

New gTLD Auction Proceeds Cross-Community Working Group

June 2020 Newsletter

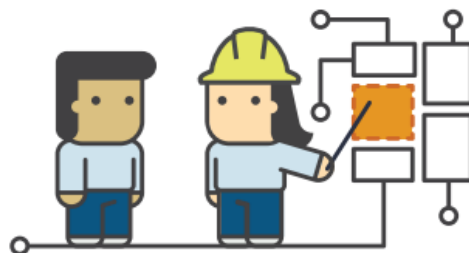
A webinar for Chartering Organizations about the CCWG's [Final Report](#) will be held on Tuesday 7 July at 12:00 UTC. The webinar is open to anyone interested. More information is available [here](#).

- The CCWG was tasked with developing a proposal(s) for consideration by its Chartering Organizations on the mechanism that should be developed in order to allocate the new gTLD Auction Proceeds. The Chartering Organizations are: 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).
- The CCWG submitted its [Final Report](#) to Chartering Organizations for their approval in May 2020.
- In addition to proposals on the mechanism for allocating the new gTLD Auction Proceeds, Final Report recommendations address the entity that should be responsible for considering and selecting projects to receive funding, due diligence requirements that preserve ICANN's tax status, directly related matters such as handling potential or actual conflicts of interest, and other topics.
- Out of scope for the CCWG: Any recommendations or determinations with regards to specific funding decisions, including specific organizations or projects to fund or not.



CURRENT STATUS

The New gTLD Auction Proceeds Cross-Community Working Group (CCWG) submitted its [Final Report](#) to the Chartering Organizations for their consideration on 29 May 2020. The Final Report sets out the core issues that the CCWG addressed in carrying out its [charter](#) since its inception in January 2017. It includes responses to questions posed in the CCWG's charter, a series of recommendations, as well as guidance to be considered in the implementation phase.



The Final Report discusses three possible mechanisms that the CCWG considered for allocation of auction proceeds:

- Mechanism A: An internal department dedicated to the allocation of auction proceeds is created within the ICANN organization.
- Mechanism B: An internal department dedicated to the allocation of auction proceeds is created within the ICANN organization which collaborates with an existing nonprofit.
- Mechanism C: A new charitable structure (ICANN Foundation) is created which is functionally separate from ICANN org, which would be responsible for the allocation of auction proceeds.

The Final Report includes the following recommendation with respect to the mechanisms:

“The CCWG recommends that the Board select either mechanism A or mechanism B for the allocation of auction proceeds, taking into account the preference expressed by CCWG members for mechanism A.

As part of its selection process, the ICANN Board is expected to apply the criteria outlined by the CCWG [...] for which additional internal and/or external input may be required (such as providing a reliable cost estimate). The ICANN Board is expected to share the outcome of its consideration with the CCWG Chartering Organizations and, if deemed necessary, involve the Chartering Organizations and/or CCWG implementation team in any deliberations that would benefit from Chartering Organization and/or CCWG implementation team input.”

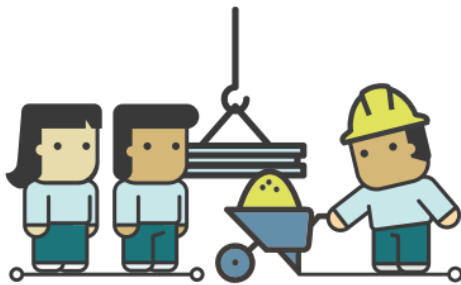
Other recommendations in the report focus on the following subjects:

- The establishment of an Independent Projects Evaluation Panel to consider and select projects to receive funding, regardless of the mechanism chosen.
- Objectives of fund allocation.
- Safeguards, conflict of interest provisions, and auditing requirements.
- Existing ICANN accountability mechanisms cannot be used to challenge decisions on individual applications.
- Timeframe for the disbursement of funds and the staging of disbursement in “tranches.”
- Review of the mechanism.

The Final Report takes into account feedback received through a **public comment period** on the **proposed Final Report**, which was held from 23 December 2019 through 14 February 2020, as well as subsequent CCWG deliberations.



NEXT STEPS



The Chartering Organizations are now considering the Final Report. Following approval by all Chartering Organizations, the recommendations will be submitted to the ICANN Board for approval.



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, a discussion

paper was published in September 2015. A Drafting Team (DT) to develop a charter for a CCWG was launched in February 2016, with participation from all ICANN SOs/ACs, apart from the ccNSO. The final proposed **charter** was submitted to all ICANN SOs/ACs in October 2016, after which each ICANN SO/AC confirmed the adoption of the charter. 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).

Subsequently, a **call for volunteers** was launched in December 2016. On 11 December 2018, the CCWG published its **Initial Report** for **public comment**. A total of thirty-seven (37) community submissions were received in response to the public comment forum. The CCWG revised the report taking into account the input received and published a **proposed Final Report** for **public comment** in December 2019. Twelve (12) comments were submitted in response to the public comment forum. Since February 2020, the CCWG met regularly to complete its review and analysis of the public comments and finalize the recommendations and responses to the charter questions in the report.

The CCWG has 22 members appointed by Chartering Organizations, 50 participants and 40 observers.



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 org auction since June 2014. The total net proceeds to date are \$208 million USD. Details of the proceeds can be found [here](#). To date, 3 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 [Final Report](#)