
BRAD WHITE:

Hello, and welcome to ICANN's Quarterly Stakeholder Call. I'm Brad White, ICANN's Director of Communications for North America.

Today's call is going to last approximately 60 minutes. Our agenda is as follows. We'll begin with a President's Overview for about 10 minutes, followed by a Policy Update, also 10 minutes. Then we'll have a Management Update for about 15 minutes and a Financial Update for 10 minutes.

We'll then go into about a 30-minute question and answer period. This is your opportunity to ask the participants questions, to ask any of the presenters questions. If you're on Adobe Connect, please type your question into the box in the lower middle portion of the screen that's labeled "submit questions here." If you're on the phone, hit #3. The operator will put you into the queue.

Let me note at this point that, while this call is occurring in English, it is being simultaneously translated into six additional languages: Spanish, French, Chinese, Russian, Arabic, and Portuguese. If you are one of those lines, same thing. Just hit #3, then you can ask your question and we will hear the English interpretation of your question.

Should we run out of time or if you have additional questions after the session ends, please e-mail them to engagement@icann.org. We do have some previously submitted questions that we will take as time permits.

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.

This session is being recorded, and links to the presentation materials will be posted to the ICANN website. You can also find a link in the Adobe Connect box entitled “Notes.”

Lastly, I’d like to remind you to please mute your computer and your phones. With that, I will introduce ICANN President and CEO, Fadi Chehadé. Fadi?

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.

Our fiscal year runs from July 1 to June 30. This call will focus on the first quarter of FY16, which ended on September 30. I’m encouraged by the progress that has been made.

Today, I’m going to provide you with a short overview of highlights from the last quarter, covering seven efforts: 1) the Beta KPI Dashboard for key performance indicators, 2) strengthening operational performance and excellence, 3) providing clarity around ICANN’s contractual compliance role and remit, 4) the importance of the IANA stewardship transition in the context of maintaining the multi-stakeholder model by which ICANN operates, 5) enhancing ICANN’s accountability through a robust suite of consistent review mechanisms, 6) what we are doing to more fully enable and support our community, and finally 7) our focus

on immersed participation together with our partners in the Internet governance ecosystem.

As you may have seen, we launched a beta version of ICANN's Key Performance Indicator Dashboard late August containing data as of June which allows us to report on progress through the dashboard and these calls. This is part of the management discipline we've been putting in place over the past year.

There are 5 objectives, 16 goals, and 28 identified KPIs in ICANN's five-year operating plan, which is the same structure of the Beta KPI Dashboard. Each month, we update the data on our website, and this is a summary of the dashboard as of 31 August.

Please note that some reporting frequencies will vary, depending on the KPI. For example, some may be updated monthly, quarterly, or after ICANN meetings. As we get more data over the months, we'll soon be able to see trends better.

Remember, this is a beta version, so please share your feedback and thoughts with us so that we can really have the right KPIs in place to track and monitor our work.

Now, moving on to ICANN's Operational Performance for the quarter, we've already commenced the annual FY17 operating plan and budget process with a welcomed kickoff call with the community. We anticipate to post a draft FY17 plan and budget in addition to an update on the five-year operating plan for public comments in March, which is one of the opportunities for you to contribute and provide input to ICANN's planned activities.

Our financial position for the first quarter is trending favorably versus plan, with estimated revenue approximately at budget and timing differences leading expenses to be below budget at this early point in our fiscal year.

Our globalization efforts continue. I'm pleased to say that today we are opening a larger hub office in Singapore which solidifies our globalization commitments. Our Global Support Center is also up and running, staffed in the three hub offices, providing 24x5 support in Arabic, Chinese, English, French, Russian, Spanish, Portuguese, and Turkish.

During the last quarter, the Board passed a resolution to waive the commercial general liability insurance requirement in all registrar accreditation agreements, effective immediately. After 18 months of research, analysis, and community consultation, it was determined this type of insurance may not serve its intended purpose and was removed to ensure a level playing field for registrars globally.

