

**Statement of the Non-Commercial Stakeholders Group on the  
ICANN Reserve Fund Rationale and Target Level**

1. The Non-Commercial Stakeholders Group (NCSG) welcomes the opportunity to comment on the current state of the ICANN Reserve Fund. We have carefully considered the current status of the fund, along with the proposed revisions to its target level, and would like to provide input into both. In short, we are supportive of the proposal but would encourage the Board to go further in order to provide ICANN with a sufficient level of protection to preserve its capacity to deliver on its important mission in the event of unforeseen financial shortages, the imposition of significant fines, or other legal and regulatory risks. In this comment, we will outline why we believe the current proposal is a step in the right direction but somewhat insufficient, and offer pragmatic recommendations that we believe deserve further consideration by ICANN.
2. The NCSG is the most diverse body in the Generic Names Supporting Organization, with individual and organisational members from 128 countries. As a network of individual and organisational academics, Internet end-users, and civil society actors representing the interests of non-commercial registrants, we represent a broad cross-section of the global Internet community.
3. In 2014, the ICANN Reserve Fund stood at US\$85 million corresponding to 11.5 months of operating expenses. As of 30 June 2017, the Reserve Fund was depleted to US\$62 million. ICANN projects that the Reserve Fund will further deplete to approximately US\$58 million by the end of June 2018, corresponding to 4.8 months of operating expenses. In principle we agree with ICANN staff that the organisation should set a target level for the ICANN Reserve Fund that it be sufficient to cover a minimum of 12 months and a maximum of 17 months of operating expenses. However, given the organisation's unusual risk profile, we would encourage the organisation to set a target level for the Reserve Fund of a minimum of 24 months of operating expenses. This recognises the special and important role that ICANN plays in coordinating and setting policy for the Domain Name System, the very backbone behind modern, networked communications, and could cushion exposure to potential regulatory action, including under the European Union's General Data Protection Regulation whose potential impact on ICANN is significant.
4. We believe that there is only one way to replenish the Reserve Fund to meet this target level of 24 months of operating expenses, and that is to cut spending and put the savings into the Reserve Fund. We understand that there is a proposal to take funds from the New gTLD Auction Proceeds fund, and we do not support that idea. Those funds are supposed to be sequestered, and we feel it is a fundamentally unsound practice to dip into those funds to top up the Reserve Fund. To do so would make ICANN more vulnerable to a financial crisis since its ongoing expenditure would no longer be constrained by ongoing revenues. However, there are many ways in which ICANN could cut funding:

- Review the effectiveness of the various fellowship programmes (including the ICANN fellowship, NextGen@ICANN, coaching, and community onboarding programmes), which has ballooned in the recent past, and assess its benefits in terms of bringing active participants into the ICANN community. The resources might be instead allocated to provide targeted funding to support and appropriately retain volunteers who are productive contributors to ICANN working groups;
  - Review global stakeholder engagement activities to ensure that they are all closely aligned with ICANN’s mission, and cut any activities that do not meet the criteria;
  - Cut funding on contracts at ICANN, ensure diligent oversight, and more competitive bidding for any procurement. Adding more transparency to those processes will help;
  - Freeze hiring and do a review of staff salaries, performance bonuses, and staff travel. ICANN is a generous employer, but it has been frequently noted to us that staff do not always spend ICANN funds diligently. Particular attention should be focused on senior executives; and
  - Examine the resources allocated to the stakeholder groups and advisory committees at ICANN to ensure they are reasonable and appropriate, and are targeted to support volunteers who are contributing to ICANN’s core mission and policy development.
5. During the GNSO Council meeting in Abu Dhabi, ICANN’s Chief Financial Officer stated that ICANN’s funding is “stabilizing” – that is to say, income has stopped growing. The registrar community appears to feel it is trending downwards, judging from the discussion in the GNSO Council meeting. We feel very strongly that the time is now for the organisation to reconsider unnecessary expenditure and to work to build a strong Reserve Fund that can support the organisation should income begin to decline. Given ICANN has lost 15% of its fee-paying registrars this quarter alone, we think this is a very real possibility.
6. Thank you very much for considering our comments. We are at your disposal should you require clarification on our recommendations.