

BRAD WHITE:

Good day or good evening, depending on where you are in the world. I'd like to welcome you to ICANN's second quarterly stakeholder call. My name is Brad White. I'm ICANN's Director of Communications for North America.

This call is very much patterned after for-profit quarterly shareholder calls. We of course don't have shareholders, but we have many stakeholders around the globe and this is our way of informing them in very factual terms what is happening within the organization.

In just a few minutes, I'll turn it over to our CEO, Fadi Chehadé, who is here in Los Angeles along with some of our global leadership team. Fadi will kick things off with a brief presentation, and then introduce some key ICANN executives who will also give brief presentations.

Following that, we will take your questions. So if, during the presentations, a question comes to mind, please jot it down and you can ask it during the Q&A portion at the end. There are two ways to ask a question. One is online where you can post a question in the Q&A box. The other is, of course, to ask your question via phone.

Let me point out at this point that while this call is occurring in English, it is being simultaneously translated into six additional languages: French, Arabic, Russian, Spanish, Portuguese, and Chinese. If you are on the phone and you have a question, please hit #3 to unmute your phone. Give the conference operator your name, who if anyone you are representing, the city and the country you're calling from. We will introduce you by name. You can ask your question. If you are one of the

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non-English lines, one of our translators will simultaneously interpret your question into English. Once a question has been asked, we'll ask the appropriate subject-matter expert to address your question.

A couple of final notes. Please be brief. This is really not the right time to jump on a soapbox. There are plenty of other ways to express your feelings about any of the issues and initiatives that we'll be discussing today. We're really far more interested in answering any questions you may have. There are a lot of people online on the phone and we want to hear from as many as possible in the limited time that we have. There's a good chance we won't get to every question that is raised, given the limited time period, but even if we don't get to your question, it will be posted to the ICANN website along with a response.

With that, allow me to introduce ICANN's President and CEO, Fadi Chehadé.

FADI CHEHADÉ:

Thank you, Brad. 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.

As many of you know, our fiscal year runs from July 1<sup>st</sup> to June 30<sup>th</sup>. This quarterly call will focus on the second quarter of fiscal year 2015, which is October 1<sup>st</sup> to December 31<sup>st</sup>.

I am encouraged by what everyone here at ICANN is doing, the great progress we're making against the operating plan. So today I'm going to provide you with a short overview of highlights from this last quarter covering six efforts.

First, strengthening operational performance and excellence. Second, providing clarity around ICANN's contractual compliance role and remit. Third, importance of the IANA stewardship transition and the context of maintaining the multi-stakeholder model by which ICANN operates. And fourth, enhancing ICANN's accountability through a robust suite of consistent review mechanisms. Fifth, what we are doing to more fully enable and support our community. And finally, our focus on immersed participation together with our partners in the Internet governance ecosystem.

So let me start. We posted our first draft five-year operating plan building on our five-year strategic plan for public comment. The focus here is gathering substantial input from the stakeholders and offering meaningful responses to these comments.

On the finance side, the forecast are favorable. Halfway through the current fiscal year with revenues slightly higher and expenses slightly lower than budget. Trending differences and the budget offset each year and I will let our CFO speak more to this a bit later as we look forward to a solid year-end close.

We've recently published a response to the Cross-Community Working Group on Enhancing ICANN's Accountability, disclosing the 33 enterprise risks we are actively tracking. This is the first time we've

shared an extensive list of risks that we are monitoring. These are in no particular order and periodically reviewed to keep current. I encourage you to read this document. Actively reviewing and mitigating these risks will ultimately help us bolster the operational excellence and effectiveness of ICANN.

In late November we experienced a spear-phishing attack, and it was handled swiftly and precisely. Sally Costerton will talk more about our cybersecurity efforts later on this call. I want to assure you that this attack, due to our existing security measures, was limited to non-critical systems and did not reach those for managing our IANA functions. Our heightened security measures to protect the critical systems including IANA actually worked very well, and the attackers were not able to go beyond our less critical systems.

Nonetheless, we are continuously strengthening and revising our security structures. We learned from this experience and increased vigilance and preparedness.

ICANN's years of fast-paced growth are behind us at this point. We are now focused on stabilizing the staff population and investing in training and instilling a deep understanding of ICANN's mission, the multi-stakeholder model and stakeholder processes. This will ensure smooth succession and continuity to operations rather than a focus on continuous growth.

And finally, in December we strengthened management decision-making processes across ICANN to yield faster service to the

community and to enhance the cross-departmental cooperation often needed to make decisions more efficiently.