On the business excellence front, we remain focused on a plan for continued improvement and will be conducting a second European Foundation for Quality Management (EFQM) internal assessment later this year.

Now, I'll give you an update on Contractual Compliance. ICANN's contractual compliance audit program is a valuable component of the compliance function to ensure compliance with the agreement and mostly to enhance transparency to the community through fact-based and measurable reporting.

The March 2015 new registry agreement audit program is now complete, and the audit report will be published in early October.

Contractual compliance launched a new round of registrar audits in September focusing on mostly the 2013 registrar accreditation agreement.

The sample consists of 69 registrars across 23 countries. The audit is currently collecting data in the request for information phase.

The contractual compliance function also remains focused on proactive outreach and engagement with registrars and registries regarding handling of reports of abuse and illegal activity. There will be a roundtable discussion during ICANN 54 in Dublin to discuss the role that voluntary practices may play in addressing these issues.

Between the two proposals that need to go to NTIA, it appears that nearly 90% of the work has taken shape. The proposal compiled by the ICG and built within the operational communities is reasonably close, and we have confidence it will be finalized around Dublin, which is a huge milestone in this historic process.

For the accountability proposal, there is significant support, broad agreement, and no conflict with the objectives of the CCWG proposal. The areas there is broad agreement on include providing enforcement for the five community powers; the requirements and dependencies of the CWG, including giving the community control over the IANA budget; including the Affirmation of Commitments into the fundamental bylaws; the independent review process to be more binding and effective and upheld by standing panel; and finally that the global community may in

the future review ICANN's governance structure with an iron-clad process.

As we near Dublin, the ICANN Board is very committed to continue working with the CCWG to achieve the objectives of the community's goals to meet the CWG dependencies and achieving NTIA's criteria and recent request for more clarity and a simpler proposal.

Everyone in our community has worked so hard and dedicated countless hours, ideas, nights, and weekends to this process. Now we are nearly there and are committed to finishing the journey together toward a global and independent ICANN.

The two proposals developed by the multi-stakeholder community on the IANA stewardship transition and enhancing ICANN accountability will go jointly together from the Board to the NTIA. It is already a triumph for our multi-stakeholder model.

ICANN is also committed to providing the tools, resources, and programs to support the community doing its important work. The NextGen program remains strong, and 59 applied to attend ICANN 54 in Dublin with 13 accepted. To help support NextGen participants, we've also selected an ambassador from the NextGen group from ICANN 53 in Buenos Aires to offer key insights to the group. The Fellowship program for Dublin had a record 446 applications, and 47 were selected.

Through these programs, we are engaging with new stakeholders who are at the start of their relationship with ICANN and help engage the next generation of our community.

Our educational and academic outreach efforts focus on building a global audience that is knowledgeable about the wider Internet ecosystem through training, panel discussions, and learning platforms, including ICANN Learn. At ICANN 54 in Dublin, we are launching and upgraded 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 participation with other Internet organizations. We continue to have ongoing bilaterals with officials in New York and are working on preparations for the next WSIS+10 Review public consultation on 18 October.

ICANN is also following the drafting process for the final document working in collaboration with the ICANN sister technical organizations.

ICANN continues to support regional Internet Governance Forum (IGF) activities as well as support the global initiative through financial and volunteer support through the Internet Governance Forum support organization and secretariat support.

In addition, ICANN staff serve on the Multi-stakeholder Advisory Group (MAG) and will coordinate activities with the ICANN community on their panels and sessions at the João Pessoa, Brazil, IGF from 9-13 November.

The NETmundial Initiative has just launched the beta version of the NETmundial Collaboration Platform, which went live on 1 October. This is a practical tool that complements the NETmundial Solutions Map and

provides an open online space for collaboration, cooperation, and solicitation of Internet governance projects and ideas.

With that, I'll now hand over to David Olive for the Policy Update.
David?

