



Article #: 030050	Updated Date: 10 January 2012
Article Name: Evaluation question #50: Funding for Critical Registry Functions	AGB Reference: Section 1.2.2, attachment to Module 2 – Evaluation Questions and Criteria
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[Supplemental Notes](#)
[Best Practice Suggestions](#)

1. SUPPLEMENTAL NOTES:

10 January 2012

1.9 Continued Operations Instrument (COI) guidance – On 23 December 2011 ICANN posted guidance on the COI. Applicants are expected to complete calculations according to their particular circumstances, and to provide rationale for their cost estimates commensurate with the technical, operational, and financial approach described in the application. The COI guidance covers only costs for the providing the five critical registry functions identified in the application. These costs are not representative of the costs needed for running all of the services associated with operating a gTLD nor does it include projected ICANN registry fees.

COI Guidance:

Projected Number of Domains	Estimated 3 Year COI (USD)
10000	USD 18000
25000	USD 40000
50000	USD 80000
100000	USD 140000
250000	USD 250000
> 250000	USD 300000

Note: The minimum COI for any new gTLD should be USD 18000. The Maximum COI for any new gTLD need not be more than USD 300000.

A supplemental schedule showing the calculation of Projected Number of Domains commensurate with the technical, operational, and financial approach described in the application can be included in the applicant’s response. The following schedule is commensurate with Supplemental Schedule A shown in the Supplemental Notes for Question 46:



Registration Type		Year 1	Year 2	Year 3	
Annual	New	10000	54000	27000	
	Renewal	- 0 -	9000	50400	
2 Year	New	30000	10000	2000	
	Renewal	- 0 -	- 0 -	24000	
5 Year	New	20000	7000	1000	
	Renewal	- 0 -	- 0 -	- 0 -	
10 Year	New	2000	1600	780	
	Renewal	- 0 -	- 0 -	- 0 -	
Total Forecasted Registrations		62000	81600	105180	
Projected Number of Domains					
	Annual	2 Year	5 Year	10 Year	Total Projected Domains
Year 1	10000	30000	20000	2000	62000
Year 2	63000	40000	27000	3600	133600
Year 3	77400	36000	28000	4380	145780

Using the COI guidance above and the highest number of projected domains of 145780, the COI is approximately USD 186000.

1.10 The COI must be issued or held by a financial institution with a rating beginning with an “A” (or the equivalent) by any of the following rating agencies: A.M. Best, Dominion Bond Rating Service, Egan-Jones, Fitch Ratings, Kroll Bond Rating Agency, Moody’s, Morningstar, Standard & Poor’s, and Japan Credit Rating Agency.

If an applicant cannot access a financial institution with a rating beginning with “A,” but a branch or subsidiary of such an institution exists in the jurisdiction of the applying entity, then the instrument may be issued by the branch or subsidiary or by a local financial institution with an equivalent or higher rating to the branch or subsidiary.

If an applicant cannot access any such financial institutions, the instrument may be issued by the highest-rated financial institution in the national jurisdiction of the applying entity, if accepted by ICANN.



Execution by ICANN: For any financial instruments that contemplate ICANN being a party, upon the written request of the applicant, ICANN may (but is not obligated to) execute such agreement prior to submission of the applicant's application if the agreement is on terms acceptable to ICANN. ICANN encourages applicants to deliver a written copy of any such agreement (only if it requires ICANN's signature) to ICANN as soon as possible to facilitate ICANN's review. If the financial instrument requires ICANN's signature, then the applicant will only receive 3 points for question 50 (for the instrument being "secured and in place") only if ICANN executes the agreement prior to submission of the application. ICANN will determine, in its sole discretion, whether to execute and become a party to a financial instrument.

1.11 An applicant may combine funds for multiple applications into a single instrument. For example, if a single entity is applying for multiple TLDs then a single instrument will suffice so long as:

- (1) The amount per applied-for TLD (i.e. application) is adequately calculated and clearly explained in the application. An applicant cannot provide a single figure and have the evaluation panels determine how much should go into each application.
- (2) The amount is appropriately segregated and is only available to run the critical registry functions of the applied-for TLD.

For example, if there are 3 TLDs each requiring USD 100,000 for a total instrument of USD 300,000 then it must be clear in the instrument documentation that only USD 100,000 is accessible for each TLD.

- (3) The LOC or cash escrow account can only be accessed by ICANN or its designee to maintain the critical registry functions of the applied-for TLD, if and when needed.

1.12 The applicant must make a good faith effort to estimate the amount of the COI as part of their application. The evaluation panels will determine if the COI has been calculated commensurate with the technical, operational, and financial components of the application. There is no further requirement to adjust the COI.

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1.7 Funding for the COI may be in a currency other than U.S. Dollars so long as the funding is based on the projected costs submitted in 50(a).

1.8 The purpose of the Continuing Operations Instrument is to ensure continued operation of the critical registry functions. As such, the applicant cannot be the entity providing the instrument as this would negate the risk that the COI is meant to address.

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1.1 Applicants should ensure that the appropriate financial institution's communication/contact information is readily available at the time of submission to enable confirmation of balances by ICANN. ICANN will confirm the information with the listed financial institution.



1.2 As stated in the Applicant Guidebook (Notes section of Question 50a) “the cost estimates are tied to the cost for a third party to provide the functions, not to the applicant’s actual in-house or subcontracting costs for provision of these functions.” Calculations for the COI should be based on the estimated Emergency Back-End Registry Operator (EBERO) cost to maintain the five critical registry functions for a period of up to three years, and not on the applicant’s expected cash out-flow for the critical registry functions calculated on line H of section IIb of the Projection Template.

ICANN is building a model for these costs in conjunction with potential EBERO service providers. ICANN hopes to be able to share guidelines for determining the appropriate amount for the COI with applicants soon. However, absent these guidelines, the applicant is still required to provide its own estimates and explanation for the calculation of the COI Question 50.

1.3 To receive on score of 3 on this question, the financial instrument must be in place and a copy of the executed agreement submitted with the application.

1.4 The applicant may combine funds required for performing the critical registry functions across a number of applied-for gTLDs as long as the LOC specifies the amount for each applied-for TLD being evaluated.

1.5 As Add commands are not typically processed by EBEROs, except under exceptional circumstances, the COI calculation should not take into account Add commands.

1.6 The following beneficiary statement may be used on a letter of credit:

“The purpose of the LOC and its basic requirements are set forth in Item 50(a) and 50(b) and the Notes thereto in Attachment to Module 2 on page A-40 - A-44 of the Applicant Guidebook available at <http://www.icann.org/en/topics/new-gtlds/rfp-clean-19sep11-en.pdf>. The LOC may be drawn upon by ICANN by notice to the issuer of the LOC in the event of a failure of a critical registry function as described in the foregoing sections of the Applicant Guidebook.”

2. BEST PRACTICE SUGGESTIONS:

15 November 2011

2.1 Applicants should read each evaluation question in its entirety, including the notes, criteria, and scoring text. The answer should address all criteria specified, and include detailed rationale demonstrating a thorough understanding of the criteria (i.e., show your work).

2.2 If acronyms are used, applicants should spell out the first instance, even if the acronyms represent a common term/product/service.

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