Efforts to empower our employees and our executives will over time result in prompt decision making at ICANN so we may serve you, our community, better. This also supports a more cohesive executive management group regardless of departmental lines to streamline collective delivery of ICANN's mission.

We are in the third year of our Contractual Compliance Audit Program and have recently completed an audit of a representative sample of new gTLD registries to determine whether they are complying with the terms of their contracts, and if we identify deficiencies, to work with them to bring them into compliance.

Within the community, there are divergent views regarding interpretation of key contract provisions. Compliance is working to provide greater clarity to contracted parties and to the community on the scope and limitations of ICANN's contractual and enforcement rights.

In areas that are beyond the scope of our contractual rights, we are working to coordinate and cooperate with others in the community to facilitate consumer protection and safeguards. By doing so, we advance our mission to protect the public interest, but remain cognizant that ICANN's remit is limited and that we must be cautious not to overstep our authority.

The IANA functions stewardship transition is the ICANN community's top priority, enlisting many from throughout the community in creation

of a transition proposal with inputs from an expanding and increasingly interested global community.

The community has been working very hard, with a great number of people, all of them volunteers, invested in this critical work. 550 people from 70 countries have in the last few months spent countless hours in meetings and diverted a great deal of energy towards ensuring that a true bottom-up, global, community-led proposal is prepared in response to the US government call.

The message is clear: our global community, including leading members from business, civil society, and government are all fully engaged to ensure this proposal is ready and well prepared. There has been much community discussion on the proposals so far. A great deal of progress will be made on this work at the upcoming ICANN 52 meeting in Singapore.

This process will take some time. It's far more important that we get this right than rush to get it in for the September target date. The NTIA has clearly said there is no "partial transition", so we must do it right. The global community is working hard, and I believe we're tracking to schedule.

A highly interdependent process addressing ICANN's accountability in light of its changing historical relationship with the US government is now launched as well. To be clear, ICANN already has multiple and longstanding accountability mechanisms, but it's important to consider which ones can be strengthened or if there are gaps in accountability.

The Cross-Community Working Group on Enhancing ICANN Accountability held a face-to-face meeting in Frankfurt focusing on what areas must be addressed with regards to accountability in light of ICANN's changing historical relationship with the US Government. This group comprises community members and global governance experts. They are on track to ensure that we continue to strengthen ICANN's accountability across the board

Since its inception ICANN, has been focused on accountability and transparency. In that spirit we have an extensive suite of reviews to strengthen our accountability and commitment to the community.

I will take a moment here to walk you through existing accountability mechanisms which ICANN has served and used in the past and continue to use. We should know that there are three categories of reviews.

First, organizational reviews, which look at ICANN structures and are mandated in our bylaws. Second, reviews of the four key objectives of the Affirmation of Commitments.

More recently, I am pleased to report that the recommendations coming out of the second Accountability and Transparency Review Team, known as ATRT-2 are progressing well, and we've recently published an update on the progress of each of the 12 recommendations and where we are with them. I encourage you to read this and provide us feedback.

And finally, other reviews not mandated by the bylaws or part of the Affirmation of Commitments that are undertaken in order to enhance responsiveness and effectiveness of all of ICANN.

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All of this is possible because of our incredibly dedicated ICANN community. Let me review a few of the enablers we've put in place in the last quarter to support and strengthen the good work of this community.

We have heard many of you when you say there is a lot going on in the community, and it's often hard to keep track of what's happening, when or where we are in a particular process. It is true we do have a lot of work before us, and I can personally attest to that. But we're making incremental improvements to help address planning and help clarify in advance when community input is needed on what.

Now, I cannot make promises on the volume of work. The community has a very important role to play and an agenda that is filled, but I can affirm that ICANN staff are committed to supporting the community through tools, programs, and resources. You can see some of the highlights here.

A planning calendar is in place to help you prioritize where you want to direct your valuable volunteer time. We're piloting a project to deliver onboarding solutions for working group memberships. We've implemented a more streamlined public comment period tool. Our Fellowship Program is growing so that we can fill the ranks with 50 candidates selected from 37 countries for ICANN 52 – of 219 applications received, by the way. ICANN Learn, our online learning platform, now is up to 1,500 active users per month delivering thousands of lessons to help our community get ready for the work upon us.



Now turning to my final slide, on internet governance. In the last twelve months we have energized global Internet governance debates and initiatives. Now we have consciously decided to remain engaged and lead when necessary but primarily to participate on an equal footing with all of our partners given the momentum that has been created. This was evidenced in Busan for the International Telecommunications Union Plenipotentiary where we chose to have ISOC lead the technical community's activities on the ground, which has yielded very positive results.

