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 roughly about an hour.

Our agenda is as follows: we'll have a President's Overview for about 10 minutes. We'll get a Board update for 5 minutes. We've got 10 minutes set aside for a policy update following that. Then we'll go into a management update for about 15 minutes and a financial update for about 10. Those times are approximate.

Now, once the presentations are concluded, there will be an opportunity for call participants to ask questions of the presenters. If you're on Adobe Connect, please type your question into the box labeled, "Submit questions here." if you're on the phone, press #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 this session, please e-mail them to engagement@icann.org. Let me repeat that, it's engagement@icann.org.

This session is being recorded. Links to the presentation materials will be posted to the ICANN website. You can also find a link in the Adobe Connect box, the one that's titled Notes.

Lastly, I'd like to remind you to mute your computer and phones – the speakers on your computers and phones. And with that, I will introduce ICANN President and CEO, Göran Marby. Göran?

GÖRAN MARBY: Hello. The ICANN community has been busy preparing for the IANA Stewardship Transition, and the necessary changes and responsibilities it brings. Because of this, in particular, the changes to the ICANN Bylaws, there is a need to clarify the relationship between the Board, the ICANN organization and the community. I wanted to share this thinking with you for your feedback, but also so you know how I discuss this with the general public or outsiders.

As I said in Helsinki, this is not a revolution but an evolution. I look forward to working with the community to evolve how we do things in line with the new Bylaws in a post-transition ICANN environment. What I usually talk about is that ICANN is an ecosystem made of three different groups: the ICANN community, the ICANN organization – which is the staff who support the community – and the ICANN Board of Directors.

The ICANN community sets policies and priorities. The ICANN Board reviews those policies and priorities, and instructs the ICANN staff to enact upon them. The ICANN community is a global group of stakeholders and volunteers where policy development happens.

Stakeholders include business leaders, [inaudible] engineers, technical experts, academics, civil society, governments, end users and many others. It is the community's role to determine the policies, priorities and the actions of the ICANN organization.

The ICANN Board is made up of members of the community who have been elected by their peers to serve them in two very important roles: the Board oversees ICANN Inc., including the fulfilment of goals, ensuring that the legal entity fulfills its obligations. And in accordance with the Bylaws, the Board also acts as a decision maker, and as a result of those decisions, can instruct the ICANN organization to act. In this role, the Board serves as a validator of the ICANN community's decisions.

The ICANN organization implements the community wishes at the direction of the Board. As a CEO, it's my role to ensure that the ICANN organization acts according to the community directions within the ICANN scope of missions. That's a part of the reasons why we have these quarterly stakeholder calls. That's one way for you to stay informed on how the organization is implementing community-developed policies and to ensure we are acting according to directions that you set, to help hold the organization accountable.

We have several other reporting mechanisms, including the KPI, the Key Performance Indicator dashboard, and many other reports available on our website. We will also be making some improvements to those calls, hopefully, starting next quarter to increase participation and welcome your feedback on this. A small change for this call is that we invited Steve Crocker, the Chairman of the Board to make a brief statement.

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So let's look at some of the highlights from the fourth quarter of this year, which is April to June. We, at the organization, have been very focused on implementing the community's proposal regarding the IANA Stewardship Transition. A significant milestone was reached on August 12 when ICANN submitted a status report to NTIA stating that all necessary tasks specified in NTIA's 9th June letter are complete and all other tasks to support the transition are either in the final review stage or awaiting approval.

In a letter to ICANN on Tuesday, 16th of August, NTIA stated that they had thoroughly reviewed the status report. Based on that review, barring any significant impediment, NTIA intends to allow the IANA function contract to expire as of October 1. We'll cover more on how we're preparing the transition in the management update.

Another highlight from the last quarter, I think, was the new policy forum in Helsinki, which was the first time we held this kind of format as a part of the new meeting strategy that the community decided. We had over 1400 volunteers turn up to discuss the latest policy issues at hand and the policy feedback from the community. The few events I participated in so far.

On my first official day, I was in Copenhagen for the I* (I-star) meeting, to meet with many of the technical community. It was a great way for me to start. Thank you very much for inviting me to this meeting in Copenhagen.

I also attended the OECD meeting in Cancun in June where I had some very interesting discussions and learned a lot. Earlier on, I also went to

EuroDIG in Brussels, and later visited Washington where we had several meetings with people on The Hill regarding the IANA Stewardship Transition. With that, I hand over to our Board Chair, Steve Crocker for a brief update on what the Board has been focused on in the last quarter. Thank you very much.

