
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, about an hour. Our agenda is as follows. We’ll begin with the President’s Overview followed by a Policy Update, a Management Update, and close out with a Financial Update. Each of those presentations is going to last roughly about 10 minutes or so.

The second half of this call, the final half hour, is going to afford participants an opportunity to ask questions of the presenters. If you are on Adobe Connect, please type your question into the box labeled “Submit Questions Here.” If you are 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. So if you are on one of those lines, same thing. Just hit #3. Then you can ask your question, and we will then hear the interpretation.

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

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

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.

Lastly, I'd like to remind you to please mute your computer and your phones. With that, I will introduce ICANN President and CEO Akram Atallah. Akram?

AKRAM ATALLAH:

Thank you, Brad. As you know, Göran Marby joins us late May as ICANN's President and CEO. He's listening on the call and, as usual, the global leaders and I will provide the update and answer any questions.

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. 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 third quarter of FY16, which ended on March 31. Today, I'm going to provide you with a brief overview covering seven efforts, which you can see here on the slide.

ICANN remains committed to accountability and transparency, and these Quarterly Stakeholder Calls are one way you can learn about ICANN's work. Another tool available to you is our Key Performance Indicator (KPI) Dashboard found on our website.

We continue to evolve the Dashboard since its launch in August last year. It tracks 28 key performance indicators, some of which are still under development. It is aligned to ICANN's objectives and goals as agreed with the community in our strategic and operating plans. The

Dashboard helps provide clarity on how strategies will be achieved as well as how we're trending toward targets and is updated each month on our website. Here, you can see the high-level score for each objective with the ability to drill down to view each goal level KPI in detail. In two days, we'll publish our latest data, and I encourage you to review it and share your comments.

Also integral to our planning process is the annual Operating Plan and Budget, which is currently being developed with the community. Our draft FY17 Operating Plan and Budget and the associated draft Five-Year Operating Plan are currently out for public comment. This is an opportunity for you to contribute input into ICANN's planned activities, so if you wish to do so, please submit your comments by 30 April. A report will be available in May, and we anticipate Board approval of the incorporated comments at ICANN 56 in June. Visit our website for more information.

Due to conservative planning and management, our financial position to date for FY16 is favorable. ICANN's revenues were higher than budget, and baseline expenses were lower than budget, offsetting higher transition-related costs. We expect these positions to be confirmed at year end.

A significant milestone was also reached last quarter with the release of the first version of the Root Zone Label Generation Ruleset which supports Arabic script. These rules will determine the validity and variants of top-level domains for the Arabic language and are a key aspect of introducing the world's languages into the domain name system in a stable and consistent manner.

Continuous improvements are part of the spirit of ICANN. We are using the European Foundation for Quality Management (EFQM) Excellence Model as a structure for identifying organization-wide strengths and driving improvements. Drawing on the IANA Department's success with the framework [since] 2009, we are working toward an external [inaudible] EFQM assessment in FY18.

In the meantime, we are getting ready through annual organization-wide internal assessments that began in FY15 and implementing identified enhancements. This is part of our ongoing commitment to continuous improvements organizational excellence at ICANN, something which I know we are all passionate about.

Now I'll give an update on Contractual Compliance activities. As part of the annual compliance certificate process, in February we sent 229 inquiries to the applicable registrars who had not yet submitted the annual compliance certificate. Of these, 220 inquiries were resolved and closed by the end of last quarter and 9 remain open and are in process. For registries, 308 inquiries were sent to registry operators, of which 303 were resolved and closed by the end of the last quarter and 3 remain open and pending resolution.

The 2013 Registrar Accreditation Agreement audit round launched last September is nearly complete. The audit team has reviewed over 7,100 documents in 11 languages received from 23 countries. The initial audit reports were issued to the contracted parties in February 2016. At the end of the last quarter, approximately 86% of registrars have completed remediation and received final audit reports. A few registrars are still

working with the Contractual Compliance team on the actions required to address the issues identified during the audit.