DAVID OLIVE:

Thank you, Fadi. I am David Olive, ICANN's Vice President for Policy Development Support. 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 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. 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 Number Resource Organization, and the Address Supporting Organization, as well as the Internet Engineering Task Force, for a complete picture of the policy development activities. My colleague Adiel will talk to you about these last two groups.

On the next slide, we can see the Generic Names Supporting Organization highlights of their activities. In addition, following the

unanimous approval of the final transition proposal of the Cross-Community Working Group on Naming Related Functions by the Generic Names Supporting Organization Council, work is still ongoing to clarify questions that have been received from the IANA Stewardship Transition Coordination Group as well as implementation related issues. Furthermore, substantive work to enhancing ICANN accountability is ongoing.

In the first quarter, both the Preliminary Issue Report on the New Generic Top-Level Domain Subsequent Procedures and the Preliminary Issues Report on the Next Generation Generic Top-Level Domain Registration Directory system to replace the current WHOIS system was published for public comment. Both marked the first step of a policy development process on these two important topics.

The ICANN Board of Directors adopted two Generic Names Supporting Organization reports: 1) the final report on the Translation and Transliteration Policy Development Working Group and 2) recommendations of the Generic Names Supporting Organization Policy and Implementation Working Group, which are expected to further clarify and enhance the processes and procedures of the Generic Names Supporting Organization will have available to deal with policy and implementation related issues. This will also introduce further transparency and clarity in the role of the Generic Names Supporting Organization in implementation.

The Generic Names Supporting Organization currently has 13 policy development processes in various stages of the lifecycle, 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 adoption of the review of the recent Governmental Advisory Committee communique by the council, publication of the final report of the independent examiner conducting the Generic Names Supporting Organization review, and the publication of a discussion paper on the New Generic Top-Level Domain auction proceeds now open for public comment.

On the next slide, in the first quarter, we see the IANA Stewardship Transition and ICANN Accountability processes also continue to be a major focus for the country code community, as you can see on this slide and their activities.

Because of the importance of these two processes, and in close cooperation with the regional country code top-level domain organizations, critical efforts continue to be made to reach out to and engage the entire country code top-level domain community, including those that are not members of the Country-Code Names Supporting Organization, in their decision-making processes.

For example, in addition to all the sessions on this topic, the Country-Code Names Supporting Organization will dedicate five sessions which will be over seven hours at their meeting in Dublin on informing and discussing with this community the current state of play with respect to enhancing ICANN's accountability work.

Recently, 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 country code top-level domain manager to another.

Following the June 2015 Board resolution directing staff to work on the implementation, the Country-Code Names Supporting Organization appointed an advisory team comprised of the former chairman and co-chairman of the group. This team has met with the staff to provide background, and progress has been made in the implementation process as a result of these efforts.

In other areas, the Country-Code Names Supporting Organization council has, at the request of the ICANN Board of Directors, established a working group which will focus on providing recommendations on improving the second similarity review of the international domain name country-code top-level strings.

As requested, the Governmental Advisory Committee and the Security and Stability Advisory Committee will be invited to participate in this effort in a manner that they see fit.

Following the successful launch and implementation of the repository with contact details to allow e-mail transmissions in readiness of a potential security incident, the Country-Code Names Supporting Organization has established a standing oversight committee to oversee and guide further development and use of the repository and to reach out to those country code top-level domains who are not subscribed.

This concludes the policy update for this report. You can learn more about these policy activities during the ICANN 54 meeting in Dublin. The ICANN Policy Development Support Team will also provide a webinar update. This will be provided on 8 October at 10:00 a.m. UTC and at 19:00 UTC summarizing policy activities across ICANN policy development communities and giving status reports on the transition of the stewardship of IANA and the ICANN accountability efforts. Please join us for this webinar.

Now I'll hand it over to Adiel Akplogan, Vice President of Technical Engagement, to give an update on behalf of the Address Supporting Organization, the Number Resource Organization, and the Internet Engineering Task Force. Adiel?