STEVE CROCKER: Thank you, Göran, it's a pleasure to join these calls. The Board typically stays pretty much out of sight and one of the things that we're working on in various ways is to increase the visibility into what we're doing.

The next slide, please. We have three retreats a year, typically a few weeks before each of the ICANN meetings, for both in terms of preparing for the next ICANN meeting, but much more heavily focused in strategy and planning steps ahead. It also was co-located with where the Global Domains Division summit was in Amsterdam, and it gave a number of us a chance to visit and hear from many of the GDD attendees, which was pretty vigorous interaction.

In Helsinki, as Göran mentioned, was this new format of meeting B in the vernacular of the meetings planning focused on policy. The Board spent much of its time attending meetings with the groups participating in cross-community groups. We believe this was well received. It was certainly educational and helpful to the Board.

I mentioned that we're moving toward more visibility into Board processes. We've taken to heart the desire of the community to understand in more detail what the Board does and how it works. We're running pilot project to develop processes for the publication of

transcripts and recordings of the Board's deliberative sessions. We'll endeavor to provide more information as we work to increase transparency around Board decision-making. This is in addition, of course, to the usual rationales, minutes and briefing materials that are already available. You should expect to hear more about this incrementally over the next several months as we implement and work through the details of this.

Regarding interaction on the budget and with respect to both the overall budget and the budget for the Cross-Community Working Group on Accountability, the extraordinary expenses for that working group and the leveling off of revenue stream have made budget issues a very high level, top concern for the Board. Board members, including but not limited to the co-Chairs of the Finance community are now interacting on a regular basis with the community on the overall budget, and with the CCWG co-Chairs on the budget for their ongoing work.

As part of the regular flow of things that come to the Board, we reapproved the recommendations of the GNSO review and we look forward to receiving the implementation of those recommendations. This will strengthen the GNSO and in turn, of course, strengthen ICANN. We also approved the charter amendments for the Registry Stakeholder Group, changes that are appropriate given the growth of the Stakeholder Group.

Finally, we launched an internal working group to expand our internal dialog on what ICANN should – and I'm sure most of you are thinking what we should not be doing with respect to internet governance. And we launched another internal working group to pay attention to the

levels of trust or mistrust, if you will, and the reasons underlying those perceptions.

Both of those topics are of great concern to the Board. We share the same concerns that we know many in the community do, of aligning what ICANN as the organization and what the Board does with the perceptions and sensibilities of the community. That completes my short report on the Board's activities, and I turn things back over to the staff.

BRAD WHITE: Thank you, Dr. Crocker. We'll now go forward to a policy update. Bart Boswinkel, who is our Senior Director of Policy Development Support Work for the Country Code Name Supporting Organization, or as we like to say, ccNSO. Bart?

BART BOSWINKEL: Thank you, Brad, and welcome. As Brad already said, I'm Senior Director at ICANN Policy Development Support Department, standing in for David Olive, Senior Vice President of this department, who, unfortunately, could not make it today. I will provide you an update on some of this past quarter's policy development activities. Others will be provided by my colleague, Adiel.

As you may know, ICANN's policy development work relating to the technical coordination functions are formed and refined by the ICANN community through its three Supporting Organizations and influenced

by four Advisory Committees. This is done in a bottom-up, multi-stakeholder, and open and transparent process.

Other Internet policy and technical organizations are also involved in policy development. For example, the Internet Engineering Task Force, and the Regional Internet Registries. At today's policy update, I will cover the Generic Supporting Organization or GNSO and the Country Code Name Supporting Organization's policy activities. The Number Resource Organizations and Address Supporting Organizations, as well as the Internet Engineering Task Force will be covered by my colleague, Adiel.

Next slide, please. That's the Generic. Yes, thank you. We can see the Generic Name Supporting Organization (or GNSO) highlights on this slide. In addition to the topics listed, 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, Work Stream 2 of the enhancing ICANN Accountability Cross-Community Working Group officially kicked off just before ICANN 56 in Helsinki.

In Q4, the GNSO Council adopted the final status update on the GNSO PDP improvements. This is a project which piloted a number of enhancements to the GNSO Policy Development Process, and the GNSO Council extended the term of the current GNSO liaison to the GAC up and until ICANN 57 and confirmed the extended timeline for the selection process for the next GNSO liaison to the GAC.

Also, the GNSO Council adopted the GNSO Review Working Party's Feasibility and Prioritization Analysis of the GNSO review recommendations, and adopted the GNSO review of GAC Marrakech communiqué for submission to the ICANN Board. Currently, the GNSO has 11 Policy Development Processes at various stages of the GNSO PDP life cycle.