The Registry Agreement audit round launched late January this year is now in the audit phase. Ten registry operators were selected for this audit round. Based on the data received to date, most registries undergoing audit this round are predominantly in compliance with generally minor issues for remediation. Initial audit reports are tentatively scheduled to be issued in April 2016.

We continue to hold focused outreach efforts with registrars and registries on a variety of topics, including abuse, WHOIS inaccuracy, WHOIS format, registration transfers, and dispute resolutions. This is just one example of our engagement efforts with the contracted parties. ICANN will also hold its second annual GDD Industry Summit in Amsterdam next month. This three-day event is intended to provide ICANN's contracted parties with the opportunity to meet and address issues of shared importance.

ICANN also seeks to engage its existing stakeholders and newcomers in a meaningful way so they can fully engage in the multi-stakeholder model and its processes. The workload at ICANN is expanding, so not only do we need new active participants, we also need to support our volunteers to make it easier for them to participate. We are looking at the issue of attracting, retaining, and supporting talent under a framework we are calling the Stakeholder Journey. The Policy and Global Stakeholder Engagement teams are working together on this key aspect of ICANN's future sustainability.

We also have other programs, tools, and initiatives to support the community. The NextGen group at ICANN 55 was our largest to date, with 27 in attendance with 2 ambassadors from previous groups to offer insight to new attendees.

We also launched a Community Mentor Pilot at ICANN 55. Based on your feedback to help connect more experienced community members with newer members. The pilot aims to help each community build a process to officially welcome new members to a community as well as ongoing mentoring.

Now moving on to a key milestone achieved during the last quarter by the multi-stakeholder community, the completion and delivery of the IANA Stewardship Transition proposals. On the slide, you can see some of the upcoming Internet Governance related activities ICANN is preparing for. We work in close collaboration with the community, such as the Cross-Community Working Group on Internet Governance (CCWG-IG) as well as with our sister technical organizations and other Internet groups.

One example is the preparation for the Organization for Economic Cooperation and Development ministerial meeting that will address [digital] economies. ICANN worked closely with the Internet Technical Advisory Committee to the OECD members in submitting comments to the meeting papers for this meeting.

Our Internet governance efforts are an opportunity for outreach about ICANN's progress and engagement strategies as well as the IANA Stewardship Transition. ICANN continues to support and actively

participate in the global Internet Governance Forum (IGF) as well as several regional and national IGFs. We provide financial and volunteer support for the IGF-SA and the IGF secretariat as well as support for the IGF regional activities.

Now on to the transition. The Cross-Community Working Group on Enhancing ICANN's Accountability made significant progress in January and February, finalizing its recommendations and distributing a supplemental final report at the end of February. All six of the chartering organizations approved or did not object to the proposal in ICANN 55 in Marrakech.

As a result, both the ICG and CCWG Accountability delivered their proposal to the ICANN Board on 10 March. The ICANN Board, which had been following the proposal development closely, transmitted the package to NTIA after its public board meeting that afternoon.

The delivery of the proposals to NTIA marked the culmination of the largest multi-stakeholder process ever undertaken by our community. Stakeholders spent more than 26,000 working hours on the proposal, exchanged more than 33,000 messages on mailing lists, and held more than 600 meetings and calls.

This was all during Phase 1 or the community proposal and public comment phase. Now we are currently in the middle of Phase 2, with the NTIA reviewing the proposals. We anticipate this will take 90 days to determine whether it meets the criteria outlined when the transition was announced.

Assuming the proposals are approved by the NTIA, ICANN will have until 30 September to complete the transition. This isn't a lot of time, so we'll need to work hard to make this happen. We are optimistic that our continued collaboration with the community, engagement with NTIA, and careful project planning will enable us to complete the necessary implementation as efficiently as possible in time for a transition this September.

