



Comment on the ICANN Reserve Fund – Rationale and Target Level

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Business Constituency Submission

GNSO//CSG//BC

Background

This document is the response of the ICANN Business Constituency (BC), from the perspective of business users and registrants, as defined in our Charter:

The mission of the Business Constituency is to ensure that ICANN policy positions are consistent with the development of an Internet that:

1. promotes end-user confidence because it is a safe place to conduct business
2. is competitive in the supply of registry and registrar and related services
3. is technically stable, secure and reliable.

Introduction

The BC appreciates the opportunity to provide comments on the draft document addressing the ICANN Reserve Fund (comment page <https://www.icann.org/public-comments/reserve-fund-2017-10-12-en>).

We are pleased to note the detailed analysis completed thus far to determine a healthy level for the reserve fund, that is consistent with organizational norms. We concur that the reserve fund should contain 12 to 17 months of operating expenses.

However, we disagree with the conclusion that “no change is therefore recommended at this time.”

Issues

Our issues are as follows:

1. The investment policy, at the very least, should be updated to reflect a recommendation that the reserve fund meet and maintain a 17-month level.
2. The reserve fund should have its own standalone policy and binding requirements upon ICANN to ensure that the reserve fund is adequately funded year over year, as a matter of budget priority.
3. There should be separate and enhanced Reserve Fund targets specifically related to the PTI and IANA administration budgets.

As a practical matter, ICANN is not an ordinary Non-Government Organization (NGO). Rather, ICANN plays a critical role in ensuring the security, stability, and resiliency of the IANA functions, and in particular, the DNS root zone. The global economy has flourished due to the effective and centralized management of the DNS root zone. Due to the global economic importance of the DNS, ICANN must first update the investment policy to reflect the findings of the analysis undertaken by ICANN.

Specifically, this part of the investment policy should be updated:

The Reserve Fund is expected to reach and maintain a level of funds to maintain a minimum of 12 months of expected expenditures.

Should be updated as follows:

The Reserve Fund shall be adequately funded with a minimum of 12 months of expected expenditures, but ideally 17 months of expected expenditures. Any year-over-year increases in expected expenditures shall be added to the Reserve Fund by the commencement of ICANN's fiscal year.

For reason already mentioned above, the Reserve Fund Management Policy (RFMP) should be a standalone policy not subsumed into another policy. Such a policy should contain language that is formally adopted by the Board and binds ICANN to regular and routine funding of the Reserve Fund. We believe that taking a firm and proactive approach to the Reserve Fund best mitigate possible financial risk ICANN might face as it performs its function serving the global Internet community.

The BC also believes that a Reserve Fund for core technical IANA functions that ICANN maintains via PTI and the RZMA with Verisign should be funded at substantially increased levels relative to the overall ICANN organization. Specifically, adopting a reserve fund for PTI/IANA functions that covers 36 months of expected expenditures would be an extremely prudent thing to do, given the global reliance upon the DNS root and other IANA functions. Such an enhanced reserve fund, dedicated to PTI/IANA would ensure the long-term continuity of the critical technical functions that ICANN undertakes, even if ICANN encounters some unanticipated, catastrophic event that effectively results in the shutdown of ICANN's policy making and compliance functions.

Conclusion

The BC recommends that all community reviews of using out-of-budget ICANN funding, such as the new gTLD Auction Proceeds, should include a thorough examination of a first line charge to replenish the Reserve Fund (where depleted for necessary and sufficient reasons approved by the board) for implementation. As the CCWG-Auction Proceeds is still underway, this discussion is timely.

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This comment was drafted by Jimson Olufuye, Jay Sudowski, and Marilyn Cade.

It was approved in accordance with the BC charter.