Preparations are also underway for the World Summit on the Information Society and the United Nations General Assembly this year. This is a critical moment for the community and Internet governance agenda as these events will review whether the IGF (the Internet Governance Forum) has met its mandate in support of the multi-stakeholder approach to Internet governance and should be extended as-is or modified. We are also maintaining focused engagement with UN missions and UN agencies in New York and Geneva on the topic.

In December we announced an additional donation of \$50,000 to the Internet Governance Forum Support Association (IGFSA) as part of our larger commitment of \$330,000 for the IGF. The continued success of the Internet depends on forums like the IGF and its multi-stakeholder approach, and we will continue to support this very important effort.

And with that, I'd like to hand it over to David Olive for the policy update.

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DAVID OLIVE:

Thank you, Fadi. I am David Olive, ICANN's Vice President for Policy Development Support and speaking with you today from ICANN's regional hub in Istanbul. 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 four advisory committees, in a bottom-up multi-stakeholder, open and transparent process.

Other Internet policy and technical organizations are also involved in policy development work. For example, the Internet Engineering Task Force and the regional Internet registries.

The policy update today will cover the Generic Names Supporting Organization, the country-code Names Supporting Organization, the Numbers Resource Organization and Address Supporting Organization, as well as the Internet Engineering Task Force, for a more complete picture of policy development activities

We see the Generic Names Supporting Organization highlights on this slide. Substantial work on the IANA stewardship transition is ongoing. In this period, the Council initiated new areas of work, chartering two cross community working groups – one on enhancing ICANN Accountability and another on Internet Governance.

The Council has engaged in active discussions following a request from the Board of Directors to consider what action, if any, should be taken with regards to name collision, for example.

The GNSO has eleven policy development processes in progress including Proxy & Privacy Services and their accreditation, translation and transliteration of contact information for directory services, and the use of curative rights mechanisms to protect the names of international governmental organizations and international non-governmental organizations.

Recently completed work of the Council includes the 18 recommendations at improving the policy framework for domain name transfers between registrars, adopted unanimously by the Council during the ICANN 51 meeting in Los Angeles. Following the public comment period these recommendations are now expected to be considered by the ICANN Board.

Furthermore, the Council adopted certain improvements to Generic Names Supporting Organizations operating procedures and replied to a Board committee on the protection of international governmental organizations and non-governmental organization's identifiers.

In this quarter, the country-code Names Supporting Organization, again, the IANA stewardship transition and ICANN accountability processes continues to be a major focus for this community. You can see the highlights for this quarter on the slide. Because of the importance of these two issues , and in close cooperation with the regional country-code top-level domain name organizations, critical effort was made to reach out to and engage the entire country-code top-level domain community in these processes, including the non-members of the country-code Names Supporting Organization.

Recently, the Council adopted the Framework of Interpretation on an interim basis, a key policy related process on how management of a country-code top-level domains may be delegated or redelegated from one ccTLD manager to another. This will allow the GAC (the Governmental Advisory Committee) to provide input and express support by the next ICANN meeting in Singapore.

In other areas, the Strategic and Operational Planning Working Group submitted its comments on ICANN's draft five-year operational plan, and this community continued discussion of the use of secure email transmissions in readiness for potential security incidents.

This infographic provides information about the Number Resource Organization, a coordinating body for the five Regional Internet Registries that manage the distribution of Internet number resources including Internet protocol addresses and autonomous system numbers. Each of the regional Internet registries consists of the Internet community in the region. The Number Resource Organization also forms our Address Supporting Organization within ICANN.

When there is a Global Number Resource Policy proposal that concerns the registries' relationship to the IANA department, it is managed through these processes until a common language on agreement and policy has been reached. Once adopted, it is forwarded by the Address Supporting Organization to the ICANN Board of Directors for ratification and then to the IANA department for implementation.

The majority of work of the Regional Internet Registry communities is spent on policy and services. Each Regional Internet Registry manages

its own policy development process and no two are exactly alike. We see that at regional meetings a total of 50 policy proposals were discussed or considered for adoption with 19 actually concluded. Policy discussions focused on issues such as a new WHOIS service implementation focused in the African region, and a new management interface for their resource certifications focused in the Europe and Middle East area, but others in Latin America and Asia-Pacific and North America as well, as you can see on this slide.

This community is also focused on stewardship transition and ICANN accountability matters, forming a consolidated Regional Internet Registry IANA Stewardship Proposal Team to ensure that each region would have their views incorporated into the submission before the IANA Coordination Group. A reference to more information is provided on the slide.