Policy Development Processes which are now in their working group phase include the PDPs on the new gTLD subsequent procedures, review of all Rights Protection Mechanisms or RPMs in all generic top-level domains, next generation registration directory service to replace WHOIS, and the use of curative right mechanisms to protect the names of IGOs and INGOs.

Last quarter also saw the creation of a Drafting Team which has been tasked to further develop recommendations to implement the GNSO new roles and obligations under the post-transition ICANN Bylaws. In addition, the GNSO also formed a Customer Standing Committee Selection Committee to assist the GNSO council in the selection of a GNSO liaison to the Customer Standing Committee, as well as the confirmation of the full CSC member slate.

Next slide, please. As could be expected, the IANA Stewardship Transition and ICANN Accountability processes continue to be a major theme for the country community in Q4. This time, the information sharing and discussion focuses on the implementation side of the different proposals and specific ccNSO aspect. For example, the ccNSO Council presented the results of a survey on its accountability, vis-à-vis the ccTLD community.

To implement the ccNSO-specific aspects of the CWG Stewardship and CCWG Accountability proposals, the ccNSO Council mandated the existing ccNSO Guideline Review Committee or GRC to develop processes and procedures to meet the ccNSO's specific requirements, flowing from the changed ICANN Bylaws as Steve Crocker already alluded to.

For example, the ccNSO needs to adjust its internal procedures around the nomination and appointment of the ccNSO appointed members on the ICANN Board of Directors. In Helsinki, and based on earlier work of the ccNSO Guideline Review Committee, the selection and appointment of members of the future Customer Standing Committee was also launched and has now been completed.

Finally, and also in light of the anticipated IANA Stewardship Transition, and after consultation of the community present in Helsinki, the ccNSO Council launched the third ccNSO PDP ever since the creation of the ccNSO. At this stage and in this phase, the topics initiated to be looked at are to understand the need and scope for ccNSO policies on the retirement of ccTLDs, which is a key processes for which there is no policy in place yet and a review mechanism for decisions pertaining to delegation, revocation, transfer and retirement of ccTLDs.

A review mechanism on the ccTLD-related decision are excluded from the accountability and stewardship proposal. The issue report on these topics is expected to be available and presented to the community by the Hyderabad meeting in [inaudible] so that's at ICANN 57. Now, I'll hand it back over to you, Brad, for the next phase of the presentation.

BRAD WHITE: Thank you very much, Bart. At this point, we're going to go to our Vice President of Technical Engagement, Adiel Akplogan. Adiel?

ADIEL AKPLOGAN: Thank you very much, Bart, for the first part of this presentation. I will quickly take you through the update for the Address Supporting Organization and the Number Resource Organization.

As mentioned during our last update, you may recall that the ASO was in the process of selecting a representative to the ICANN Board [inaudible] 10. That process is now over, and Maemura Akinori has been appointed for this [position.]

Speaking of Board seat election, the ASO is currently reviewing the process for an update that would make the process better alignment with ICANN Bylaw. Still, the ICANN Board nomination or appointment of [inaudible] was appointed for 2017 Nomination Committee, the independent committee that is tasked with selecting [inaudible] of the Board of Directors.

If we [inaudible] to preparing the IANA Stewardship Transition, there are two major points to report on here: the first one is that Number Resource Organization has continued working very closely with other operational community on the IANA [inaudible] right transfer from ICANN to the IETF first. Last week, three agreements related to this transfer have been published online by the ICG and we encourage the community to go look at them and provide their inputs and comments.

The second important thing to report in this context is assigning during the ICANN meeting in Helsinki of the [inaudible] Agreement between the Regional Internet Registry, the RIR, and ICANN. This agreement documents, the arrangement for ICANN to provide IANA numbering service to the RIR after the IANA Stewardship Transition is completed. The SLA will only come into effect with the transition. You can find more about the service level agreement process and the discussion related to it on the link that is displayed on the slide.

As you know, the RIR discussed their policy within their different regional policy forums, so they are currently discussing many policy-related [inaudible]. You can learn more by visiting the link provided on the slide or by simply attending the [inaudible] meeting of the different RIR. You can attend the one that's close to your region.

I will now hand over the David Conrad, ICANN Chief Technology Officer, to provide a management update.

DAVID CONRAD: Thank you, Adiel. For the next 15 minutes or so, I'd like to give a brief management update on behalf of the ICANN Executive Team covering the topics you see here on the slide. Let's start with an update from my group, the office of the CTO.

ICANN is planning to roll or change the topmost cryptographic keys used to help secure the domain name system via a protocol known as DNS Security Extensions or DNSSEC. Those keys are commonly known as the root zone's Key Signing Key or KSK for short. This will be the first time the KSK has been changed since it was initially generated in 2010.

