 2.0, [inaudible], DNSSEC, [inaudible] and many others.

Some topic on the discussion within the ITF community that maybe of interest to domain name community generally, are for instance, the [inaudible] discussion on special TLD as defined in the RFC 27 51. That RFC tried to define the framework of special use domain names, as we already have for IP address. You can follow the discussion on that in the ITF DNS working group mailing list.

Another interesting topic related to IDN is a ledger working group that has now been formed. That working group, it's aimed at [inaudible] the specifications for the string code points, and rules to be used in the root zone, when adding IDNs. The IANA [inaudible] is actively evolved in this initiative, and this is very good for the [inaudible] of the DNS system globally.

Following the release by the ICG of the dropped proposal, the idea as well in the IANA plan working group within the ITF are very busy working to review the document with a, first an interaction between the

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ITF and the [inaudible] stakeholders, to assure cohesion, but also continuous ability of the IANA function, which is key for ITF work.

On the ASO on the narrow side, I would just point out that the ASO has now selected a new representative to the ICANN Board, on six nine, [inaudible] has been selected. [Inaudible] before being selected was an ASO AC member, so he has been replaced in the SO AC by John [inaudible], from ARIN region. [Inaudible]... starts after ICANN 54 meeting in Dublin.

As we know, the area conducts their policy developments at the regional level, and currently there are more than 30 different policy under discussion by the five area communities. Two specifically on ASL management, one on DNS, nine related to IPv4 generally, one reviewing policy development process, three about regional scope of IP address usage, and finally, one area that is having a lot of attraction right now is the IPv4 transfer, and there is not less than 10 policy, all the discussion in that area.

You can read more about the area of policy development process and how you can participate from the list on the slide. A related topic that is keeping us all very busy these days, I mean the IANA stewardship transition. The second draft of the RIR and [inaudible] has now been published, and it is also for [public comment period] is open until August 31<sup>st</sup>.

The area have also announced recently the setup of the joint stability [inaudible] into which over 2.1 million US dollars have already been put in place, more about the [inaudible] can also be found on their website.

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Now we entering the last phase of the public policy meeting of the [inaudible], so they are all entering the last phase of this meeting, starting with APNIC 40, that is planned for September in Jakarta, Indonesia, followed by LACNIC 24 in [inaudible] in October, they are taking place respectively in Bogota, Columbia, in Montreal in Canada.

Then RIPE NCC with RIPE 71 and AfriNIC 33 will close the loop in November, with their meeting in Bucharest Romania and [inaudible] Congo. We still need to reach the community to join the area policy mailing lists, and participate also if possible, attend those upcoming meetings to make sure that there was [inaudible] when it comes to IP address management policy.

Thank you, and that concludes the policy updates for this call. I will now hand over to my colleague, David Conrad, who is the chief technology officer at ICANN. He will give manage of it. There is [inaudible].

DAVID CONRAD:

Thank you Adiel. This is David Conrad, and I'll be giving a brief management update, providing the current status of information and Internet technology at ICANN, offering a global domains division update, taking a look at the contractual compliance metrics for the quarter, and sharing some of our global stakeholder engagement efforts.

First, looking at efforts in ICANN's information technology department, in June we received a report as part of our annual security audit from [inaudible], an independent and leading security assessment services provider. [Inaudible] performed a recalibration of the ICANN cyber

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security environment, and against the baseline assessment held in FY 14, the results from this fiscal year shows that ICANN has improved its cyber security posture over the last fiscal year, solidifying ICANN's commitment to addressing this critical area.

When evaluated against the council on cyber security critical security controls, ICANN improved its security controls by over 20% compared to the previous year. However, we know there is still room for improvement to further safeguard ICANN from cyber security threats. Our security improvements are consistent with those being implemented at other industry leading organizations to deal with today's modern and every changing cyber landscape.

As you may have heard, recently the encrypted passwords used to access user profiles on ICANN's ICANN dot ORG website, were obtained by unauthorized person. While investigations are ongoing, the encrypted passwords appear to have been obtain as a result of unauthorized access via an external service provider.