The Internet Engineering Task Force (or IETF) develops and maintains standards for technologies used to provide Internet service or to provide services over the Internet.

Through its processes, it develops standards that ensure the technology can perform the needed functions and support the proper scale of deployment and usage, and that these standards are secure, can be operated securely, and are manageable.

You can see from the slides, recent activities the number of request for comments, new Internet drafts published and updated, and the new working groups formed from this organization.

To highlight two activities, there was a completion of a technical study as part of the working group on Web Extendable Internet Registration Data exploring a standards-based solution to internationalized registration data and an expected Internet Architecture Board statement regarding internationalized domain names.

Many ICANN technical staff contribute to the Internet Engineering Task Force processes both at working group level and at the leadership level. For example, recently Terry Manderson, was elected the Internet Area Director and an member of the Internet Engineering Steering Group. You can learn more about the Internet Engineering Task Force and its function on their websites listed on this slide.

On the next slide, we can see that this community is also active in preparations for the IANA stewardship transition, forming an IANA PLAN working group and producing one Internet draft approved by the steering group and sent to the IANA Coordination Group.

In terms of the Internet Engineering Task Force and ICANN, the IANA department at ICANN closely works with the IETF and activities relating to protocol parameter matters, processing Internet Engineering Task Force requested registrations and modifications and reviewing Internet drafts relating to IANA Considerations. There is more information about the IANA Department operations in today's management update, which you'll be hearing more from later.

That concludes the policy update for this report. You can hear more about these policy bodies during opening ceremony in Singapore. And speaking of Singapore, if you have not already attended, there is

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another opportunity to join the ICANN Policy Webinar today at 19:00 UTC.

With that, I'll hand over to Sally now for the management update. Sally?

SALLY COSTERTON:

Thank you, David. Hello, everyone. I'm Sally Costerton, head of Global Stakeholder Engagement. I'm calling today from London and I'll be giving the management update on behalf of ICANN.

In this section, I'll cover the following topics: an information technology update, report some of the ongoing work of the Global Domains Division, an update on Contractual Compliance tickets from the second quarter and look at some of the outreach and engagement efforts, with a spotlight on Asia-Pacific. Then I'll pass it over to Xavier for the financial update.

First, let's look at the information technology update. As you may know, in late November we experienced a spear-phishing attack, which we were prepared for. In terms of cyber security, ICANN's IT infrastructure such as networks and servers are well-segmented, meaning that if a breach occurs, it won't necessarily compromise all systems. One Wiki and our e-mail system were compromised and they did not penetrate our IANA or other key systems because we structure our systems and networks in a highly modular way that helps ensure multiple levels of protection and segmentation.

Furthermore, we intentionally locate our network nodes spread across many locations, and ICANN operates just the L-Root which is only one of

13 root systems in the Internet. The others are spread and managed by other Internet organizations, which also ensures security, stability, and resilience of the Internet.

As stewards of information critical to the Internet community, we recognize the importance of being alert and vigilant at all times. This is a very significant part of ICANN's role, and we have dedicated significant resources to cyber security issues.

So, after the phishing attack, what are we doing differently? We are continuing to evaluate and modify data-storage strategies, especially with sensitive data which is behind firewalls and more data is being encrypted. We're also enforcing the use of dual-factor access-controls, which provides extra security by having a two-step verification process.

For those of you not familiar with this cyber security best practice, it's like having two locks. Even if one lock is compromised, the second keeps us safe.

Also a new effort: all ICANN staff are required to take cyber security awareness training and pass a test to get access to certain systems. We remain on high alert and take our cybersecurity efforts very seriously as we continue to revise our protocols and procedures to further strengthen and protect ICANN from cyber threats.

Now turning to other technical updates from the security, stability, and resiliency area, which is a critical area to ICANN's mission. Preparations are underway to work with the community to enhance the root server system in keeping with ICANN's commitments to ensure the security, stability, and resiliency of the Internet's system of unique identifiers.



The root server community has identified metrics that can be used to better understand the impact of growth on the root server system. In keeping with best practices and as ICANN has committed to in our DNSSEC Practice Statement, preparations are also underway to develop a plan to update or roll the Root DNSSEC Key Signing Key, the cryptographic key used to secure the root of the Domain Name System.

A solicitation of Statement of Interests for the design team has been issued and 19 Statements of Interest were received by the closing date of January, the 16<sup>th</sup>. A public half-day key rollover workshop was also held with over 75 in attendance, exploring the implications of updating the root key. There was also workshop exclusively for the domain name system resolver vendors. These are folks who write the software that does the lookups in the domain name system and validates the DNSSEC materials returned to help prepare them for the future root key rollover. Key organizations like Microsoft, Google, Nominum amongst others all indicated they would be ready after attending the workshop.