Changing DNSSEC keys is an important security step, in much the same way as regularly changing passwords is considered a prudent practice. In July, we published various plans that outline the steps and timeframes that will allow us to maintain security best practices in the handling of the root of the DNS. You can view these plans, as well as other related documents, at www.icann.org/kskroll.

As part of our ongoing research into understanding how the Internet's unique identifiers work in practice, we continue to analyze traffic regarding the KSK role, explore how middle boxes impact the DNS and IPv6, understand the recursive name server behaviors, as well as monitor and explore DNS behaviors and abuse.

We continue to discover interesting and unexpected facets of how the Internet community uses the unique identifiers ICANN helps coordinate, and we will be publishing papers and making presentations detailing our findings in various venues.

Relatedly, we've been working in partnership with the Internet technical community, including the DNS operation communities, the IETF and the regional Internet registries on a set of identifier technologies health indicators. This effort aims to identify metrics that can be used as indicators to measure how the health of the Internet is changing over time.

Together, we're currently working on defining the initial set of metrics for those indicators, as well as coming up with an agreed upon definition for health of the Internet. We also continue to hold technical outreach, capacity building and training events with stakeholders and

partners around the world. We're actively monitoring threats that could potentially affect the Internet's unique identifier system and are working with various communities to help mitigate those threats.

As now mandated by ICANN Bylaws, ICANN is currently seeking volunteers to participate in the second Security, Stability, and Resiliency Review that will make recommendations aimed at helping ICANN in maintaining the security, stability and resiliency of the top level of the Internet's unique identifier systems.

If you're interested in being a member of this Review Team, please visit the link on the slide for more information. Note that there is a September 15 deadline for applications.

Also related to maintaining the security, stability, and resiliency of the Internet's system of unique identifiers is the global distribution of Internet root servers. As you probably know, there are 13 root servers run by 12 organizations that are deeply committed to what they do. ICANN is one of these 12 organizations and operates the L-Root server, something we take very seriously. We work with a global network of organizations who volunteer to host L-Root servers, known as instances, in partnership with ICANN out of their commitment and passion to maintain a secure and stable Internet.

In FY16, 23 new L-Root instances were deployed around the world. You can see the distribution of those instances on this slide. These instances provide improved resiliency and responsiveness to Internet users, both locally and around the world. If you're interested in hosting an L-Root instance, please visit the link on the slide for more information.

Now, let's look at the IT and engineering update. We've deployed a performance monitoring environment called the Service Level Agreement Monitoring System, as a tool to help measure how well the new gTLD registries are complying with Specification 10 of the registry agreement.

The main engineering effort has been in first deploying a robust quality assurance environment for testing system functionality and performance. This environment is critical to ensure that future releases of the system are bug-free and will scale efficiently and perform well so as to not adversely impact the monitoring services.

Moving away from the largely technical update, a major focus of the quarter was, of course, preparing for the IANA Stewardship Transition. We've been very focused on implementing the community's proposals to prepare for the anticipated transition. Göran has already spoken about some of the most recent milestones.

Here on this slide, you can see all of the implementation tasks that have already been completed, with a reiteration of the significant progress that has been made on the remaining tasks, which will be completed before September 30th. I'll just touch on a few of the ways we've been preparing for the transition.

ICANN and VeriSign have successfully completed a 90-day parallel testing period of root zone management system code changes, and have finalized the Root Zone Maintainer Agreement. These code changes and agreement allow the removal of NTIA's administrative role

associated with root zone management, in a manner that maintains the security, stability, and resiliency of the Internet's domain name system.

ICANN and the Internet Engineering Task Force have entered into the 2016 IETF Memorandum of Understanding Supplemental Agreement. This agreement discusses the performance of the IANA functions related to protocol parameters. ICANN and the Regional Internet Registries have executed the Regional Internet Registries Service Level Agreement. This agreement describes the performance of the IANA functions related to numbering resources.

Earlier this month, the articles of incorporation for the post-transition IANA was filed and received by the California Secretary of State. The name used for the post-transition IANA is Public Technical Identifiers or PTI for short. And revisions to ICANN'S articles of incorporation and Bylaws, which are a key means to implement many of the other elements of the transition were approved by ICANN Board and will go into effect when the IANA function contract expires.

We've accomplished a lot in our own [conversation] prep work, but have some work left to do through the coming weeks to be fully ready for the transition. However, with the progress made this past quarter, the end goal of an enhanced, community empowered, independent ICANN is well within sight.

