

New gTLD Auction Proceeds Cross-Community Working Group June 2019 Newsletter

The CCWG commenced its deliberations at the end of January 2017 with 26 members appointed by Chartering Organizations, 49 participants and 28 observers. The CCWG is tasked with developing a proposal(s) for consideration by the Chartering Organizations on the mechanism that should be developed in order to allocate the new gTLD Auction Proceeds.

As part of its recommendations, the CCWG is considering the scope of fund allocation, due diligence requirements that preserve ICANN's tax status as well as how to deal with directly related matters such as potential or actual conflicts of interest. The CCWG will NOT make any recommendations or determinations with regards to specific funding decisions. This means that the CCWG will not decide, nor provide recommendations on which specific organizations or projects are to be funded or not.

For an overview of the origins of the Cross Community Working Group (CCWG) on New gTLD Auction Proceeds, see the "about" section below.



CURRENT STATUS

The New gTLD Auction Proceeds Cross-Community Working Group (CCWG) published its **Initial Report** for public comment on 8 October 2018. The Initial Report sets out the core issues that the CCWG addressed in carrying out its **charter**. The Initial Report records the CCWG's discussions regarding options around a mechanism(s) to allocate the new gTLD Auction Proceeds in accordance with ICANN's mission and bylaws. It also provides preliminary responses to 11 questions listed in the CCWG's charter that the CCWG was tasked to answer in the course of its work.

The Initial Report describes four possible mechanisms that the CCWG considered as a possible organizational structure for fund allocation, namely:

- Mechanism A: A new ICANN Proceeds Allocation Department is created as part of ICANN Org
- Mechanism B: A new ICANN Proceeds Allocation Department is created as part of ICANN Org which would work in collaboration with an existing charitable organization(s)
- Mechanism C: A new structure would be created e.g. ICANN foundation
- Mechanism D: An established entity/entities (e.g. foundation or fund) are used (ICANN would organize the oversight of processes to ensure mission and fiduciary duties are met)

After analyzing these potential frameworks, and in light of legal and fiduciary constraints and other criteria identified by the CCWG and outlined in the report, the CCWG agreed to focus its responses to the charter questions primarily on mechanisms A and B, which it considered – at the time – most promising to meet the constraints as well as criteria identified. Mechanism C was

also addressed. Mechanism D was kept as a viable option in the mix but was less favored by CCWG members/participants.

The CCWG held a **session at ICANN63** to provide the community with an update of the CCWG's progress and an overview of the Initial Report. The public comment period closed on 11 December 2018, after which a **Report of Public Comments** was published.

Beginning in January 2019, the CCWG met regularly to review and analyze the public comments received and determine what changes, if any, should be made to the recommendations and responses to the charter questions in the report. This included a **working session at ICANN64** in Kobe to make progress on the review of public comments and receive input through participation from the broader community. Materials related to CCWG's consideration of public comments are available on the **CCWG wiki**. The CCWG recently completed the review of public comments and identified a few major issues that are still under consideration for further review.

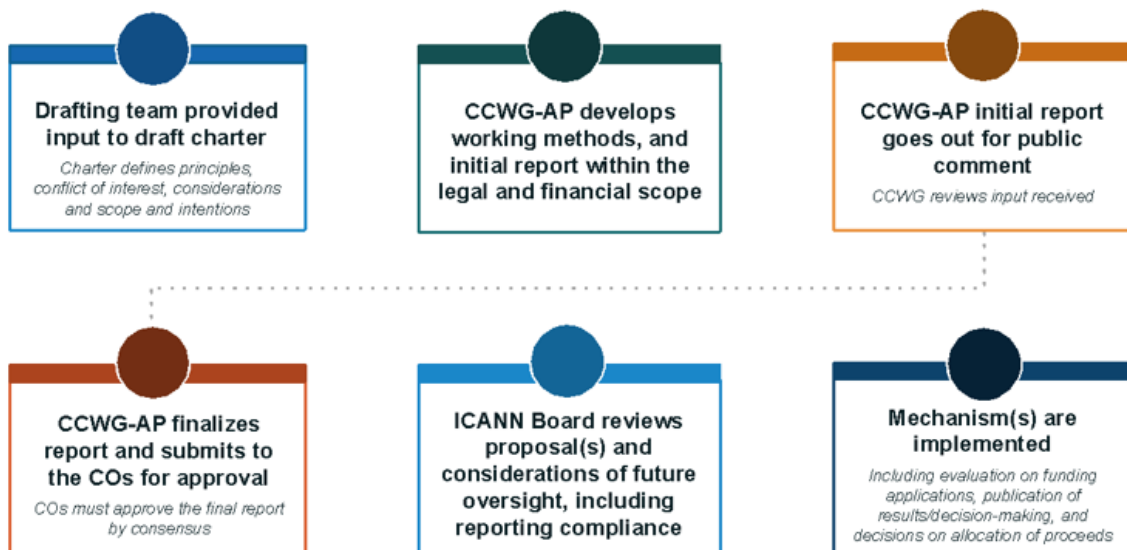


NEXT STEPS

Now that the CCWG has completed the review of public comments and identified issues for further review, it will work to finalize changes to the report and recommendations in view of submitting the report for consideration to the CCWG Chartering Organizations. At that stage, the CCWG will determine whether the changes are of such a substantial nature that another public comment period is warranted before the Final Report is submitted to the chartering organizations. The **CCWG's work plan** for this final stage of the process can be found on the wiki.