ICANN also held the 19<sup>th</sup> DNSSEC Root Zone Key Signing Key ceremony in Virginia. This is the latest in an ongoing series of ceremonies, where ICANN makes new keys for Verisign to use when signing the root zone. These keys provide a way for Internet users to gain extra trust in the domain name system, as it allows people who are looking up domain names to see that the answers have not been modified in flight.

These signing ceremonies are held quarterly, rotating between our US East Coast Key Management Facility in Virginia and our US West Coast Facility in California. So you will continue to hear about the most recent one during these quarterly calls.

Now moving onto the new gTLD Program statistics from the quarter. We are now fast approaching the 500 mark for new gTLD delegations. During the quarter, 65 new gTLDs were delegated and another 204 registry agreements were signed. This brings the total of new gTLDs delegated to 498 to date with nearly 777 registry agreements executed as of last week.

With the number of registry operators growing and several registry applicants still proceeding through the New gTLD Program, we are now assigning engagement managers for each of these individual entities to deliver even higher levels of service and support.

Contention sets, which occur when there is more than one applicant for an identical or confusingly similar new gTLD domain name continue to be self-resolved at a rapid pace. To date, 165 of these initial 233 contention sets in this round have been resolved. Of these, 155 were self-resolved by the affected parties and the remaining 10 were resolved via an ICANN last resort auction. To date net proceeds from these auctions total \$32 million. We will solicit input from the community on how to use these funds at the appropriate time.

Now I'd like to take a few minutes to talk about Internationalized Domain Names, or IDNs as they are commonly referred to, which enable Internet users to access domain names in their own language. We've made good progress. However, there is still a significant amount of technical work to be done around creating and maintaining label generation rules for the root zone before a truly multilingual Internet becomes a reality.

IDN country-code top-level domain names that allow countries to use non-Latin based languages that reflect their country's name in local scripts are also available, which allow countries and territories to represent their respective country or territory names in local scripts such as Arabic, Chinese, or many others.

This quarter a request from Armenia for an IDN ccTLD successfully passed string evaluation, bringing the total number of countries or territories that have met this milestone to 35.

Looking at our Customer Service Center, we have an average of 200-250 cases backlogged and in the queue at any given time, and we're able to maintain the work within that range. The increase in December is primarily due to ICANN's closure over the holidays, and we're working through the backlog now. When looking at the last response time which measures how often we're giving status updates and communicating on cases, our goal is to provide a status update within seven days on 80% of the cases.

We are trending in the 75% range and averaging an update within four-and-a-half days, and we're steadily improving and moving in the right direction. In terms of resolution time, or the time it takes us to resolve a query, our goal is to have 80% of cases resolved within seven days, and we have met and slightly exceeded the goal for the past two months. Our focus will be managing the outliers so we are more consistent in providing updates and resolving cases within the target.

Now moving on to look at the IANA tickets for the quarter. The IANA department receives tickets, or requests, which fall under three

categories for names, numbers and protocol parameters as well as 'other' kinds of requests. For example a change to the time zone databases.

The trend here is that requests shouldn't vary significantly quarter on quarter, which means everything is running smoothly. For the Names function, there were 262 requests, which is eight less than the first quarter. For protocol-related requests, there were 957 requests which is 95 more than the first quarter, but this not uncommon.

In the Numbers function there were zero changes whereas there were three from the first quarter. This is as expected as there are not many requests required for Numbers. For example, the IPv4 allocations require updating twice a years. IPv6 updates are so large they only need updating about every 10-15 years, and the AS number allocations tend to last for about a year.

While these numbers are impressive, what's more important is whether our customers are satisfied with our performance, which we'll see in the results of the third annual IANA Department Satisfaction Survey, where IANA customers rate how satisfied they are with services provided.

First, let's look at the overall satisfaction score, which was 93% in six key measures of documentation and process quality, transparency, timeliness, accuracy, reporting and courtesy. Specifically, 98% of respondents were either satisfied or extremely satisfied with the accuracy of our reporting, which for the third year in a row was ranked as the most important factor when delivering IANA functions.

Another encouraging result was the increase in the DNSSEC customer satisfaction levels over 2013, where we saw significant positive shifts from satisfied to very satisfied this year. For example, 83% of respondents were very satisfied with the level of transparency around the Key Signing Ceremonies. Overall, we had 489 respondents to the 2014 survey, which is an 11% response rate, up from the 2013 response rate of 8%.