Looking at the internal structures that will allow us to meet the community's requirements, let's take a closer look at compliance and registry and registrar audits, which helps ensure that contracted parties fulfill that obligations.

The registry agreement audit launched in January of this year completed its audit phase in June. Ten registry operators were selected for this audit round. Of the ten selected, two registries completed the audit with no deficiencies, six completed the audit with deficiencies noted.

These registries were able to fully resolve those deficiencies during the remediation phase and two registries completed the audit with outstanding deficiencies that were not resolved during the remediation phase. Those registries will be retested in a future audit round to verify compliance in the identified areas.

The 2013 Registrar Accreditation Agreement audit round launched in September of last year finished in May. 67 registrars were selected for this audit round. 39 registrars or 60% received an audit report with no deficiencies. 26 registrars or 40% received an audit report with deficiencies noted.

The registrars with deficiencies are implementing changes necessary to ensure they comply with their contractual obligations. ICANN will follow up to verify that the remaining deficiencies have been remediated.

In another effort, the WHOIS Accuracy Report System or WHOIS ARS has been developed by ICANN to address specific needs associated with the WHOIS system identified by the community. Requirements originally mandated by the ICANN Board of Directors in a response to the 2012 WHOIS Review Team recommendations.

The goal of the WHOIS ARS is to identify and report on WHOIS accuracy in a systematic way to improve quality of contact data in the WHOIS. The following table summarizes WHOIS inaccuracy [inaudible] received

by Compliance to correct contact details. Please visit the link on the slide for more information.

Now, let's look at more metrics from the Contractual Compliance Department. As you can see in the chart, the overall compliance performance dropped slightly due to the complexity of issues under review, as well as the volume from the WHOIS ARS activities in May and June.

Overall, registrars and registries are at about a 99% compliance rate, meaning that they address the vast majority of issues before reaching the enforcement phase. You can view more details by visiting the link here on the slide.

Let's move on to the Global Domains Division updates for the quarter. In support of ICANN's five-year strategic plan, the Global Domains Division has recently published a beta version of the gTLD Marketplace Health Index. This beta version, which has been published for public comment, presents statistics and trends related to gTLDs and is intended to help us track progress against the goal of supporting the evolution of the domain name marketplace in the areas of competition, marketplace stability and trust.

We're seeking input from the community to enhance the index, and intend to publish the resulting statistics bi-annually. Comments should be submitted by September 6th.

Now, let's talk about the new gTLDs. In the fourth quarter of FY16, there were 96 new Generic Top-Level Domains delegated, bringing the delegation total to 1051. 12 Registry Agreements were signed, for a

total of 1235 agreements, and three contention sets resolved, bringing the total of resolved contention sets to 217 out of 233.

ICANN did not conduct any auctions during the last quarter of FY16. However, the net amount generated to date by ICANN-approved auctions of last resort is around $233 million. These auction proceeds are reserved and set aside for the multi-stakeholder community to develop a proposal on how to use these funds.

On a related note, ICANN and the community are reviewing how new gTLDs are affecting consumers, the domain name industry and the Internet's root server system. These reviews are covering topics related to rights protection, marketplace competition, trust and choice, and root server system stability.

In the last quarter, Nielsen completed its second study of consumer attitudes toward the domain name system known as the Global Consumer Survey. The results from Phase One and Two of the survey, along with a report about DNS Abuse published by ICANN will serve as inputs to the Competition, Consumer Trust, and Consumer Choice Review Team.

ICANN is also facilitating an independent review of the Trademark Clearinghouse. The data collection and analysis process of this review is completed, and a draft report is now out for public comment on our website.

Let's move on to Internationalized Domain Names. Internationalized Domain Names or IDNs enable users across the world to navigate the web in local languages. ICANN's top-level domain program is facilitating

the addition of an internationalized character set in the domain name system. During the last quarter, the [Kamara] Generation Panel analyzed its label generation rules proposal. To date, only the [Kamara], Arabic, and Armenian script communities have achieved this milestone. The Georgian Script Generation Panel recently joined 11 other panels that are seated and working.

The country code TLD Fast Track Process is enabling countries and territories to operate top-level domains representing their names in local languages. Four additional IDN ccTLDs for India were evaluated and announced through the Fast Track Process.

To improve the stability of new gTLD registry operations, ICANN has developed Reference Label Generation Rulesets for 29 languages, which will be used at the second level. The public comment for these rulesets just close earlier this month, and we'll be releasing a report regarding those comments soon.

Next, I'd like to discuss Universal Acceptance. Universal Acceptance is the concept that all domain names should be treated equally. It means that Internet applications and systems should accept, validate, store, process, and display all domain names, including new gTLDs and internationalized top-level domains.