After the proposals were submitted, we saw significant progress with an intense focus by ICANN and the community on updating ICANN's Bylaws based on the elements identified in the proposals. The NTIA has stated that it needs to see adoption of changes to ICANN's Bylaws before it can complete its anticipated review. There is a public comment period for the revised draft Bylaws out now until 21 May.

We also continued our joint planning efforts with Verisign to remove NTIA's administrative role from the root zone management system and creating and/or revising critical agreements with the operational communities of the IANA functions. All of the organization's implementation efforts are made publicly available on ICANN's website.

That concludes my update. I now hand it over to Marika for the Policy Update.

MARIKA KONINGS:

Thank you, Akram. I am Marika Konings, Senior Policy Director and Team Leader for the Generic Names Supporting Organization, and I am standing in today for David Olive, ICANN's Senior 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 defined by the ICANN community through its three supporting organizations and influenced by four advisory committees in a bottom-up, multi-stakeholder, open and transparent process. Other Internet policy/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 more complete picture of policy development activities. My colleague Adiel will talk to you about those last two groups.

We can see the Generic Names Supporting Organization (GNSO) highlights on this slide. In addition to the topics listed here, work is still ongoing on implementation related issues resulting from the final transition proposal of the Cross Community Working Group on Naming Related Functions. Furthermore, substantial work in relation to the implementation of the Enhancing ICANN Accountability recommendations which were adopted by the GNSO Council and the other chartering organizations during the ICANN meeting in Marrakech remain ongoing.

In the last quarter, the GNSO Council adopted the charter for the Policy Development Process Working Group on new gTLD subsequent procedures, which subsequently have [inaudible].

The GNSO Council also adopted the 20 consensus recommendations of the Proxy and Privacy Services Accreditation Issues Policy Development Process Working Group, which have now been passed on to the ICANN Board for its consideration.

The GNSO Council also initiated a policy development process (PDP) to review all rights protection mechanisms (RPMs) in all generic top-level domains as well as adopted the charter for the Policy Development Process Working Group which will be addressing this topic.

The Generic Names Supporting Organization currently has 12 policy development processes in the various stages of the policy development process lifecycle, including one on the use of curative rights mechanisms to protect the names of IGOs and INGOs.

The last quarter also saw the submission to the GNSO Council of the GNSO Review Feasibility and Prioritization Assessment by the GNSO Review Working Party, confirmation of the chairs of the New gTLD Subsequent Procedures Policy Development Process Working Group, and the Next Generation Registration Directory Services PDP Working Group, and the creation of a drafting team to develop a charter for a Cross-Community Working Group on New gTLD Auction Proceeds.

Moving on to the ccNSO, in the last quarter, the IANA Stewardship Transition on Enhancing ICANN Accountability Processes continued to be a major area of focus for the Country Code community, as you can

see here on this slide. After intense discussion, the ccTLD community during the ICANN 55 meeting in Marrakech both in person and online broadly supported the recommendations of the CCWG Accountability final proposals, and ccNSO Council supported submission of the final supplemental report to the ICANN Board.

Following the discussions on the implementation of the CWG Stewardship and the CCWG Accountability proposals, the ccNSO Council mandated the existing ccNSO Guideline Review Committee (GRC) to develop the processes and procedures to meet the specific requirements from the ccNSO, for example, the selection and appointment of members of the future Customer Standing Committee, this in addition to the ongoing work of this committee, which is to review the ccNSO internal guidelines and to ascertain whether they reflect the current practices and working methods and identify potential gaps, if any.

The review was necessary to meet the demands of change in scale of the ccNSO itself and changed environment in which the ccNSO operated since the adoption of the first guidelines in 2008. Although not done yet with the review, the GRC completed six guidelines ranging from describing procedures around the ccNSO work plan to roles and responsibilities of the ccNSO Council and two related charters for standing committees.

Finally, and also in light of the anticipated IANA Stewardship Transition, the ccTLD community present in Marrakech stressed the need for ccNSO policies on the retirement of ccTLDs (a key process for which there is no policy in place yet) and for a review mechanism for decisions

pertaining to the delegation, revocation, transfer, and retirement of ccTLDs.