ADIEL AKPLOGAN:

Thank you very much, David. We'll start with the ASO and the NRO with the IANA transition update from their side. The comment period of the second draft of the RIR-ICANN SLA is now closed, and the comments received from the community are being reviewed by the NRO. You can read more about the process, the documents, and related discussions at the link provided in this guide.

The NRO have also initiated an independent review of the RIR accountability mechanism. This is on the way and fell well within this IANA transition process.

The NRO has also submitted its comments directly to the CCWG-Accountability and the ICG draft proposals. Those two documents can be found online on the NRO website at the links displayed.

From the end of September, the ASO AC have started the process for electing a representative to fill the Seat 10 of the ICANN Board. That seat is currently filled by Kuo-Wei Wu. The new Board representative has to be appointed before the term of that seat starts in October 2016.

Hartmut Glaser has been appointed by the ASO to the ICANN NomCom 2016, while Tomohiro Fujisaki and Aftab Siddiqui from APNIC Region and Mark Atkins from AFRINIC Region have been respectively reappointed to the ASO AC or the NRO NC.

We have also all heard the news that this 24 September ARIN has run out of IPv4 addresses. This is an important milestone in the global IPv4 [inaudible].

We encourage everybody interested to join the RIR regional policy discussion forum. To do so and contribute to IP address management policy discussion. You can see more about the policy forum on the NRO website, especially on the discussion policy development.

The RIR will have a series of policy development meetings in the coming months, starting with [inaudible]. In fact, ARIN is having theirs this week in Montreal. Following the RIPE [inaudible] in Bucharest, AFRINIC later on in Congo, APNIC in Auckland next year, and LACNIC in Havana in 2016. Those are open meetings, and you can register online and participate both face-to-face or remotely.

Moving on, I will talk about the IETF. The IETF have continued to focus on security and privacy in the Internet traffic. That has been a big topic within that community over the past months.

In that area, we can report that the use of encrypted HTTPS traffic has continued to grow in the Internet. The IETF has recently turned the RFC 1984 from an informal document to a best current practice document, formally recommending the use of strong cryptography in the Internet.

The IETF is also collaborating with other groups that are involved in this, illustrated by their recent GSMA-IAB workshop that was focused on the question of how to manage encrypted traffic in networks. This is very important, especially when we know that the traffic on the Internet is more and more carried over mobile networks.

On the IANA transition side, the IETF-related activities are ready to move forward, but while there is no IETF dependency on the ICANN accountability work driven by the CCWG, other parts of this transition are waiting for the accountability track to be completed, so as the IETF.

Thank you. I would now move, and back to David [inaudible]. Oh, Ashwin. Thank you.

ASHWIN RANGAN:

Thank you, Adiel. I'll now give a brief management update on behalf of ICANN.

In this section, I'll give an IT and Internet Technically update, a few metrics from the Global Domains Division, take a look at the Contractual Compliance metrics from the quarter, and share some of our global stakeholder engagement efforts. Let's move on to the next slide, please.

We've engaged highly experienced consultants from Salesforce.com to assess our applicant portal and GDD registry portal, which uses

Salesforce.com to review our implementation, code base, security model, and design approach.

They interviewed key staff to understand ICANN's desired functionality with the platform and provided a report. In summary, the report stated that the existing implementation is highly customized and, in their opinion, is adequate for the purpose of supporting the applicant portal and GDD registry portal.

The experts' feedback is to architect a stronger instance for a stem-to-stern transactional and reporting and GDD platform. The consulting team provided us with several deliverables, including a detailed blueprint designed with a strong foundation that significantly strengthens security, a solution architecture that models ICANN's stated requirements for future functionality, plus an organizational structure to meet the broader business needs. The next step is to construct a new Salesforce instance based on the proposed blueprint.