The CCWG will have a **working session at ICANN65** in which it will deliberate on outstanding issues identified in the draft Final Report. The session will take place on Wednesday 26 June from 8:30 to 12:00 local time. All are welcome.

Process Development for Auction Proceeds Allocation



WHAT IS THIS ABOUT?

The New Generic Top-Level Domain (gTLD) Program established auctions as a mechanism of last resort to resolve the competition sets between identical or similar terms (strings) for new gTLDs – known as string contention. Most string contentions (approximately 90% of sets scheduled for auction) have been resolved through other means before reaching an auction conducted using ICANN’s authorized auction service provider, Power Auctions LLC. However, it was recognized from the outset that significant funds could accrue as a result of several successful auctions conducted by ICANN. Following the ICANN Board’s commitment to do so, the auction proceeds derived from such auctions have been reserved and earmarked within ICANN until such time as the ICANN Board authorizes a plan for the appropriate use of the funds. These proceeds are to be considered as an exceptional, one-time source of revenue.

Following a number of sessions on this topic during the ICANN53 in Buenos Aires (see <https://buenosaires53.icann.org/en/schedule/mon-soac-high-interest> and <https://buenosaires53.icann.org/en/schedule/wed-cwg-new-gtld-auction>), a discussion paper was published in September 2015 to solicit further community input on this topic as well as the proposal to proceed with a CCWG on this topic. As the feedback received on the discussion paper confirmed the support for moving forward with a CCWG, James Bladel, GNSO Chair, reached out to all the ICANN Supporting Organizations (SOs) and Advisory Committees (ACs) to ask for volunteers to participate in a Drafting Team (DT) to develop a charter for a CCWG on this topic. All ICANN SOs/ACs, apart from the ccNSO, responded to this request and put forward volunteers to participate in the drafting team. The DT commenced its deliberations on Tuesday, 23 February 2016. A draft charter for community discussion was published in advance of ICANN56 and discussed during the **cross-community session held at ICANN56**. Following ICANN56, the DT **reviewed all the input received** and updated the proposed charter accordingly. On 13 September 2016, **this proposed charter** was shared with all ICANN SOs/ACs with the request to review it and identify any pertinent issues that would prevent adoption of the charter, if any. Subsequently, a webinar was held on 13 October 2016 to allow for some additional time and information to undertake this review. The final proposed charter was submitted to all ICANN SOs/ACs on 17 October 2016 following which each ICANN SO/AC confirmed the adoption of the charter. Subsequently, a **call for volunteers** was launched and the CCWG was chartered by the Address Supporting Organization (ASO), the At-Large Advisory Committee (ALAC), the Country Code Names Supporting Organization (ccNSO), the Generic Names Supporting Organization (GNSO), the Governmental Advisory Committee (GAC), the Security and Stability Advisory Committee (SSAC), and the Root Server System Advisory Committee (RSSAC) to propose the mechanism that should be developed in order to allocate the new gTLD Auction Proceeds. Following approval of the proposal(s) by the Chartering Organizations, it will be submitted to the ICANN Board for its consideration.



WHY IS THIS IMPORTANT?

The new gTLD Auction Proceeds, derived from these last resort auctions, are distinct and ring-fenced funds. As such the Auction Proceeds are a single revenue source (derived from all new gTLD Auction Proceeds round 1). The proceeds, net of direct auction costs, are fully segregated in separate bank and investment accounts. The proceeds are invested conservatively and any interest accrues to the proceeds. 17 contention sets have been resolved via ICANN auction since June 2014. The total net proceeds to date are \$233.5 million USD. Details of the proceeds can be found [here](#). As of 10 February 2018, 9 contention sets remain to be resolved, but it is important to keep in mind that approximately 90% of contention sets scheduled for auction are resolved prior to the auction. The total amount of funding resulting from auctions, will not be known until all relevant applications have resolved contention.

More Information

- [New gTLD Auction Proceeds CCWG Workspace, including Charter, background documents and information](#)
- [CCWG Initial Report](#)
- [Public Comments on the CCWG Initial Report](#)
- [CCWG Charter Question templates](#)
- [CCWG Questions for external experts](#)
- [CCWG Work Plan](#)

Anyone interested can join this effort at any time as a participant or observer. Please complete the registration form at goo.gl/forms/bb65ilznLv or contact the GNSO Secretariat: gnso-secs@icann.org.

All are welcome!