The review mechanism for these ccTLD related decisions is excluded from the Accountability and Stewardship proposals. In the upcoming months leading up to the Helsinki meeting, the ccNSO Council will discuss how to structure the PDP in more detail.

Now I'll hand it over to Adiel Akplogan, VP of Technical Engagement, to give the rest of the policy update.

ADIEL AKPLOGAN:

Thank you, Marika. I am Adiel Akplogan, Vice President of Technical Engagement at ICANN, and I will take you through the update from the ASO.

As mentioned during our last update, the ASO is currently in the process of electing a representative for Seat 10 on the ICANN Board. That seat is currently held by Kuo-Wei Wu. Four candidates have been interviewed so far, and the process is planned to be completed around 13 June 2016.

Talking about Board seat selection by the ASO, the ASO Advisory Council is currently reviewing its election processes so they are better aligned with the current ICANN Bylaws.

During the period of this reporting, the ASO has also reviewed the final CCWG report and have approved it along with the other involved constituencies. As mentioned by Akram a few minutes ago during this update, this has allowed a package composed of the CCWG report and

the ICG proposal to be submitted to the NTIA on time, and this happened in Marrakech.

As part of the IANA Stewardship Transition plan, the NRO is currently involved in discussion with the other operational communities on how the IANA related intellectual property rights will be managed post-transition.

The Version 5.1 of the RIR and ICANN Service Level Agreement has been recently published at the link provided in the slide: NRO.net/sla. This version is the result of an open and transparent discussion between the RIR and ICANN. The process has been documented and is publicly on the NRO website at NRO.net/IANA-oversight.

Finally, the RIR community are continuously active defining and evolving IP number resource management policy regionally. There are discussions happening online and at face-to-face meetings. The related policy development process and documents are online and summarized on the NRO website at NRO.net/policies.

You can start participating in the discussion by joining their respective policy mailing lists. There are still eight upcoming face-to-face meetings for the RIR in 2016, as listed on the slide. The very close ones are – and they are listed in chronological order – LACNIC, that is happening next week in Havana, Cuba; RIPE 72 in Copenhagen in May; AfriNIC 24 in Gaborone, Botswana, 6-10 June 2016. That will close the loop of the first phase of [their meetings], followed by the next ones, which will start with LACNIC in September, APNIC, ARIN, RIPE, and AfriNIC.

Thank you for your attention, and I will now let my colleague Theresa continue this update and take you through the Management Update.

THERESA SWINEHART:

Thank you, Adiel. I'm Theresa Swinehart, Senior VP of Multi-stakeholder Strategy and Strategic Initiatives, and I'll be [inaudible] Management Update [inaudible] on behalf of ICANN.

In this section, I'll give an IT and Technology Update, [view] key matrix from the Global Domains Division as well as the Contractual Compliance [inaudible] of our Global Stakeholder Engagement efforts.

Let's move on to the IT Update. Our digital services and IT systems support the community to collaborate on its important work. We continue to harden ICANN's operations by examining our processes and systems. Historically, ICANN has not had a consistent method for security data and access to our digital services.

The Application and Identity Management effort creates a secure, two-factor authentication layer over all of ICANN's digital services. We are also ensuring security of data both at rest and in transit by encrypting and decrypting data sent between a service and database. The new setup for two-factor authorization has been prototyped and tested to be rolled out with the new Global Domains Division portal. After that, we'll begin to retrofit other digital services with these capabilities.

ICANN also manages a number of websites, such as ICANN.org, the Governmental Advisory Committee (GAC), [inaudible] At-Large websites, and others. As we've been growing, these have been

historically built leveraging a variety of platforms and tools, leading to a disjointed infrastructure, lack of scale, and lengthy development times, all making it more complicated to provide you with the best digital tools and services or respond to demands for new capabilities.