To be clear, no operational or financial data, or IANA systems, were involved in this breach, and the encrypted passwords were not easy to reverse. However, as a precaution, we immediately recommended that all ICANN dot ORG users change their passwords. ICANN remains vigilant and alert to cyber security threats, and we continue to harden our cyber security posture through annual security audit assessments, testing, training for staff, and more.

To be better manage the digital services IT supports, we have created a master list that currently identifies 84 services that IT provides either

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internally or to the public. Information collected on each of these services, supports decision making on security, roadmap, and support issues. For example, encryption efforts focus on the services with the most sensitive data.

And some road map choices can focus on services we want to retire. With the service list in place, we reviewed the external facing services for environmental and data sensitivity, and have prioritized the effort to scan for security vulnerabilities, fix any vulnerabilities found, and certify those fixes.

We are using an independent third party service provided by a company named Citadel to perform a variety of scans on selected services, from external scans to manual cracking. As we make our way through each service, any identified issues are verified, fixed, and tested again, until we are confident we have significantly reduced our risk exposure.

Now let's look at the Internet technology update. In keeping with ICANN's decision to reinvigorate our focus on technology, we have grown the staff of the office of the CTO from two to six, bringing in experts in all three technology areas that ICANN helps coordinate, specifically names, numbers, and protocol parameters.

With the relocation of ICANN's security group headed by John Crain, to the office of the CTO, the technology focused side of ICANN has grown to 11, with a budget of 5.1 million US dollars for fiscal year 16. Projects currently underway in the office of the CTO include developing a plan for changing the DNSSEC key for the Internet's root zone, for which public comments begin on August 6<sup>th</sup>, evaluating the performance of

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home and small office routers and firewalls to DNS standards, working to understand how the DNS and addressing systems are evolving, supporting the technical implementation of the transition of the stewardship of the IANA functions, participating in various technical forums including the IETF, DNS ORC, IEEE, and others, and providing training on DNS, DNSSEC, global threat awareness, and response.

Looking to the future, you can expect to see the staff of ICANN's office of the CTO to engage deeply in technical matters related to the Internet system of unique identifiers. We are in the process of drafting a draft technology road map for ICANN that will be provided to the community for review and comment.

This road map is intended to help prepare ICANN for the evolution of the Internet's identifier technologies as well as how those identifiers will be used in the future. Speaking of how identifiers are used, we'll now turn to ICANN's compliance department. In this slide, you can see the ticket volumes that reflect complaints submitted to ICANN by third parties, or generated as a result of ICANN monitoring.

The goal of the compliance department is to bring the contracted parties into compliance with their agreements, as you can see in this chart, in Q4 ICANN processed and posed approximately 14,000 complaints in under 12 days. This processing time is up by 1.2% from Q3, due to increased volume and complexity of the issues being identified.

However, throughout this fiscal year, ICANN closed 99% of complaints in under 12 days. I'll now give an update on several activities under the

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global domains division. In the fourth quarter, new gTLD delegation crossed the 50% mark. The number of potential gTLD strings as of 30 June 2015, was 1,277. And the total number delegated by that date was 679.

Of these, 328 were delegated over the course of FY 15, and 101 were delegated in Q4. By the end of the quarter, 995 new gTLD registry agreements had been signed. Of these, 540 were signed over the course of FY 15, and 123 were signed in Q4.

As you may know, ICANN executes one registry agreement for each string. In some cases, multiple applicants applied to operate the same string or strings that were considered confusingly similar. We call these groups of strings contention sets. ICANN encourages applicants in this situation to resolve string contention among themselves, and the majority have done so.

In cases where self-resolution is not possible, ICANN holds an auction to resolve the contention. By the end of FY 15, 204 of the 233 contention sets had been resolved, of which only 13 were resolved through an ICANN last resort auction. The net proceeds from these auctions totaled approximately 58.8 million US dollars, and these funds are currently segregated and reserved from use, as you will see in the financial update later in this call.

At ICANN 53, the community and Board of directors open discussions about the process for deciding how auction funds could be used, and those discussions are ongoing. Now that the new gTLD program has surpassed its midway point, the ICANN community is focusing attention

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on reviewing the program against its original goals, and in particular, according to four key topics: right protection, program implementation, security and stability, and competition, consumer choice, and consumer trust.