The investment in the current Salesforce.com instance will continue to be leveraged through 2017 or 2018 for processing approximately 160 remaining applications. Other business processes will be migrated to the new scalable and secure platform designed and built by Salesforce consultants during this fiscal year. We'll keep you updated on developments.

In early 2013, ICANN retained the services of [Ari] Consulting, a respected group within the ICANN community, to perform a review of ICANN IT practices and benchmark these against IT best practices. A panel of five experts conducted the original review over a period of two

weeks. We generated a report highlighting 56 areas of improvement prioritized into critical, highly recommended, and recommended categories. We've used this as a guide to our work and have been tracking progress against these 56 recommendations.

In early September this year, [Glen Reichert], one of the leaders of the initial review, performed a follow up review of the IT organization and produced a report on the progress made against the initial recommendations. This review identified substantial improvements, particularly in the strategic areas. The most important and strategic recommendations have been addressed, with the 12 most critical either completed or in progress.

The report noted examples of improvements, such as setting up of an IT steering council, a fully developed IT strategic plan, and a dedicated chief information security officer. The report also noted the commitment from IT management to complete the implementation of all 56 recommendations. If we maintain our current momentum, [Glen] felt that we may complete addressing all 56 recommendations within the next 12-18 months.

As for ICANN's digital services, we continue to scan and review our portfolio for security vulnerabilities. We have a total of 38 services that are internally scannable. We've already completed evaluation and remediation of nearly 30% of this portfolio, with several more in progress. We're on track to complete this review by June 2016.

Now let's look at the Internet Technically update. We've been engaging with the community on a variety of topics and discussions, such as the

updating of the DNSSEC key for the root zone, how to protect DNS infrastructure, and ways in which domain name abuse such as the use of domain names for spam, phishing, botnet command-and-control, etc., can be mitigated.

We've also supported the operational security community regarding efforts to combat domain name abuse and providing training on DNS-related topics.

With the completion of the public comment period on the plan to update the DNSSEC root key, staff will now be working on providing a summary of the comments received and the root key rollover design team will be incorporating those comments to come up with a final set of recommendations. The root management partners will then take these recommendations and create the work plan to update the root DNSSEC key signing key.

Looking forward to ICANN 54 in Dublin, we'll continue the "How It Works" tutorials on how Internet standards are made, how Internet addressing and routing works, and how the DNS works, provided by members of the Root Server System Advisory Committee (RSSAC). There will also be a meeting of the Technical Experts Group focusing on new Internet technologies.

Now let's look briefly at the available Contractual Compliance metrics from the quarter. This slide shows FY16 Q1 data compared to the fourth quarter from FY15. As noted on the slide, the data for the month ending 30 September will be available from 15 October. Please visit the link provided on the slide for more information.

I'll now turn to the Global Domains Division update. During the first quarter of FY2016, 80 new generic top-level domains were delegated, bringing the total to 759; 197 registry agreements were signed, for a total of 1,192; and 3 contention sets were resolved, bringing the total to 207. As of today, 1 more contention set has been resolved, leaving only 25 outstanding contention sets.

In just a few weeks, 23 October will mark the second anniversary of the first New gTLD Program delegations. With the program well underway, ICANN is focusing on facilitating reviews of the program to help determine success of original goals and lessons learned for incorporation into future rounds.

ICANN's Affirmation of Commitments mandates the review of the impact of the program on [competition], consumer trust, consumer choice, and other areas. A review team consisting of members of the Internet community will conduct this review. A number of activities are completed and underway to support this review, including a consumer survey, an economic study, and focus reports on rights protection and program implementation.

We're also getting ready to begin a study in the area of security and stability, reviewing the impact of the program on the DNS root server system.

During the quarter, ICANN published a draft of the Program Implementation review, which is available for public comment until 7 December 2015, and the revised version of the Rights Protection Mechanisms report that is representative of community feedback.