I'm pleased to say that we have a significant effort underway to address this, with the ultimate goal of providing the best online experience for you. We have sourced a new web content management system, which will enable us to more quickly define, configure, and deploy highly interactive and dynamic websites based on your needs. The GAC website will be the first to benefit from this new core platform, with other websites, such as ICANN.org, to be added in the near future.

ICANN also uses a number of different tools to coauthor, author, tag, log, and store documents. As part of an improved online experience with the web content management system, we are also in the process of sourcing a highly scalable document management system to better organize documents. We've completed the RFP process and are now sourcing an appropriate platform to fulfill this need.

Let's move on to the Internet Technology Update. These efforts are fundamental to ensuring the security, stability, and resiliency of the Internet.

Work continues on the root zone DNSSEC Key Signing Key rollover. As reported in our last call, the design team has developed recommendations for changing the global anchor of trust for DNSSEC, known as the Key Signing Key (KSK). Utilizing these recommendations,

we have started developing an implementation strategy to roll over the KSK.

As part of the Affirmation of Commitments agreement with the U.S. Department of Commerce, ICANN agrees to perform regular reviews of key areas and processes. Later this calendar year, the second Security, Stability, and Resiliency (SSR) review will commence.

Understanding how the domain name system works with devices and other technologies is important as such interaction could have impact on the structure, integrity, and operation of the DNS. We have a team of researchers conducting ongoing studies to better understand the ever-changing Internet landscape.

In addition, we've initiated a collaborative project called Identifier Technologies Health Indicators with a kickoff at ICANN 55 in Marrakech, which many of you attended. We have taken the feedback from this session to incorporate into the project.

Now let's look briefly at the Contractual Compliance matrix from the last quarter. This slide highlights the activities and some of the key performance indicators for the last quarter for ICANN's Contractual Compliance function. The closure rates on complaints have improved, while the turnaround time increased slightly due to the complexity of the issues under review.

The registrar and registry compliance measure is reported at about 98%. This percentage reflects the contracted parties who address issues before reaching the enforcement phase. You will also find the compliance report publication is at 100% of its goal, a commitment to

publishing data on a monthly basis no later than the 15th of every month. You can view the full report on our website for more information.

Let's see how the New gTLD Program is progressing. During the last quarter, 84 new generic top-level domains were delegated, bringing the total to 955; 5 registry agreements were signed for a total of 1,223; and 3 contention sets were resolved, bringing the total to 214 resolved. Currently, 20 contention sets representing 101 applications have yet to be resolved. As of today, the total number of potential new gTLDs is 1,259. There are about 200 TLDs with delegation deadlines approaching between now and the end of August of this year.

One ICANN auction was conducted during the last quarter. The net amount generated by these auctions is now approximately \$101 million U.S. to date. These funds remain separate from ICANN's operations budget, and the community is discussing how auction funds should be used.

As the remaining applications proceed through the program, ICANN continues to support the community's exploration of how new gTLDs are affecting consumers, the domain name industry, and the Internet's root server system.

During the last quarter, ICANN kicked off an independent review of Trademark Clearinghouse and a multi-stakeholder review team effort on Competition, Consumer Trust, and Consumer Choice. We held and open discussion about DNS abuse with stakeholders and issued a report

for public comment titled “New gTLD Program Safeguards to Mitigate DNS Abuse.”

We also published a revised version of the New gTLD Program Implementation Review report and issued a summary of public comments on the Continuous Data-Driven Analysis of Root Server System Stability study plan. I encourage you to visit the review section on the new gTLD site regularly for more information and to participate in the public comment process.

Another important focus of ICANN’s Global Domains Division is the introduction of the world’s many languages into the domain name system in a stable and consistent manner. Internationalized domain names consist of characters from Arabic, Chinese, Cyrillic, and many other scripts. These domains open the Internet to millions of people around the world who want to navigate the Web and digest content entirely in local languages.

ICANN is supporting communities of volunteers known as Generation Panels as they create frameworks for determining how scripts can be used to form top-level domain labels.