ICANN also published the first global consumer study on the domain name system, to serve as a baseline for ongoing competition, choice, and trust reviews. And that study is available on ICANN's website. Now I'd like to discuss progress related to internationalized domain names. Internationalized domain names, or IDNs, enable users across the world to navigate the web in their preferred language.

Efforts under the IDN top level domain program are focused on developing rules that determine how non-ASCII TLD names, or labels, can be constructed and used in the domain name system. Each script or writing system requires its own rules, known as label generation rules, during the fourth quarter, a key milestone is reached, the Arabic and Armenian script communities completed work on their respective label generation rules.

These rules, in the first step have been completed, pave the way for the release of the first version of the label generation rule set for IDNs at the top level. There are 28 scripts currently considered relevant for use in the Internet's root, and the community is developing a process to accelerate approval of IDNs in order to support countries in building an online presence in their native languages.

To date, 37 countries and territories have requested evaluation of IDN ccTLDs, and 47 labels have been successfully announced through the

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IDN country code top level domain process. Some countries and territories have requested that labels in multiple scripts be evaluated, which accounts for the difference between the number of labels in relation to the number of countries and territories that have submitted requests.

Greece is the most recent addition to this list. The creation of internationalized top level domains is only one part of the efforts underway to arrive at a multilingual Internet. These new domains must also function in Internet applications and services, and today, many of them do not. This is where universal acceptance comes in.

Even as IDNs are being deployed, there is a problem in the Internet infrastructure that is impeding the use of those domains, specifically, some software and other systems are unable to accept IDNS. To address this, ICANN is supporting a community web initiative aimed at achieving universal acceptance.

Universal acceptance means that users globally can access any name in any top level domain from any web browser, email client, or other Internet application. During the fourth quarter, the universal acceptance steering group elected leaders for each of its four work streams, and established a charter. The group also produced an executive briefing paper that described the concept of universal acceptance ready, and identified email address internationalization, as the biggest challenge to achieving success.

Now, let's move on to the IANA department. ICANN's IANA department is responsible for maintaining registries of globally unique identifiers,

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such as the domain name system root, top level blocks of Internet protocol addresses, and other Internet protocol parameters. This responsibility includes processing requests to update top level domains, and protocol parameter registries, performing numbered resource allocations to regional Internet registries, and handling general inquiries.

Looking at the IANA tickets from a year on year perspective, you can see that there were four numbered resource allocations to regional Internet registries in FY 14, and there were six allocations in FY 15, two of which were from the fourth quarter. The demand for top level Internet number allocations is typically low, and the slight increase in events of FY 15 is within the norm.

The IANA team processes thousands of protocol parameter tickets annually, but the year on year difference was a mere two tickets. In the fourth quarter, there were 1,055 requests, similarly, the number of general requests remain close over these two years, with 1,117 tickets processed in FY 14, and 1,165 tickets processed in FY 15, a difference of only 48 requests.

Domain name requests, on the other hand, nearly doubled over the last two fiscal years. In FY 14, there were only 837 requests related to domain names, while in FY 15, there were 1,586 requests of which, 656 occurred in the 4<sup>th</sup> quarter. The increase was primarily due to the continued roll out of the new gTLD program, and we expect the number of domain names related requests to increase in correlation with the increasing number of top level domains in the root.

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Now, let's look at how the customer service center has been performing. General trends over FY 15 demonstrated that ICANN's customer service support is improving, looking at case volume trending, ICANN opened a large quantity of cases to manage a mass communication with new gTLD applicants and registries.

While a majority of cases opened by the customers were resolved, the communications effort extending beyond the end of the quarter. In cases associated with that communication remained opened. This is reflected in the case backlog, and during the last quarter there was a sharp increase in unresolved cases, resulting from the mass communication.

On status frequency, our goal was to respond to queries within seven days on 80% of the cases. We are exceeding our goal by providing updates on over 80% of cases in fewer than seven days. Progress has also been made in meeting resolution time targets. We are resolving over 80% of cases within approximately six days.

Now let's take a look at how ICANN has engaged with the stakeholders. Globalizing ICANN and engaging with stakeholders worldwide is a core part of ICANN's strategy. This slide shows some of these engagement efforts and in the fourth quarter, ICANN held over 100 events in over 35 countries reaching an estimated audience of over 13,000 people. The slide also shows a breakdown by region and by stakeholder group.

