# SubPro WT 4: IDN / Technical / Operations

Meeting #18 2000 UTC  14 September 2017

# Agenda

**1** Welcome and Opening Remarks

**2** SOI updates

**3** Financial Evaluation

**4** Clarifying Questions

**5** AOB and closing

1. **Welcome and Opening Remarks**
2. **SOI updates**

# 3. Financial Evaluation

# Financial Questions - ICANN Program Review Feedback

- "Consider whether an alternative approach to the Financial Capability evaluation would be worthwhile"
    - ✓ Everyone(so to speak) agrees (CC2 Comments)
- "Review Financial Capability CQs and responses to determine whether improvements to the application questions can be made"
    - But if the approach is changed, 2012 questions won't be of much use

# Financial Questions - Principles

- What are the threats being addressed ?
  - Insolvent registry
  - Lack of market performance
  - Parent company extinction or business line closure
  - Unwillingness to provide financial statements to contract due diligence
  - Applying to more TLDs that one can handle
- What other ways can we use to address those threats ? (Besides a COI so demanding that violates banking regulations)
  - Current financials - what about unprofitable companies like Uber and Amazon ? What about start-ups ?
  - Stock exchange listed companies - same questions as above
- Is there a deterrence effect for having financial evaluation ?

# Financial Questions - Initial Evaluation

- All applications passed eventually, but 25 failed initial evaluation:
  - 2 failed multiple financial and technical questions
  - 18 failed Q45 (Financial Statements)
  - 2 open TLDs and 1 brand TLD failed Q50 (Contingency Planning)
    - Likely a fail to get a funding commitment from officers
  - 1 GeoTLD failed Q48 (Funding and Revenue)
    - That TLD currently has 14k regs and seems profitable. Were they punished for not wanting to make a guess ?
- Why so many failures of Financial Statements ?

# Financial Questions - Straw-person

No need to do any financial evaluation as part of the application process. ICANN Org would be allowed to eval any financial information deemed appropriate as required by usual corporate governance before contract signing (like OFAC regulations and credit reports). Applicants will be provided in AGB a nonexhaustive list of likely documents to be required as part of the contracting process, if they succeed in their applications.

# Financial Questions - Straw-person discussion

- By not evaluating financials, we don't deliver on a mentioned goal of potentially blocking speculation thru financial analysis
  - Was that achievable, for starters ?
- OTOH, we do streamline the process and provide fairness among applications without further need to control results output
- There is precedent for self-assessment in other industries
  - Example: Payment Card Industry (PCI Levels 2 - 4 SAQs)
- Could this decision suggest an application fee floor when WT1 and WT4 proposals are combined ?
- Could this decision impact applicant support design when WT1 and WT4 proposals are combined ?

# Financial Questions - Straw-person draft language

"Applicant will certify that funding for at least the critical registry services will be available even in worst-case scenarios.

ICANN Org will provide sample financial spreadsheets of usual registry models (Brand/Exclusive-use TLDs, Current ROs adding more Open TLDs, new ROs applying for Open TLDs) for applicants to make informed decisions before making such commitment."

# 4. Clarifying Questions

# Clarifying Questions

- Rec. 9 - "There must be a clear and pre-published application process using objective and <u>measurable criteria</u>."
- A good number of answers to questions were published
  - The ones that were not were clearly sensitive (Financials, for instance)
- No Clarifying Questions(CQs) or answers to CQs were published, even for published questions
- When ICANN Org recently asked applicants on behalf of WT4, they incorrectly informed applicants that was restricted information
- Clarity of publication straw-person language:
  - "All Clarifying Questions(CQ) and answers to those will inherit the public or not-public attribute of the answer where clarification is being sought for; if the CQ relates to cross-checking of responses to different questions, if one of those is not public, the CQ and answers will also not be public"

# 5. AOB