During the last quarter, the first version of the Root Zone Label Generation Ruleset was released. Version 1 supports the Arabic script, and future versions will support additional scripts. These rules will determine the validity and variants of top-level domains for the Arabic language. In addition, volunteers from the Korean script community joined ranks of 11 communities that are actively working on rules or have already completed them.

A full set of root zone label generation rules may not be available for some time. However, the community determined that countries and territories should not have to wait to request top-level domains matching their names in local scripts. As of 31 March 2016, 49 IDN ccTLD labels requested by 39 countries and territories have been evaluated. During the third quarter, Bulgaria's request passed evaluation; 43 IDN ccTLDs have been delegated for operation.

Universal Acceptance is a state where all valid domain names and e-mail addresses are accepted, validated, stored, processed, and displayed correctly and consistently by all Internet-enabled applications, devices, and systems. ICANN is supporting a community-driven universal acceptance initiative that focuses educated software developers and website owners about the evolving domain name system and how it will affect their applications and end users.

During the last quarter, the Universal Acceptance Steering Group released a quick guide specifically for developers. This guide is available in multiple languages and can be downloaded on our website.

The UASG has active participation from some of the world's largest Internet infrastructure and software organizations. At ICANN's 55th public meeting, team members held a full-day workshop and an awareness building session for the general community.

By the end of the fiscal year, the UASG expects to complete a review of Internet browsers and programming languages for universal acceptance readiness.

Now let's discuss GDD services and support statistics. The IANA functions include the management of protocol parameters, Internet number resources, and domain names. ICANN performs these functions on behalf of the global community. Every year, ICANN is audited by an international accounting firm to determine whether our execution of the IANA functions meets the service organization control framework developed by the American Institute of Certified Public Accountants.

2015 marked the sixth consecutive year that ICANN has received certification for our management of the DNSSEC Root Key Signing Key. For the third consecutive year, an audit of the IANA registry maintenance system transaction processing showed no exceptions.

In regard to IANA function statistics for the third quarter, ICANN processed 542 name-related requests, a 25% increase over the previous quarter; 1,002 protocol-related requests, the same number as the previous quarter; and 315 general inquiries. We also conducted quarterly Root Zone Key Signing Key ceremony and one number-related event.

Moving on to the Global Support Center statistics, Case Volume Trending is the ratio of cases open to cases resolved. In the second quarter, approximately 4,550 cases were opened and over 4,700 were resolved. By the end of the quarter, the Case Backlog decreased by 20%.

Status Frequency measures how quickly we respond to our customers after receiving a communication from them. Our goal is to respond within seven days in 80% of the cases. ICANN exceeded its service level

target in the last quarter by providing status updates in approximately 92% of the cases within the seven-day window.

Resolution Time Target measures the amount of time it takes to resolved an inquiry, and our goal is 80% of cases resolved within seven days. We exceeded this service level target during the quarter. Approximately 96% of cases were resolved within the seven-day window.

Let's now take a look at the stakeholder engagement and outreach metrics in the last quarter. Globalizing ICANN and engaging with stakeholders worldwide is core to ICANN's strategy. This slide shows some of the engagement efforts. Over the past three quarters, ICANN has held nearly 400 engagement events with a variety of stakeholders. These engagement efforts help build relations and regular dialogue with stakeholders and encourage participation in ICANN's processes and structures. Please visit the link on this slide for more information on our regional engagement efforts.

That concludes the Management Update. I'd like to hand it over now to my colleague Xavier, our CFO, for the Financial Update.

XAVIER CALVEZ:

Thank you, Theresa. I'm Xavier Calvez, ICANN's Chief Financial Officer. I will present our financial information for the first nine months of our 2016 fiscal year, running from July 2015 to March 2016. We will compare cumulative actual data for this period to equivalent data from our current year budget and to last year.