For example, the Asia Pacific region held 20 events focused on governmental engagement. Note that many of ICANN's events have multiple stakeholder groups, so the same event may be counted more

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than once. These engagement efforts help build relationships and regular dialogue with stakeholders.

They also encourage participation in ICANN's processes and structures. You can learn more by looking at the global stakeholder engagement recording Wiki page.

That concludes the management update section of this quarterly call. And I'll now hand over to Xavier, ICANN's CFO to talk about ICANN's financials.

XAVIER CALVEZ:

Thank you David. As Fadi indicated earlier, our fiscal year 2015 closed at the end of June. I will therefore present financial information for the full fiscal year, which ran from July 2014 to June 2015. The information presented includes actual data compared to budget, starting with information on ICANN's operations revenue, followed by a review of expenses. We will then provide an overview of the new gTLD program, and we'll conclude with a status of the funds under management.

Our annual independent audit on the FY 15 financial statements is currently in progress. Therefore, all financial information presented here remains unaudited, and subject to change until the audit is completed in the next few weeks.

We will now describe our main revenue sources. ICANN's revenue results mainly from two drivers. First, on the left, the number of domain name registrations; and second, on the right, the number of

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parties under contract with ICANN. Both drivers remain outside of the control of ICANN.

The number of domain name registrations on the left, drives the transaction based fees representing 74% of our revenue, and collected from registrants through registries and registrars. If you are the registrant of a domain name, this is the one year ICANN annual fee of 18 to 25 cents that you can see on the invoice you receive from your registrar.

On the right, the number of contracted parties drives various fixed fees, representing 22% of revenues. One example is the accreditation fee of \$4,000 paid annually to ICANN by each registrar. The other income, consisting of contributions and sponsorships, represents the last 4% of ICANN's revenue.

We will now compare these revenue sources to the FY 15 budget. As anticipated, our final revenue for FY 15 is slightly under budget at 102 million, in consistent with the outlook that we shared in April during the last quarterly stakeholder call. By category, the registry and registrar transaction based fees are overall consistent with budget, both with less than 2% deviation.

The trend of lower registry fixed fees then budget, continuing since the beginning of the fiscal year, amounts to 5 million after 12 months. As indicated over the past three quarterly calls, this is the result of the slower delegation than planned of new top level domains. The other registrar fees are above budget, as a result of the unbudgeted one time fees resulting from approximately 450 new registrar accreditations.

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The other income is slightly under budget, mainly due to lower sponsorship revenues at ICANN meetings. Let's now review our expenses for the ICANN operations. As you can see, our main category of expenses is personal costs, corresponding to an average head count of 293 staff members during the course of FY 15, representing 45% of our total expenses.

Travel and meeting costs include the costs of travel, lodging, and venue rental for the three annual ICANN meetings. The top three professional services cost categories are first, the contracted services supporting the three annual ICANN meetings; second, legal fees; and third, language services for transcription, translation, and interpretation.

Administration costs include primarily facilities costs for all ICANN locations, asset depreciation, and network and telecommunication costs. Let's now look at how these expenses compare to budget.

The underspend trend observed throughout the fiscal year, is confirmed during the fourth quarter. Total expenses, combining both operating and capital spent, amounted to a total of 105 million, compared to a budget of 109 million, resulting in a favorable variance of four million after 12 months.

As we had identified early in the year, the risk of lower revenue than budget, we had immediately initiated actions to reduce our rate of spending below budget levels, in order to ensure that our annual expenses remain below forecasted revenue by the end of the year. We will review how revenue compares to expenses later in this presentation.

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For now, let's review the expenses driven by the USG stewardship transition approved initiative. The run rate of expenses of the USG stewardship transition initiative has, as expected, increased significantly through the second half of the fiscal year, culminating to a total spend of nearly 9 million for FY 15.

This amount exceeds the original budgeted envelope of 7 million. The primary driver of this higher spend is the independent legal advice supporting the community working groups for 3.1 million, which was not originally contemplated in the budget. The entire amount of the USG stewardship transition expenses is funded by the ICANN reserve fund.

