



SubPro WT 4: IDN / Technical / Operations

Meeting #22 1500 UTC 11 January 2018

Agenda

1

Welcome, Opening
Remarks and
SOI updates

2

Financial Evaluation

3

AOB and closing

1. Welcome, Opening Remarks and SOI updates

2. Financial Evaluation

Financial Evaluation

- Recommendation 8: Applicants must be able to demonstrate their financial and organizational operational capability.
- Current Implementation:
 - Questions and response based
 - Each individual application evaluated separately
 - Questions 45-50 (Q45: financial statements; Q46-Q49: projections template, funding and costs, contingency planning; Q50: COI)
 - 8/11 points needed to pass, no zeros allowed
- Challenges:
 - Despite supplemental notes before and during app submission, 90% of applications received CQs (Costs, funding/revenue, and especially COI biggest problems)
 - Difficult to assess financial capability over all applications submitted (evaluated individually)
- **Can financial capabilities be determined in a better way?**

Straw Mushin

- Warning: COI discussion @ WT2; once WT2 defines how this registrant protection plays out, WT4 or the full WG can go back to address it
- Some CC2 comments suggested ditching business model evaluation (Q46-Q49)
- Some CC2 comments suggested removing financial statements requests; Q45 was also one that made some applicants fail initial evaluation
- Consensus merge of those is not require anything
- That wouldn't prevent ICANN Org from requiring financial statements or any other documents it sees fit for contracting

Straw Mushin 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 common registry models (Brand TLDs, Current ROs adding more Open TLDs, new ROs applying for Open TLDs) for applicants to make informed decisions before making such commitment.
- ICANN Org will provide before application process an initial non-exhaustive but believed to be complete list of financial documentation that will be required for contracting “

Straw Bee

- During a WT4 call and repeated in Abu-Dhabi F2F, some people mentioned preferring not going the Mushin route
- Most mentioned item was about financial statements
- Compromise model would be then to ask for financial statements but not for a financial model

Straw Bee 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 common registry models (Brand TLDs, Current ROs adding more Open TLDs, new ROs applying for Open TLDs) for applicants to make informed decisions before making such commitment.
- Financial documentation such as statements, or reason for not having such like being a newly incorporated company, will be requested as part of the application process”

Straw Beetle

- During Abu-Dhabi F2F, some people mentioned preferring a different approach than Straw-Mushin and Straw-Bee
- No much detail gathered since
- One possibility mentioned for financial model evaluation was 3rd party certification; this has been included
- What else what make an evaluation model simpler than 2012 but still good enough ?

Straw Beetle Draft Language

- “Applicant will obtain credible third-party certification of the financial model 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 common registry models (Brand TLDs, Current ROs adding more Open TLDs, new ROs applying for Open TLDs) for applicants to make informed decisions with guidance from their financial advisors before making such commitment.
- Financial documentation such as statements, or reason for not having such like being a newly incorporated company, will be requested as part of the application process”

Financial Evaluation Depth

- Financial statements does not usually extend beyond a 1-year timeframe
- 2012-round registries revenues are less than projected, marketing costs are higher than expected
- Specifically for Open TLDs, increased level of supply without an associated increase in demand may lead to more failures
- 2012-round applicants had no comparable data for applicants to establish projections and for evaluators to pass judgement on such projections
- We now had at least 1 financial failure, .wed, which defaulted on RSP payments, causing the 1st EBERO transition

Straw Cookie Monster

- Two different templates:
 - Apps with no expectation of revenues (including Brand TLDs)
 - Apps with projected revenues, which would be endorsed by auditor or account and could be:
 - Basic templates (similar to 2012 AGB)
 - Custom templates (tailored to specific business model)
- Stress-test tools (similar to online mortgage calculators)
- Consolidated view of multiple applications
- Planning to not met revenue goals, to exceed expenses or funding shortfalls
- Checklists to make sure all direct expenses (RSP, escrow, Spec 11 3b monitoring) are foreseen

Models decision tree

- If a stricter financial evaluation model than 2012-round is to be applied, Straw-Cookie Monster is the only one satisfying this criteria
- Among the 3 simpler than 2012-round models, Straw-Mushin is the only one with no financial evaluation. If this is considered satisfactory, it's the more streamlined model
- Between the 2 remaining straw models, Straw-Bee and Straw-Beetle are very similar in evaluation effort, differing on whether applicants self-certify their financial capability or obtain 3rd party certification. Choosing between the two comes down to this point.

3. AOB and closing

AOB and closing

- AOB ?
- Which pending topics require calls and which can be dealt through mailing-list and surveys ?