We will start with an overview of ICANN's financial structure to help understand the information that follows. The financial information included in these slides that follows describe, in blue on the slide, the ICANN operations revenues, the baseline expenses, and the multiyear initiatives. In orange, on the right, we will then provide an overview of the New gTLD program. And we will conclude with a status of the funds under management in grey, at the bottom.

Let's start with an overview of our revenue sources for ICANN operations. ICANN's revenue results mainly from two drivers: first, the number of domain name annual registrations generating an 18- to 25-cent fee per registration; and second, the number of parties under contract with ICANN, driving annual fixed fees collected from registries and registrars. On the left, the number of domain name registrations are collected from registrants through registries and registrars, and represents 70% of our revenue. On the right, the number of contracted parties drives various fixed fees, representing 28% of our revenue. The other income, consisting of contributions and sponsorships, represents the last 2% of ICANN's revenue.

We will now compare this revenue for the first nine months of FY16 to the budget and to last year. Our revenue is significantly over budget, by 10 million, at 83 million, primarily as a result of the following. On the left, the domain name registrations for both registries and registrars, which drive the transaction fees, show a higher growth than budgeted, primarily driven by registrations on New TLDs. Registry fixed fees are above budget, as the number of New TLDs in operations is higher than planned as a result of a faster pace of delegation.

Next, the registrars' fixed fees, above budget, reflect the approximately 700 applications for new registrar accreditations that occurred during the first six months of FY16 and that are included in these figures. These new accreditations trigger a one-time application fee for ICANN. During our third fiscal quarter, a minimal number of new registrar applications has occurred. ICANN has budgeted conservatively the number of applications at 15 per quarter, due to the unpredictable nature of this event. As we suggested during the last quarterly stakeholder call in January, it is clear that ICANN's revenue will be above budget by year end, and probably to a similar or even larger extent if the registration volume continues to exceed expectations.

We will now review the expenses for the company's baseline operations. Our main category of expenses is personnel costs, representing 51% of our total expenses. This corresponds to an average headcount of 318 staff members to support our baseline activities, excluding the headcount supporting multiyear projects and the New gTLD program. Travel and meetings costs include the costs of travel, lodging, and venue rental for various meetings, and represents 14% of our costs. The professional services category represents 15% of baseline expenses and include primarily contractor services, legal fees, language services for transcription, translation, and interpretation. Administration costs include primarily rent and other facilities costs for all ICANN locations, and network and telecommunication costs.

Let's now compare these expenses to budget and last year. Total estimated expenses, combining both operating and capital, amount to 74 million, compared to a budget of 85 million, resulting in an underspend rounding to 11 million. Personnel costs were lower than

budgeted due to lower-than-expected headcounts since the beginning of the fiscal year and social and benefits costs lower than planned. Travel costs were also below budget, reflecting both fewer trips taken and lower costs per trip than originally anticipated. Professional services are lower than budget, reflecting on one hand our focus on the USG stewardship transition activities, and on the other hand timing differences across various projects. For example, the expenses on the IDN programs or on the reviews where the third-party spend is lower than budget due to the revised calendar of reviews. The professional services category also includes our unspent contingency for about \$2 million.

We will now review the expenses relative to our approved multiyear project and initiatives. The estimated expenses for the USG stewardship transition project reflect the extensive activity over the past nine months, as was discussed earlier in this presentation. We will focus on this initiative's expenses in the next slide. The expenses on the Public Responsibility Initiative were under budget for the first nine months of the year, mainly due to delayed project, some of which will accelerate in the next few months. The IT Infrastructure Strengthening Initiative is progressing with some timing differences. Lastly, the preparation on the next round of New gTLD has not started, as the reviews on the current round are ongoing.

Let's look now at the USG stewardship transition costs breakdown. This graph shows the expenses for this project for the first nine months of the year by main category of costs. Over half of the costs consist of the external legal advice, supporting both community-led tracks for the stewardship transition and accountability enhancements. Other costs

include the costs of meetings held, other professional advice and support, the cost of language services, and the cost of supporting staff. The costs of external legal advice were mostly unbudgeted, as the extent of the legal support used for this project was unknown at the time the FY16 budget was developed. This valuable support triggers a level of expenses that is a concern shared across the organization. The Cross-Functional Support Team has been focused on producing detailed cost estimates to strengthen the transparency and accountability of this project's expenses to the community.