Let's now look at how our revenue and expenses net out for FY 15. Overall, ICANN operations revenue and expenses are balanced across baseline expenses and initiative expenses, with lower revenues, as we saw earlier, and higher initiatives expenses being fully offset by lower baseline expenses.

FY 15 therefore shows balanced revenue and expenses, as originally planned, demonstrated our ability to conduct ICANN's mission, and adapt our activities to adverse circumstances, in order to remain fiscally responsible. Let's now look ahead at FY 16.

The FY 16 budget, approved in June 2015 during ICANN 53 in Buenos Aires, shows an increase in revenue, and expenses, year on year, leaving the ICANN baseline operations at a planned breakeven point. Approved initiatives of 12 million in FY 16 include the conclusion of the US stewardship transition project, as well as the implantation of the

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resulting proposals, once approved by the Board, and also other initiatives, like the IT infrastructure strengthening, and the public responsibility initiative.

We will now review the financial information relative to the new gTLD program. The new gTLD program is a 360 million, multi-year program to create new top level domains. The program is fully funded through the application fees collected in 2012. After three years of evaluation and delegation work from FY 13 to FY 15, over 200 million has been spent to process applications evaluation, and to refund withdrawn applications.

Approximately 70 million of further evaluation expenses and refunds are expected to be processed through the remainder of the program, leaving an estimated 89 million of remaining funds to cover for future unexpected expenses, including risk mitigation. We will now focus on the programs information for FY 15.

Confirming the trend of the previous FY 15 quarters, expenses are consistent with budget and total with some variances by category. Notably, the refunds for withdrawn applications amount to 18 million, while a total of 10 million was budgeted for the year. This higher number of refunds is mainly driven by a different timing of withdraws, compared to the multi-year plan, driven by the earlier resolution of contentions between similar applications.

Let's now look at the status of the funds under our management. The program related funds, on the left, include the new gTLD program funds, and the proceeds of options. As you can see, the proceeds of options have increased during the fiscal year 15 as a result of the

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auctions held. The new gTLD funds decreased as the result of the evaluation expenses incurred in the application withdraws refunded.

The ICANN operations funds, on the right, reflect a slight increase of the operating fund, and stable reserve fund. This concludes the financial presentation, and I would like to hand it back to Brad who will moderate the question and answer session.

BRAD WHITE:

Thank you very much Xavier. The questions are coming in. I will voice each of these questions as they come in, so that people who are doing audio only can hear the questions that we're getting online, and some of those that were submitted earlier.

Adiel, the first question is to you from Anne [inaudible], what is the role of the IETF trust?

ADIEL AKPLOGAN:

Thank you Brad. The IETF trust has been set up to maintain licensing, [inaudible], existing, and future [inaudible] and other property used in connection with the intended process. More information on that can be found on the IETF website, IETF dot ORG. I will pass the link on the chat room.

But I know that the IETF trust has come up several times in the discussion on the IANA transition. This discussion is still ongoing, and I will really encourage people to follow the discussion at the community level on that. I will pass the link to the full description of the IETF trust on the chat room now. Thanks.

BRAD WHITE:

Thank you Adiel. The next question is from John Poole, it's directed to [Akrim]. What data or metrics is ICANN capturing or measuring about new gTLDs universal acceptance issues? I.e., new gTLD domain names failing to work as expected on the Internet, and reportedly breaking stuff. Is this data being captured on an ongoing basis? Will the data or metrics be published so the global Internet community and domain name registrants may be advised of defect issues related to ICANN's new gTLDs domain names?

[AKRIM]:

Thank you Brand, and thank you John for the question. Universal acceptance is a very important issue for ICANN, and although we don't have access to this data that you're suggesting, we are working on universal acceptance. The community actually has had multiple meetings, and they're working on developing mitigation issues to the universal acceptance.

And you can join those meetings and participate in them. The important thing here is that we understand that there could be some issues there. They're not ICANN issues in the sense that all of the new gTLDs resolve at the root, but we understand that there might be some issues, software tools and different issues within the network.

So we have commissioned a study to look into the issue, so that we can definitely understand where these defects are happening, and to supplement the community's work and provide this information so we

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can work on it all together. I will defer to our CTO, David Conrad, who will share a little bit more information about the study. Thank you.