We are pleased with these results, but there are some areas as always for improvement and we continue to focus on driving improvements in all areas with an emphasis on process quality in 2015.

Now turning to Contractual Compliance tickets for the second quarter. There are a number of provisions in ICANN's contracts directed at protecting domain name owners and consumers, and one of the ways that ICANN serves the public interest is by enforcing those terms of its contracts.

ICANN's contractual compliance team routinely undertakes a variety of activities to ensure compliance with contractual obligations. Some of these activities are a result of complaints submitted to ICANN by third parties, some are the result of monitoring by ICANN's contractual compliance team, and others are triggered by audits conducted by ICANN.

The Contractual Compliance team's goal is not to punish but to bring our contracted parties into compliance with their agreements. As this slide reflects, in Q2 our Contractual Compliance Team investigated approximately 10,000 potential non-compliance issues and resolved or

closed almost 9,000 issues. The average time from beginning an investigation to resolving and closing the matter in Q2 was about eleven days.

Now moving on to look at some of ICANN's engagement and outreach efforts from the second quarter. This slide shows a snapshot of our global stakeholder engagement and outreach activities from the quarter. You can see the legend indicates which stakeholder group the activity focused on. For example technical, civil society, business, academia or government. There are many more activities than captured here, but I'll just highlight a few of these.

In Africa, the annual SMART Rwanda Day held in Rwanda saw over 400 national and international stakeholders in the information and communication technologies sector meet to discuss how Rwanda can leverage information communication technologies for economic transformation, in line with their vision 2020. ICANN hosted panel discussions on Internet governance which discussed the Boston Consulting Group Report "Greasing the Wheels of the Internet Economy".

In Latin America, the i-Roadshows are a cornerstone outreach strategy for the region. They held their second installment of four large events in Guadalajara at the annual World Congress for Information Technology event.

In the Middle East, we hosted Istanbul's first Domain Name System Forum, which is a core series ICANN conducts to support the development of domain names industry. There were over 70

participants, mainly local stakeholders representing governments, Internet service providers, IT companies, ICANN accredited registrars, new gTLD registries, and academia. Overall, feedback was very positive from the event.

In Central and Eastern Europe, ICANN sponsored two events in Kiev, Ukraine. One is the International Forum Media for Information Society which had about 60 participants, and the other is the fifth Ukrainian Internet Governance Forum which was attended by over 150 stakeholders. ICANN staff made presentations on ICANN, on the Internet governance ecosystem and on the IANA stewardship transition process.

Again, these are just a few examples of our engagement and outreach activities. Each quarter, we will also report on a deeper dive of a particular region. Last time we spotlighted Latin America, and this time we'll highlight the Asia-Pacific region.

Our Asia-Pacific Hub office continues to grow. We now have 23 staff operating both out of the Hub office in Singapore and also in Australia, China, India, Japan, and Korea. We've also filled key positions to allow us to better engage and service our stakeholders in the region, as well as decentralizing departments which is a key part of our globalization strategy. Key functions that have been located in Singapore include operations, IT, registry and registrar services, contractual compliance, global stakeholder engagement, communications, and legal.

Our stakeholder base has also grown significantly. For example, subscribers to our APAC Hub mailing list to receive news,

announcements, as well as our APAC Hub newsletter, have increased three times over the past quarter.

The last quarter was filled with many engagement activities, 38 to be exact, spread all over the region and reaching over a thousand stakeholders from the different stakeholder groups. These engagement activities advance ICANN's strategic objectives, as well as work to meet the needs of our stakeholders as per the feedback we receive. I'll share few highlights.

In partnership with stakeholders, we conducted a total of eight workshops and webinars on technical topics such as DNSSEC and IPv6 security for ccTLDs, law enforcement agencies, CERTs and network operator groups; registrar accreditation and updates for registrars; as well as other topics such as internationalized domain names, new gTLDs and dispute resolution mechanisms, as well as ICANN policy updates.

Looking at the L-root server instances in the region which is key to ICANN's work in maintaining the stability, security and resiliency of the Internet's domain name system, we are happy to report the successful installation of one additional L-Root server instance in the region last quarter- one in partnership with our hosts ZDNS in Beijing. We continue to work with potential hosts to try to increase the number of L-Root instances hosted in the Asia-Pacific region as this would ultimately strengthen the security, stability and resiliency of the Domain Name System in this part of the world.

Now I'll hand over to Xavier to talk more about the financials for the six months ending 31 December.