During the fourth quarter, the Universal Acceptance Steering Group or UASG issued use cases for testing along with associated websites and e-mail addresses. The UASG published a comprehensive technical document on Universal Acceptance, and issued quick guides for developers in five languages. The website uasg.tech went live, and

includes technical documentation, presentations and relevant videos. A core communications plan was completed, and is now ready for launch, and UASG members also participated in several conferences globally.

Let's move on to the IANA department. From a year-over-year perspective, domain name requests sent to the IANA team increased. In FY15, there were 1586 requests related to domain names, while in FY16, there were 1710 requests. We expect those numbers to continue to rise until the delegation of new gTLDs from the 2012 round ends.

The IANA Team processes thousands of protocol parameter-related requests annually, and these numbers are relatively consistent from year to year. The difference between FY15 and FY16 was only 148. The number of general requests sent to the IANA Team increased modestly over the past two years. The team received 1165 requests in FY15 and 1467 requests in FY16, a difference of 302 requests.

Bucking the trends, the number of resource allocation requests from the regional Internet registries decreased slightly, from six in FY15 to four in FY16. The demand for Internet number allocations is typically low, so these numbers are within the norm.

Now, let's discuss how our Global Customer Support Team has been performing. Trends over FY15 and 16 demonstrate that ICANN's support services are generally improving. Case volume trending is the ratio of cases opened to cases resolved. In the fourth quarter, we had a 99% closure rate for cases. A year-on-year comparison shows that the global support center processed about 5000 more cases in FY16 than in FY15.

This increase is best explained by the introduction of a 24/5 phone support model. Though the workload increased, we maintain a strong closure rate to keep pace with the work.

Status frequency measures how quickly ICANN responds to its customers after receiving communications from them. Our goal is to respond within seven days in 80% of cases. A goal we have exceeded by providing status updates in 89% of cases within seven days. In addition, the status update frequency has increased year-over-year from 72% to 90%.

Resolution time target measures the amount of time it takes to resolve a query, and the goal is 80% of cases resolved within seven days. We exceeded this service level target during the quarter by resolving approximately 92% of cases within the seven-day window. Year on year, we've also reduced the average amount of time it takes to resolve a case by 18%.

The organization is deeply committed to engaging with global stakeholders and bringing new people into the ICANN community. Let's look at the engagement update.

In FY16, there were over 600 regional engagement activities, meaning we engaged with a variety of stakeholders around the world on areas critical to ICANN's work. The chart on the slide breaks down the volume by region. ICANN continues to participate in Internet governance efforts, which provide an opportunity for outreach about ICANN's work, as well as the IANA Stewardship Transition. On this slide, you can see a few examples of such engagement efforts from the last quarter.

We are also deeply committed to supporting and growing multi-stakeholder community through programs and initiatives. The fellowship program is a fast track experience of attending an ICANN meeting with a specific program to enhance understanding of ICANN's work in the community. The program seeks to increase diverse participation in the ICANN community. In ICANN 56 in Helsinki, there were 31 fellows, and we expect about 55 at ICANN 57 in Hyderabad.

The NextGen program is another effort to support a diverse and sustainable ICANN community, aiming to engage youth in ICANN's work. There were 20 participants at ICANN 56 in Helsinki, of which five were ambassadors from ICANN 55 to help shepherd the new participants.

ICANN Learn is our online platform where you can learn more about topics related to ICANN's work. During the last quarter, we've added several new courses, including videos from the March Internet Diplomacy Spring Institute course, ran in partnership with the USC Annenberg School for Communication and Journalism. Now, you can access the full weeklong courses via ICANN Learn in multiple languages. Visit the link on the slide for more details.

That concludes the management update. I'll now hand it over to Xavier Calvez, our CFO, for the financial update.

XAVIER CALVEZ: Thank you, David. I am Xavier Calvez, ICANN's Chief Financial Officer. I will present our financial information for Fiscal Year 16, which runs from July, 2015 to June, 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 formation in the next slides will describe, in blue on this slide, the ICANN operation revenues, baseline expenses, and multi-year projects.

The baseline expenses include the IANA functions costs, and the multi-year projects include the IANA Stewardship Transition expenses. In orange on this slide, we will then provide an overview of the New gTLD Program, and we will conclude with the status of the funds under management in gray.

Let's start with an overview of our revenue sources for ICANN operations. ICANN's funding 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 over 70% of our funding. On the right, the number of registries and registrars drives various fixed fees representing 20% of our revenue. The other income consisting of contributions and sponsorships represents the last 2% of ICANN's revenue.