BRAD WHITE:

Thank you [Akrim]. This next question is from [inaudible], who is an ICANN fellow from Pakistan. Fadi, it's directed to you. After the NTIA's recent announcement with plans to extend IANA contract with ICANN for one year until September 30<sup>th</sup> of next year, the update also mentions that beyond 2016, NTIA has the option to extend the contract for up to three additional years if needed.

Do you think the transition process will be completed by September 2016? Or do you see a contract being fully extended further? Thank you.

FADI CHEHADÉ:

Thank you [inaudible] for the question. And before I answer you, I'm just going to ask my colleague, David Conrad, to finish the full answer to the full prior question, as [Akrim] was handing to him for a little more detail. David?

DAVID CONRAD:

Yeah, this is David Conrad. ICANN worked with APNIC in the development of a study that actually looks at how accepted these new gTLDs are across the entire spectrum of the new gTLD program. What we did with APNIC is used their infrastructure that they've developed for testing to have browsers issue DNS queries, using the new gTLD domain names as targets, and see how many of those actually resolved.

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We, in conjunction with APNIC, prepared a report that was released through the universal acceptance steering group, and I will provide a link to that report in the chat. We also plan on working with APNIC in the future to try to repeat this study, to see how the universal acceptance is improving or degrading over time, to try to get a handle on how well the new gTLD program is being accepted within Internet applications as a whole. Thank you.

FADI CHEHADÉ:

Thank you David. Back to [inaudible] here. The short answer to your question is that we have every expectation, based on community input, that we will not need any additional time beyond September 2016. In fact, as you recall, the US government had asked our community leaders to come back to them with estimates as to when do they think they would complete the implementation of the proposals.

And those estimates came back to the US government pointing to the timeframe of June/July of 2016, and the US government, in order to be cautious and give us a little more time if needed, opted for giving us the full year. And I think this is a very wise approach. It gives us an extra buffer of a few months to get things done within the September 2016 timeframe, which has, I'm sure you are aware, is just a little bit before the next US president is elected, which I think would be a good thing, not because we have any concerns about the changing elections, but frankly, it's uncertainty that we, all of us, should be cautious about.

I also would like to emphasize that the timeline is driven by the community. Not by me, not by ICANN, not by the Board, this is

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community work. And of course, as I'm sure you've been watching, this is complex work. It involves a lot of stakeholders, and a lot of consultation. And as I noted earlier, it is very important we all participate in these public comment periods.

Finally I just would like to say that the risk to this timeline is in our hands. In other words, if we over complicate all the things that we need to do in order to satisfy the criteria set by the US government, then frankly it would be something of our own doing right now. So, I caution all of us to be cognizant of the time, this is not a lot of time left, and we have to, as some community leaders have been voicing on many lists recently, we have to focus on the minimum necessary, so that we can meet the criteria and pass into this very important next phase. Thank you.

BRAD WHITE:

Thank you Fadi. We have a question from Jim Pentagrass. Xavier, this is for you. The unexpected one time registrar fees, 450 new accreditations, how many of these are unique new registrars, as opposed to from the same family of registrar?

XAVIER CALVEZ:

Thank you Brad and thank you Jim for the question. I do not have the exact, precise numbers that break down the 415 new accreditations, but the majority of that number is made up by two large families of registrars, and the remainder are individual, independent registrar accreditations. So we will retrieve the precise numbers and communicate them at a later stage. Thank you.

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BRAD WHITE: Thank you Xavier. [Akrim] we have a question from you from Ivan [inaudible], I think it is. ICANN domain name markets are coming into increasing political and regulatory pressure, as ICANN considered a global industry, self-regulatory organization, as a way to preempt this pressure?

[AKRIM]: Thank you for the question. It's important to understand that ICANN is not a regulatory body, and therefore with our remit, does not include that role, maybe it would be a good positive move, I don't know, but we have not been considering this. I think if the community wants to do something on its own, that's up to the community to decide, the contracted parties, they can decide if they want to do something on their own. Thank you.

BRAD WHITE: Thank you [Akrim]. Fadi, we have a question for you from Nancy [Skola] in Washington, D.C. Can Mr. Chehadé talk a bit more about the impact of the 2016 US presidential election on the NTIA transition? In that same vein, how does the fact that he'll be leaving before then effect the transition process?