Let's now see how revenue and expenses net out after nine months. Overall, ICANN operations revenues and expenses, inclusive of initiatives, show an excess position of 4 million, resulting from baseline revenues exceeding expenses by 20 million, partially offset by multiyear projects and initiatives expenses of approximately 15 million. This compares to a budgeted deficit of 12 million at this stage of the fiscal year. Though baseline expenses are expecting to track closer to plan during the last quarter of the fiscal year, it is likely that FY16 still close on an excess.

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 application fees collected in 2012. The program has entered its fifth year. After more than three years of evaluation and delegation work from FY13 to FY15, over 200 million 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 in FY16 and 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 the first nine months of the fiscal year. In total, and by category, expenses are lower than budgeted during the first half, mainly driven by contracting activities occurring at lower costs than budgeted.

Let’s now look at the status of the funds under our management. The New gTLD program-related funds, on the left, include the New gTLD funds representing the portion of application fees not yet spent and the proceeds of auctions. The New gTLD funds decreased as a result of the evaluation expenses incurred and the application withdrawals refunded. The auction proceeds increased as a result of the auctions that occurred since the start of the fiscal year, notably the proceeds of 41.5 million from the resolution of the .shop contention set in January 2016. The ICANN operations funds under management, on the right, reflect a decrease mainly due to delayed reimbursement of expenses on behalf of the New gTLD program.

This concludes the financial presentation, and I will hand it back to Brad, who will moderate the question-and-answer session.

BRAD WHITE:

Thank you, Xavier. Seeing no questions in the Adobe Connect room, and we have no questions on the phone line at this point, I’ll go to one of the questions that was submitted earlier. And, Akram, this first question is directed at you. “Are we on track for the IANA stewardship transition to happen on time?”

AKRAM ATALLAH: Thank you, Brad. Yes, I think we are absolutely on track. As you know, we've been implementing everything that we can and preparing for the implementation of the rest of the contracts and the agreements that we have to do once we get approval from NTIA. So the plan has been so far to plan as much as we can and push the limit as much as we can, without actually crossing the line of having to take things back if the transition does not take place on time. So we're pushing the limit on everything we can do in the planning phase, until we hear back from NTIA.

Now, we've always said that we needed a certain amount of time to implement things. The community has gotten together and delivered roughly on time. So we didn't lose too much of the implementation time. And I think that we are in good shape right now to get things done. Thank you.

BRAD WHITE: Thanks, Akram. Xavier, this final question is directed at you. "You indicated that the registration volumes were higher than planned. Is that due to the Legacy TLDs or to the New gTLDs?"

XAVIER CALVEZ: Thank you, Brad, for the question. It's actually due to both. Both TLDs show higher registrations over the first nine months of the fiscal year, to different extents. The Legacy TLDs show a growth versus our original planned budget by 5-6%. And the New gTLD transactions are above our

budget by, actually, nearly 50%, reflecting close to 5 million more registrations than originally anticipated. This is partially due to the fact that we systematically budget conservatively our revenue. But it still exceeds our expectations for this fiscal year. Thank you.

BRAD WHITE:

Thank you, Xavier. So seeing no more questions in the Adobe Connect room, and I'm being told there are no questions on the phone lines, we're going to bring this quarterly stakeholder call to a conclusion. If you do have any questions, please feel free to e-mail them to engagement@icann.org. That e-mail address, again, is engagement@icann.org. And as a reminder, the presentation materials that were used during this call will be posted on the ICANN website very shortly.

With that, we'll bring it to a conclusion. And I'd like to thank everybody, all the participants, for taking part in this call. Thank you.

[END OF TRANSCRIPTION]