XAVIER CALVEZ:

Thank you, Sally. I will present the financial information for the first half of the fiscal year, from July to December 2014. The information presented includes actual data compared to budget, starting with information on ICANN's revenues, followed by a review of expenses for ICANN's operations, and by an overview of the New gTLD Program. We will conclude with a status of the funds under management.

ICANN's revenues result mainly from two external drivers: the number of domain name registrations and the number of parties under contract with ICANN. Both factors are outside of the control of ICANN.

On the left of this diagram, the number of domain name registrations drives the transaction-based fees, representing 74% of our revenue. On the right, the number of contracted parties drives various fixed fees, representing 23% of our revenues. The other income represents the 3% remaining.

During the first six months of the year, the total revenue is slightly above budget, by \$2 million at \$48 million with a few variances by category. The registry transaction-based fee reflects a higher volume of registrations than planned. The registry fixed fees are impacted by the slower delegation of new TLDs throughout the period. The registrar fees, fixed and transaction-based, are slightly higher than budget as a result of unplanned new registrars applications during the second quarter. The other income continues to be ahead of budget due to the timing of budgeted country code operators' contributions.

As indicated, the delegation of new TLD registries into the root, slower than planned in the first quarter, continued to be slower during the second quarter. It is expected that the corresponding registry fixed fee revenue is lower than budget by the end of the fiscal year.

Separately, the revenue stream resulting from historical TLDs continues to exceed budget. We closely monitor these revenue streams to determine whether this favorable variance could fully offset the fixed fee revenue shortfall by the end of the year. At this stage, even though the fixed fee revenue ramp-up is slower than planned, the full year revenue budget remains attainable.

We now review our expenses when compared to budget. The favorable trend of the first quarter continued during the second quarter with baseline operating and capital expenses remaining slightly below budget.

The approved initiatives expenses, relative to the USG stewardship transition project, are below budget for the first six months as a result of the slower ramp-up of the expenses versus plan. The run-rate of expenses for this project is expected to increase as the community's substantive work expands.

When reviewing our costs by category, all expenses are slightly below budget. It reflects a careful control of costs, as a result of ongoing processes like the monthly monitoring of the spend by department and specific actions, like the implementation of the Cost Saving Task Force, and the revision of the current year hiring plan. These actions illustrate

our permanent dedication to managing responsibly our expenses in the public interest.

Now, let's move on to the New gTLD Program overview. 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, approximately \$154 million has been spent to evaluate the applications and refund withdrawn applications. Approximately \$120 million of further expenses are expected to be incurred through the remainder of the program, leaving an estimated \$87 million of remaining funds to cover future unexpected expenses, including risk mitigation. The multi-year forecasted spend for the entire program remains unchanged at this stage.

Now, looking at the new gTLD program's expenses for FY15, you can see that expenses are consistent in total with the budget, with the exceptions of refunds. The refunds for withdrawn application amount to \$11 million for the first six months of the year, while a total of \$10 million refunds was budgeted for the entire fiscal year. Refunds amounting to \$8 million occurred during the second quarter alone. This higher number of refunds is mainly the result of timing differences between the planned and actual withdrawals. The budget included a slower schedule of resolution of competing applications over a two-year period, either between applicants or through auctions. This change in timing will be taken into account in future revisions of the program's multi-year financial forecast.

Looking at funds under management and how they have evolved over the past four quarters, during the first six months, the ICANN reserve and operating funds, at the top of each bar, were overall stable. The new gTLD funds, in the middle, have decreased consistently with the expenses and refunds that occurred during the quarter.

Separately, the proceeds resulting from the auctions held from September to November 2014 for approximately \$27 million have been collected during the second quarter. Further auction proceeds for the auctions held in December were collected after the end of the quarter. This concludes the financial presentation. I would like to hand it back to Brad who will moderate the Q&A session.

BRAD WHITE:

Thank you, Xavier. The first question is directed to Akram Atallah, President of our Global Domains Division, from Laura Hutchison with Nominet ccTLD registry for .UK. "Thanks for the informative presentation. Please, could you explain a little bit more about the reconsideration review? What does this involve and what are the timescales for this?" Akram?

AKRAM ATALLAH:

Thank you for the question. The reconsideration process is one of three accountability mechanisms available under the ICANN bylaws. It is a process where someone impacted by a decision by the Board or by staff could actually file a reconsideration request within 15 days to have the decision reconsidered, basically. The timeline and process are outlined

on the ICANN website at the link that we provided online. I hope this answers the question. Thank you.