FADI CHEHADÉ: Thank you Ms. [Skola]. I do not believe that the change, or potential change, of leadership in the US White House is going to have a direct impact on our work. And this is largely because we have achieved

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almost complete consensus in Washington on the importance of this transition, and its value for the world, for the Internet, and frankly also for the US.

This consensus that has come together between parties, between different parts of the US government, is really what gives us the comfort that the presidential election itself is not a factor that can change what we're working on here.

And I think the US government has demonstrated over many years, its deep and unwavering commitment for the multistakeholder model, and this is not the time anyone in the US government will change its position, and will not fully embrace and respect the amazing work, simply amazing work, that the multistakeholder community has been doing to prepare for this transition.

Now, having said that, it's important to note that in any capital in the world, there is just so much oxygen for issues. And as we enter the presidential election phase, political oxygen, and attention and time, starts shifting to the election process. So now that we have the leaders of the US NTIA, the Secretary of Commerce, Penny Pritzker, who came herself to our meeting, and confirmed her commitment to the transition.

We have the White House leadership committed to the transition. We have Congressional leaders on both sides of the House, as well as both parties, very much aligned with us, all that political work has already been done and we have very good understanding of the transition.

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So we have a lot of things aligned, and therefore we should be cognizant that as all of these things are aligned, the community, the leadership, the political positions in Washington, and finally, the political positions outside of Washington. We have never seen an alignment of countries like Brazil, China, and most recently, India, with ICANN and its mission and the multistakeholder model. We've never seen that before.

So this is a moment in history, and I think our community is aware of that, and I think we will be successful together. I am not central to this, so I know you bring up my departure date, this is not about me. This is about the incredible work that all of us have done together. Yes, I have been a member and a partner with all of us here in getting this further, but my departure from my role at ICANN does not mean I am leaving this important space, that I have come to love and respect and the community I know here.

So I am committed to finish the job, and I do think that if our work continues on pace, sometime by the date of my departure, plus or minus a couple of months, we would have finished phase two, which we outlined as the phase when all the political work is done, and we have passed all the approvals in Washington, at which point, what is left with the implementation.

So my hope is that all of this comes to fruition, I'm here, and I'm committed, and we have a great team of people that will finish this job.

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BRAD WHITE: Thank you Fadi. We have a final question for David Conrad. Can you talk more about the technology road map that is a current work in progress? What will it address? What's the overall timeframe for this roadmap?

DAVID CONRAD: Thank you for the question. The technology roadmap that is being developed within my group, is primarily aimed at identifying those areas in which the Internet system of unique identifiers will most likely evolve, and to ensure that ICANN is able to track that evolution, and keep the ICANN community informed and up to date with regards to changes within the use and technologies associated with those identifiers.

The overall timeframe that we'll be looking at for the road map corresponds with the timeframe associated with our strategic plan that is on the order of five years. As I'm sure you're aware, Internet technologies tend to change fairly rapidly. Five years is a very long time in Internet time, but we figured that sort of focusing on that as a time horizon would be a good way to keep the community informed. Thank you.

BRAD WHITE: Thank you David. We have no more questions in the queue, so we're going to wrap this up. I will toss it over to Fadi for any closing comments that he might have. Fadi?

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FADI CHEHADÉ:

Thank you very much, especially to all of you who attended this quarterly stakeholder call. As you all know, this is simply one way for us to confirm and reaffirm our commitment for transparency, accountability, and making sure that the entire community is with us every step of the way, as we perform this missionary work here at ICANN, to serve the Internet and to serve our community.

We are at a good place today at ICANN, and as the quarterly stakeholder calls, as well as the KPI, key performance indicator dashboards, which will be released in a beta version later this month, these are just mechanisms for all of us to stay aligned, and to make sure that the performance we deliver is what you want us to deliver.

So please, do stay very alert with us, so that we can perform and deliver on this mission the way you want us to and the way this Internet and this mission deserves. Thank you again to all of the community members who give without count, enormous time and commitment to the ICANN mission. That the work that you have been doing and you continue to do, is really testament to the importance of this mission, and we thank you for that.

BRAD WHITE:

Again, thank you all, and with that, we'll...

**[END OF TRANSCRIPTION]**