ICANN also published a study that explores the economic impacts of the new gTLDs on the domain name marketplace, both before and after the launch of the New gTLD Program as well as a study on registrant perceptions of top-level domains. Both of these studies will be repeated in approximately one year, and the results will help demonstrate the extent to which the New gTLD Program is promoting competition, trust and choice.

Another project related to competition, trust, and choice completed during the quarter is the launch of a metrics hub on icann.org with data on the domain name industry. These metrics will be updated on a continuous basis.

One way in particular that the New gTLD Program is expanding choice in the domain name system is through the introduction of generic top-level domains consisting of characters from Chinese, Cyrillic, [inaudible], and many other scripts. These are known as Internationalized Domain Names, or IDNs for short.

Introducing internationalized domain names into the domain name system is critical to making the Internet multilingual, as they enable people around the world to navigate the Web entirely in local languages.

The Internet was originally structured to work with a small set of characters referred to as the American Standard Code for Information Interchange (ASCII). A framework is needed to determine how to construct and use new characters in the domain name system even

when the same script is used slightly differently for the same word. This is the primary goal for ICANN's IDN program.

Under the program, teams of community-based volunteers are tasked with developing the rules that will govern how their scripts are used on the Web. ICANN supports these volunteers and helps facilitate the development of these rules, which are organized through generation panels.

During the first quarter of FY16, the Arabic and Armenian generation panels became the first to submit their label generation rules. Now 18 of the 28 scripts considered relevant for use in the Internet's root are now in various stages of development.

A truly multilingual Internet is on the horizon, and the introduction of internationalized top-level domains is a key component. Also important is ensuring that all Internet applications and services recognize these and other new domain names. This is the goal of universal acceptance.

Universal acceptance is the concept that all domains should be treated the same in all applications regardless of the script or the format. This can only be accomplished if software developers, website owners, and other stakeholders update their systems to align with recent innovations in the domain name system.

ICANN is playing a coordination and support role for this initiative, which is being led by a group of volunteers from the community known as the Universal Acceptance Steering Group (UASG). The UASG is focusing its efforts on four primary areas: guiding the identification of topline issues and proposed solutions, advancing internationalization,

establishing measurement and monitoring functions, and lastly performing outreach and promoting universal acceptance to relevant stakeholders. The group is making headway on all fronts and will be holding sessions at ICANN 54 to further accelerate efforts in each of these areas.

Now I'd like to change directions and discuss the IANA ticketing statistics from the last quarter. The IANA department maintains registries of globally unique identifiers, such as the domain name system root, Internet protocol address space, and other Internet protocol parameters. Its key responsibilities include processing requests related to top-level domains and protocol parameter registries and allocating number resources to regional Internet registries.

In the first quarter of FY16, the IANA department processed 396 domain-related requests, down 38% compared to the fourth quarter; 634 protocol-related requests in July and August (statistics for the entire quarter will be available at a later date); and 1 number allocation compared to 2 in the fourth quarter of last year. We received and responded to 371 general inquiries, up 13% compared to the fourth quarter last year.

Now let's take a look at how our Global Support Center performed during the quarter. The customer support center continues to meet or exceed its goals. The positive trends are the result of a fully staffed team based out of the three hubs operating 24 hours a day, 5 days a week.

Another contributing factor is ICANN's commitment to fostering a culture of continuous improvement, as demonstrated by staff training and monitoring internal processes.

I'll touch briefly on a few metrics that you see on the slide. Case volume trending, or the ratio of cases opened versus cases resolved, remains on a similar trajectory since the fourth quarter. The number of resolved cases outpaced the number of cases opened, with over 3,000 cases resolved and nearly 2,500 new cases opened. This also helped decrease case backlog.

Our goal for resolution time is to have 80% of cases resolved within seven days, which we're exceeding. On average, cases were resolved in just over five days, and approximately 93% of cases were resolved within the seven-day window compared to 85% of cases being resolved within seven days during the fourth quarter of last year.