We will now compare this funding level for FY16 to the budget and to last year. Throughout FY16, funding continued to be significantly over

budget, by $13 million, at $126 million, primarily as a result of the following drivers: on the left, the domain name registrations for both registries and registrars, which drive the transaction fees, show a higher growth than budgeted, largely driven by registrations on the new top-level domains. Registry fixed fees are also above budget, as the number of new top-level domains in operation is higher than planned, as a result of a faster pace of delegations.

Next, the registrars' fixed fees above budget reflect the approximately 700 applications for new registrar accreditation that occurred during the first six months of FY16. ICANN budgets conservatively for this number of accreditation of applications, due to the unpredictable nature of this event. As we anticipated during the past three quarterly stakeholder calls, ICANN's funding finishes the year significantly above the budget.

We will now review the expenses for the company's baseline operations. Our main category of expenses is personnel costs, representing about half of our total expenses. This corresponds to an average head count during the year of 304 staff members to support our baseline activities, excluding the head count supporting the multi-year projects and the New gTLD Program.

Travel and meeting costs include the costs of travel, lodging and venue rental for various meetings, and represent 14% of our costs. The professional services cost category represents 15% of baseline expenses and include primarily contractor services, legal fees, language services for transcription, translation, and interpretation.

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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. The total baseline expenses, combining both operating and capital, amount to a total of $100 million compared to a budget of $114 million, resulting in an underspend of $14 million.

Personnel costs were lower than budget due to lower than expected head count since the beginning of the fiscal year, and benefits costs lower than planned. Travel costs were also below budget, reflecting both fewer trips taken and lower costs per trip than originally planned.

Professional services and capital expenses were lower during the first half of the year, reflecting, on one hand, a focus on supporting the USG Stewardship Transition Activities, and on the other hand, the timing differences across various projects. For example, the expenses of the IDN program or on review where the third party spend is lower, mainly due to the rescheduling of several reviews.

Now, let's focus on the expenses resulting from the multi-year project and initiatives. The estimated expenses for the USG Stewardship Transition Initiative reflect the extensive activity over the past 12 months, as was discussed earlier in this presentation. We will focus on this project's expenses on the next slide.

The expenses on the public responsibility initiative remained under budget throughout the year, mainly due to delayed projects. The IT infrastructure strengthening initiative has progressed at an accelerated pace versus originally planned. Lastly, the preparation of the next round

of the new gTLD has not started, as the reviews on the current round are ongoing.

Let's look now at the IANA Stewardship Transition costs breakdown. This graph shows the expenses for this project for the entire fiscal year by main categories of costs. Over half of the total costs consist of the external legal advice of supporting both community-led tracks for this stewardship transition, and accountability enhancements.

Other costs include the costs of meetings held, other professional advice and support, and the cost of language services and 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 resulted in a level of expense that raised concerns shared across the organization and the community. Additional cost control mechanisms have been put in place to obtain external advice in the most cost effective fashion, and strengthen the transparency and accountability of this project's expenses due to the community.

Let's now see how revenue and expenses net out for the year. Overall, ICANN operations revenues and expenses, inclusive of initiatives, show an excess position of $2 million for the fiscal year, resulting from baseline revenues exceeding expenses by $26 million, partially offset by multi-year projects and initiatives expenses of $24 million. This compared to a budgeted deficit of $13 million.

We will now review the financial information relative to the New gTLD Program. The New gTLD Program is a $360 million multi-year 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 has been spent to evaluate applications, and to refund withdrawn applications. Approximately $700 million of further evaluation expenses and refunds are expected to be processed in FY16 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 FY16. In total and by category, expenses are lower than budgeted, mainly driven by contracting activates occurring at a lower cost than originally 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 during the period.

The auction proceeds increased as a result of the auctions that occurred during the fiscal year, and exclude the latest auction that occurred in July 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.

Let's now look forward into our fiscal year 17, which has started on the 1st of July. Our FY17 budget was approved by the Board at the end of

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June 2016, as a result of an extensive community input process. The budget reflects a balance position, with a year-on-year increase of funding and expenses.

As a conservative approach, during FY17, ICANN will fund its multi-year projects from its annual funding rather than from its reserves, as was the case in past years and will continue to manage its expenses within budget.

This concludes the financial presentation, and I will hand it back to Brad, who will moderate the questions and answers session.

