



Comments on the Draft Reserve Fund Document

Introduction

The i2Coalition appreciates the opportunity to provide comments on the draft document addressing the ICANN Reserve Fund.

The i2Coalition's diverse membership represents both large and small Internet infrastructure providers such as web hosting companies, software services providers, data centers, registrars and registries. The i2Coalition has several key goals within ICANN, but chief among them is continuing to build a voice for underrepresented parts of the Internet ecosystem – in particular web hosts, data centers and cloud infrastructure providers – and ensuring that accountability and transparency are paramount. The i2Coalition brings unique representation to ICANN as it is made up of companies representing the broad ecosystem of Internet infrastructure companies.

We appreciate the detailed analysis completed to determine a healthy level for the Reserve Fund. However, we disagree with the conclusion that no change is required to the current investment policy. We believe that the Reserve Fund should not be a part of another policy, but have its own standalone policy with binding requirements upon the ICANN Staff and Board to ensure that the Reserve Fund is adequately funded year over year, as a matter of budget priority. It should also include provisions that disallow ICANN from raising fees on registrants (via contracted parties) in order to replenish shortfalls in the Reserve Fund.

Rather than raising fees, ICANN should fund the Reserve Fund from existing revenue streams. Such a fiscally conservative approach will require the ICANN organization to carefully balance and budgetary increases with the need to continue to properly and adequately allocate money for the Reserve Fund. Finally, the standalone policy should also contain separate and enhanced Reserve Fund targets specifically related to the PTI and IANA administration budgets. At the very least, there should be a priority allocation of financial resources within the Reserve Fund that is specifically allocated to PTI and IANA functions, ensuring that critical Internet services will continue to function in the face of any disruption the ICANN organization.

The Reserve Fund investment policy should be written to meet and maintain a 12-month level. The recommendation to increase the funding level to 17 months is excessive and not realistic, given that funding from registries and registrars is contractually assured. A Reserve Fund maintained at the 12 month level will provide ICANN with the fiscal stability that the community needs.

The Reserve Fund investment policy should also contain specific language that limits ICANN's ability to access these funds. This language should be specific, transparent, and subject to community review. In particular, the funds then should be limited only for reasonable mitigation activities.

The i2coalition specifically recommends the following limitations:

1. ICANN should not access more than 10% of the Reserve Fund's actual balance (not recommended funding level) in a period of 30 days without written justification and board approval.
2. If ICANN reasonably anticipates accessing the Reserve Fund in consecutive months, or more than 2 out of every 3 months, a comprehensive budget and spending review must be conducted.
3. Use of funds must be justified and address both supply and demand issues. This approach ensures there is not excessive spending and that budgets are taken seriously and seen as firm caps for spending. From the demand perspective, in the event of a dramatic decrease in revenues, which would necessitate accessing the Reserve Fund, it is critical that ICANN implement austerity provisions to adjust for this decline in revenue as quickly as possible to limit continual access to the reserve.

ICANN is not an ordinary Non-Government Organization. ICANN plays a critical role in ensuring the security, stability, and resiliency of the IANA functions, and in particular, the DNS root zone. Appreciating this critical role is key to understanding the difference between ICANN and other organizations. 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 should create a separate Reserve Fund policy, which reflects the findings of its own analysis and the input of the community. This will, put ICANN on a path to assured economic stability.

We believe that taking a firm and proactive approach to the Reserve Fund best mitigates possible financial risk ICANN might face as it performs its function serving the global Internet community.