Now let's take a look at how ICANN has engaged with its stakeholders. Globalizing ICANN and engaging with stakeholders worldwide is a core part of ICANN's strategy. This slide shows some of these engagement efforts.

In the first quarter, ICANN held over 157 events that reached an estimated 15,000 people. Here, you can see a breakdown of engagement and outreach activities by region and by stakeholder group. Note that many of ICANN's events have multiple stakeholder groups, so some events may be counted more than once.

These engagement efforts help build relationships and regular dialogue with stakeholders and encourage participation in ICANN's processes and

structures. Please visit the link on this slide for more reports on regional engagement efforts.

This concludes the management update. I'd like to hand it over now to Xavier, our CFO, for Financial Updates.

XAVIER CALVEZ:

Thank you, Ashwin. I will present our financial information for the first quarter of our FY16, running from July to September 2015. As we are in the process of finalizing the actual September results, the information presented reflects estimated data for Q1 FY16, which is compared to the FY16 budget and to the first quarter of last year.

We will now look at an overview of ICANN's financial structure. The financial information in the following slides includes (in blue on this slide) the revenues, baseline expenses, and initiatives for ICANN's operations. We will then provide an overview of the New gTLD Program (in orange on this slide), and we'll conclude with the status of the funds under management (in gray).

Let's start with an overview of our revenue sources for the ICANN operations. ICANN's revenues result mainly from two drivers: first, the number of domain name registration and, second, the number of parties under contract with ICANN. Both drivers reflect the evolution of the domain name systems marketplace.

On the left, the number of domain name registrations drives the transaction-based fees, representing 66% of our revenue, 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 18-25 cents that you can see on the invoice you receive from registrar.

On the right, the number of contracted parties drives various fixed fees, representing 30% of our revenue. One example is a fixed \$3.4 million total annual fee divided among all accredited registrars.

The other income, consisting of contributions and sponsorships, represents the last 4% of ICANN's revenue.

We will now compare those revenue sources to the FY16 budget and to last year. The revenue for the quarter is on budget at \$26 million as a result of a few variances by category. The estimated registry and registrar transaction-based fees are expected to be nearly at budget.

The registry fixed fees are higher than budget as a result of a higher number of registries under operations at the beginning of FY16 and through the quarter.

All other categories of revenues are overall consistent with the budget.

The estimated revenues are higher than last year, mainly driven by a higher number of registries in operations, which drives the registry-fixed fees.

Let's now review our expenses for the ICANN operations. Our main category of expenses is personnel costs, representing 59% of our total expenses. This corresponds to an average headcount of 317 staff members during the first quarter.

Travel and meeting costs include the costs of travel, lodging, and venue rental for various meetings and represent 6% of our costs during the quarter.

The professional services costs category represent 11% of the quarter's expenses and include primarily contractor services, legal fees, and language services for transcription, translation, and interpretation.

Administration costs include primarily rent and other facilities costs for all ICANN locations and network and telecommunications costs.

Let's now compare these expenses to budget and last year. Total estimated expenses combining both operating and capital spend amount to \$21 million compared to a budget of \$25 million, resulting in an underspend of \$4 million.

Personnel costs are lower than budget due to an overall lower than expected headcount at the beginning of FY16 and through the quarter. Travel costs, professional services, and capital spend are estimated to be lower during the quarter, reflecting on one hand a focus on supporting the USG Stewardship Transition activities and on the other hand timing differences across various projects.

Now let's review the expenses resulting from the approved initiatives. The estimated expenses for the USG Stewardship Transition initiative reflect the intense activity on this project during the quarter. We will see the breakdown by category of these expenses on the next slide.

The spend on the Public Responsibility initiative is expected to be under budget for the quarter, mainly due to timing differences. The other initiatives are mainly consistent with budget.

Looking now at the USG Stewardship Transition costs breakdown. The main category of costs is the individual legal advice supporting the community working groups. Other costs include the cost of meetings held during the quarter, other professional services, and the cost of support staff.