BRAD WHITE:

Thank you very much, Akram. Next question goes to Fadi from [Zakir Sahid] in Pakistan. "Since you were at WEF recently, I will take this opportunity to ask this question. There was news of the World Economic Forum and the government of Japan agreement to work closely together to start a multi-stakeholder dialogue on cyber security. Is ICANN going to be part of this discussion being an important stakeholder of the Internet ecosystem in providing an active platform for a number of other stakeholders, too?" Fadi?

FADI CHEHADÉ:

Yes. Thank you, [Zakir]. We are aware of the project between the World Economic Forum and the government of Japan. We welcome all efforts globally by stakeholders to increase the focus on cyber security. We at the moment are not engaged in this project. We are monitoring it and learning from it and we will assess what role ICANN will play, if at all.

Just to be clear, ICANN believes cyber security is now a very central subject in the geo-political sphere. We appreciate its importance. However, ICANN is very clear on its limited remit in the area of cyber security. We are committed to the security and stability of the DNS, the Domain Name System, for which we are responsible. Therefore, our engagement in this or any other cyber security activities will be within that limited remit. Thank you.

BRAD WHITE: Thank you, Fadi. Our next question from Jonathan Robinson goes to Xavier. "Overall, you have a favorable variance for H1. Please, can you be specific on your full-year forecast i.e. do you expect to have a favorable variance for the full year?" Xavier?

XAVIER CALVEZ: At this stage, the forecast for the end of the fiscal year remains consistent with budget. We have seen during this presentation that there were a number of variance on an item-by-item basis, but overall we expect the forecast to be consistent with budget at this stage.

BRAD WHITE: Thank you, Xavier. Xavier, another question for you from Jim Prendergast. "The projected \$87 million surplus from new gTLD applicant fees to be used or among other items unanticipated risk, is that in addition to the approximately \$114 million collected for risk as part of the application fee, the 60K for application? Thank you."

XAVIER CALVEZ: Thank you, Jim. The \$87 million represents the remaining funds for the end of the program after having counted for all the evaluation related costs. The risks that could materialize potentially and drive, as a result, costs in the future of the program will therefore be covered by the \$87 million that are currently remaining for that purpose. So they are not in addition, as Jim was asking, to the funds collected. They are the

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remaining funds that were collected for the purpose of risk mitigation.  
Thank you.

BRAD WHITE:

Thank you very much. We have another question from [inaudible] from Ghana. "There has been much talk about ICANN and its transparency and accountability. Some sections of media worldwide about ICANN and its transparency and accountability process. US President Barack Obama's enthusiasm to work in the direction of new levels of openness is quite moving. One is indeed moved by the presence of the Freedom of Information Act combined with strenuous efforts to formulate strong, open government plans envisioned to deepen public engagement. The use of technology has been part of citizens' everyday lives. This has made it easier to disclose more information. I deliberate whether all stakeholders are easy to get to. Who are they precisely? Who are they? Who reaches them? What are their mechanisms to do so?"

Fadi, I think that would probably best be directed to you.

FADI CHEHADÉ:

Yes. Thank you, Brad. Reaching all the stakeholders that are engaged on the issues we manage is a key and important role that our engagement teams have been focused on. It is not easy. We have a large globe and many interests and many stakeholders and the efforts of ICANN, no matter how expansive, are never sufficient to really reach all the people that we want to engage. But we are committed. We are very committed to that.

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We have now presence in 28 countries with staff offices and engagement centers. Openness and inclusivity are central, central, to ICANN's success in representing all stakeholders in its work.

Our policy doors and our meetings are open. We have no membership fees. We have no limits on who can attend and when should attend. We spend millions of dollars assisting people participate in our activities remotely and in person. This is the commitment of ICANN to be inclusive and we will continue investing in that area.

And I would agree that it's never enough, but certainly our efforts are relentless and we will continue focusing and growing our area of engagement to include as many stakeholders as possible. Thank you.

BRAD WHITE:

Thank you very much, Fadi. With that, we have no more questions online, no more questions on the phone, so we're going to terminate this call a tad early. Fadi, did you have any closing comments that you would like to make?

FADI CHEHADÉ:

I just would like to thank all of you who took the time to participate in the Quarterly Stakeholder Call. This, as you know, is the second one we hold on a quarterly basis. It is part of our commitment to excellence, to complete transparency of our activities. We invite you to continue tuning into these calls as we go so that we can learn about ICANN's operations, activities, and commitment to the resilience and stability of



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the Domain Name System and the Internet that we have been entrusted with.

Thank you again for your time and attention. We look forward to seeing you on the next stakeholder call in three months.

**[END OF TRANSCRIPTION]**