BRAD WHITE: Thank you, Xavier. The first question is from Mr. Thomas McBride, it's directed to Steve Crocker: "Thanks to Dr. Crocker for mentioning the transcription of Board deliberative sessions. What concerns me is the pace at which this is proceeding. The resolution was passed in May, and it said the Board expects to evaluate the plan in Helsinki. Helsinki was almost two months ago. Did the Board receive a plan and review it? Why would it take months to transcribe Board meetings? PDP Working Groups and parts of the community accomplish this in a day or two. Finally, is there any reason it could not be retroactively applied to Board meetings, starting with the Helsinki meeting?" Dr. Crocker?

STEVE CROCKER: Thank you, Brad, and Thank you, Mr. McBride. I actually am empathetic with the force of your question and the short answer is some things

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take longer than desired. The Board did receive a plan during the Helsinki meeting.

The pilot project includes sessions from the Board's deliberative sessions at the Helsinki meeting, and there's a subgroup of the board that's reviewing the process. There are some complexities involved, and as I hope you can appreciate, enormous overload within staff and even within the Board at trying to sort these things out.

Let me just highlight the word I used about deliberative sessions. We divide up the work that we do on the Board between formal Board meetings. What I've tried to do for formal Board meetings is to have them run as crisply as possible so that we sort out most of the issues ahead of time and then make best use of our time in the formal Board meetings.

So if the formal Board meetings were opened up as we've done in public sessions during ICANN meetings, they probably are not as informative as many people would like, so it's the deliberative sessions – the term I'm using here, sometimes I call them informational sessions – where we have a more wide-ranging discussion.

We're not well set up to just make those completely open. There are a number of sensitive things that get discussed from time to time. But we are very much committed to trying to do the very best we can at trying to provide as much information about that as we can, so I share your concern, and I'll take from your question at least one thing, which is I think we want to be much crisper about setting the expectations about how this process is proceeding and what you can expect from it. Brad?

BRAD WHITE:

Thank you, Steve. We've got another question from Mr. McBride for you: "On August 9th, the ICANN Board voted to award the immediate past Ombudsman a performance bonus, despite the fact that 75% of the Board voted to remove him by renewing his contract upon its expiration – by not renewing his contract, I believe he means, upon its expiration – at the end of June. Can you explain how the Board arrived at a seemingly conflicting decision to not renew a contract, but reward performance with payments?" Steve?

STEVE CROCKER:

Thank you, Brad, and thank you, again, Mr. McBride. I think it's a mischaracterization to say that we voted to remove him. The large picture is that as part of the transition and as part of the increased accountability, we see coming ahead a greatly changed role for the Ombudsman, and in looking at that, we did a number of evaluations.

So the short answer is we've appreciated the work that LaHatte has done, and we in fact not only paid him for the work that he's done – and the payment that you're citing is part of that – but we've asked him to stay on as a consultant for a period of time, which he agreed to. And we're in an interim phase with our backup, Ombudsman Wayne, and we're waiting to see exactly what the necessary requirements are, as I said, for an enhanced and more expanded Ombudsman role going into the future. Thank you. Brad?

BRAD WHITE:
Thank you, Steve. Thank you very much. We have a question from Monica [Emmerd] in Germany, a journalist. This will be directed at Jamie Hedlund in our Washington office. "On the IANA Transition, how are numbers for outstanding implementation tasks calculated? 35% for IANA IPR agreement, e.g. With regard to the RZM Agreement, there have been many comments in the public comment period that are critical on linking .com contract and prices to the RZM task. Is there a chance to make changes here? And finally, can you think of any significant impediment that can stop transition now? Could the U.S. Congress for example step on the brakes still?" Jamie?

JAMIE HEDLUND:
Thank you, Monica, for the questions. On your first question about percentages for tasks, we have been project managing all of the tasks from the beginning, looking at the tasks themselves, and the time allowed available to complete them. The percentages you see there are based on our estimate of the amount of time that a particular task will take, and the amount of time left between now and September 30th. I hope that that answers your question.

On the linking of the .com contract and the RZM, as I think we've tried to explain, we are all interested in maintaining a secure and stable root zone and we all benefit from the platform that VeriSign has used and invested heavily in, to support not just the platform for the root zone, but also for .com, and so we are taking advantage of those synergies.

And finally, yes, you're correct. It is open for public comment, and all inputs will be considered. I hope that's helpful.

BRAD WHITE: Thank you very much, Jamie. We have no other questions in the queue, I'm being told by our telephone operators that we have no questions on the phone lines, so with that, we're going to close out this Quarterly Stakeholder Call.

I would like to remind people that if questions do arise, and particularly for those of you who are watching this broadcast after it's been hosted to the website, if questions arise, please send them to engagement@icann.org, and again, that e-mail address is engagement@icann.org. We'll do our best to give responses posted.

With that, we'll bring this call to a close. Thank you all very much.

[END OF TRANSCRIPTION]