Let's now see how revenue and expenses net out for the first quarter. Overall, ICANN operations revenues and expenses estimates net out to an excess of \$1 million for the first quarter. As the variances versus [plan] are mainly due to timing, we do not currently believe that they represent a trend for the remainder of the fiscal year.

We will now review the financial information relative to the New gTLD Program. The New gTLD Program is a \$360 million multiyear program to create new top-level domains. The program is fully funded through the application fees collected in 2012.

The program has entered its fifth year, and after three years of evaluation and delegation work from FY13 to FY15, over \$200 have been spent to evaluate applications 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 program's results for Q1. In total and by category, estimated expenses are slightly lower than budgeted during the quarter and are consistent with last year. The variances are mainly due to timing differences at this stage.

Let's now look at the funds under our management. The New gTLD Program related funds on the left include the New gTLD Program funds and the proceeds of auctions. The New gTLD funds decreased as a result of the evaluation expenses incurred and the application withdrawals refunded during the quarter. The auction proceeds are unchanged during the quarter, as no auction concluded during this period.

The estimated ICANN operations funds under management on the right are consistent with management expectations and close to last quarter's positions.

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, Xavier. At this point, we have no questions online or coming in on the phone, so we're going to take two of the questions that were submitted earlier. Again, if someone has a question, please type it in if you're on Adobe Connect to the "submit questions here" box. If you're on a phone line and you have a question, hit #3 and you'll be put into the queue.

Xavier, what are you expecting in terms of revenue? What do you expect it to be at the end of FY16?

XAVIER CALVEZ: Thank you, Brad, and thank you for the question. It's very early in the year at this stage. As we have indicated in the presentation, the actual revenue for FY16 for the first quarter are on budget with a few variances by category. We're not currently expecting or seeing any differences of significance that would lead the FY16 revenue to be very different from budget. But again, it's very early in the year, and trends could develop in the next few months. Thank you.

BRAD WHITE: Thank you, Xavier. Ashwin, the next question is for you. What's the status on the next round of applications in the New gTLD Program?

ASHWIN RANGAN: Thank you, Brad. The Board in its last meeting resolved on the issue and encouraged the community to participate in the reviews that are taking place right now for the current round. The reviews encompass many different elements, and they will take some time to be developed. Once the reviews are done and we get the recommendations or we're closer to that, the Board resolved that they will look at the timing of the next round then.

So we need to be careful because there are a lot of elements of the reviews that will [direct] recommendations. These recommendations, if accepted by the Board, will need to be implemented. Therefore, there is an implementation phase after the review that also needs to be scheduled for. So we will know a lot more as the time gets closer to the

output of the reviews, but it doesn't look like it will be any time in the current calendar year or the next calendar year. Thank you.

BRAD WHITE:

Thank you, Ashwin. Seeing no questions, we're going to shut the call down a little earlier than we had slated, than we had appropriated time for. But before we do, Fadi, allow me to toss to you to see if you have any final closing comments.

FADI CHEHADÉ:

Many thanks, Brad. Simply to say that this call, like many other calls that we've held before on a quarterly basis, are designed to be an important step in improving and enhancing ICANN's accountability. These calls are necessary so that the community has a chance firsthand to appreciate the progress we're making.

I invite all of you to continue joining us during these calls, which of course are recorded and the recordings will be posted on the icann.org/progress page, so please do visit and share these with our colleagues in the community to ensure that we continue in our commitment to always be responsive to reporting and to transparency of everything we do at ICANN.

I thank you again, and I look forward to see you at the next call, which will be in January. For those of you heading to Dublin, we look forward to see you in Dublin in a couple of weeks. Thank you very much.

BRAD WHITE:

Thank you, Fadi.

One final reminder: if anyone has any questions that come to mind following this call, please submit them via e-mail to engagement@icann.org.

Thank you to all the presenters, and thank you to all the participants.

[END OF TRANSCRIPTION]