

1 February 2025

The President
InternetNZ

Via email president@internetnz.net.nz

Dear Stephen

Quarter three Report: 1 October 2024 – 31 December 2024.

This report is for the three months **1 October 2024 – 31 December 2024**. (Q3). It includes the Domain Name Commission Ltd (DNC) quarterly Profit and Loss Statement and a summary of some of the key activities the DNC have focused on.

Financials

At the end of Q3, we had a net surplus of \$15,347 (including investment activities) compared to the budgeted surplus of \$799. This is largely due to employment-related expenses being under budget by \$22,000.

Year-to-date, the result is a surplus of \$123,061 (including investment activities) compared to a surplus budget of \$82,804 a positive variance of \$40,257.

Summary of DNC's performance of functions under the Operating Agreement:

Dispute Resolution Service

The table below shows the number of new .nz domain name disputes that were submitted during Q3. It also provides a comparison with the number of Mediations and Expert Decisions issued over the previous four quarters.

	Q3 '23	Q4 '24	Q1 '24	Q2'24	Q3'24
DRS Complaints Filed	17	6	10	10	12
Mediations commenced	3	0	1	2	0
Mediation - Settlement	0	0	0	1	0
Mediation - No settlement	3	0	1	1	0
Expert Decisions Issued	7	3	0	4	1
Total disputes suspended due to court proceedings	-	-	5	5	4

Note: Mediations are the total number commenced that month. Settlement/No settlement relates to mediations that have concluded that month (potentially started the month prior). Expert Determinations are reported in the table when the decision is issued to the parties.

New Zealand Dispute Resolution Service Centre started administering the DRS from 1 October 2024 and is pleased with the smooth transition from DNC. Of the 12 new complaints filed, 7 were for expert determination and 5 for mediation. While it's early days under the new scheme rules, it appears claimants are preferring to pay for an expert determination rather than initially attempting mediation, which DNC funds.

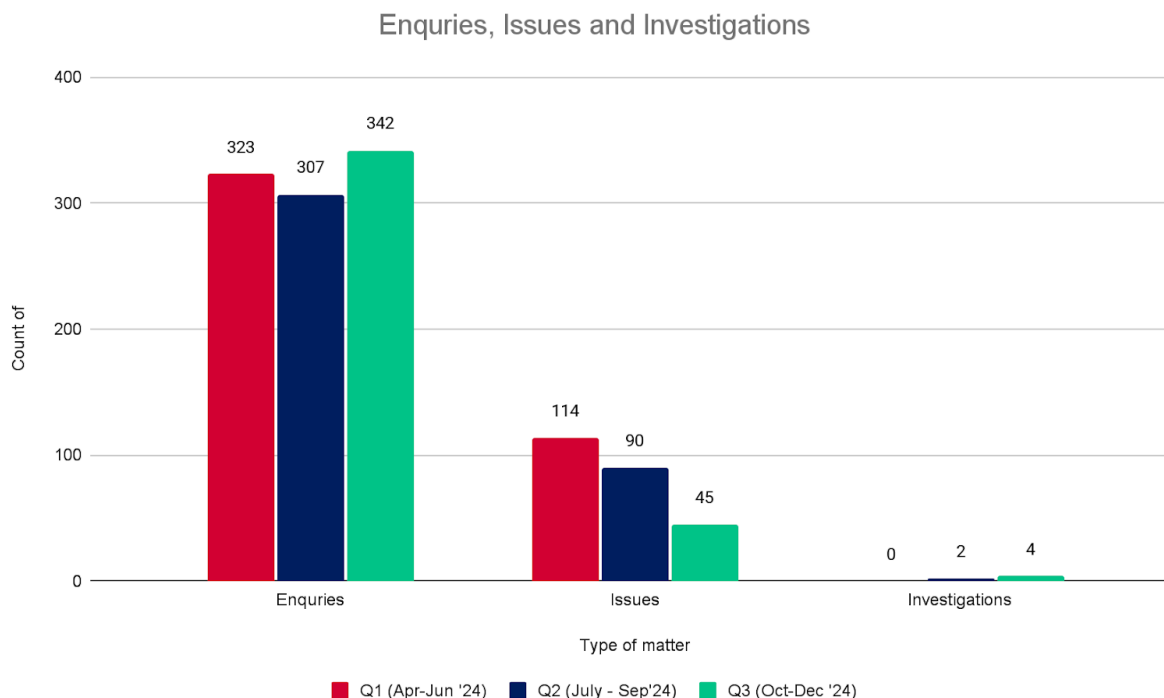
Registrar Authorisations

	Q1	Q2	Q3
Enquiries for Authorisation	3	2	2
Application Received and under assessment	2	2	0
Application Approved (authorised)	1	0	0
Application Declined	1	1	0
Applications Withdrawn	0	0	1

The DNC received two enquiries regarding the authorisation process in Q3 and the DNC walked them through the application process. One application was withdrawn in Q3 as the applicant indicated its parent company would apply instead in 2025.

Customer Service/ Enquiry Management

The DNC classifies complaints or reports from the public into three categories: enquiries, issues and investigations depending on the priority, level of complexity, resourcing and likely time required to resolve the matter.



Note: The graph above shows how many of each category of case was created during Q1-Q3.

Q3 saw an increase on both Q1 and Q2 in the number of enquiries received with no particular theme standing out and a decrease in the number of issues reported.

As of the end of Q3, the DNC has 13 open investigations. DNC also sanctioned a Registrar with a Formal Warning (private) for breaches of clause 7.2.1 of the Authorisation Agreement and clause 8.1.3b of the .nz Rules as a result of a technical failure which led to its domain name holders' websites and emails not working. We determined not to publish the name of the Registrar as this was a first offence and the Registrar fully cooperated with the DNC throughout the investigation. In addition, the Registrar had gone some way to attempt to prevent the risk of a single point of failure albeit the controls were misconfigured and inadequate.

Compliance Activities: Domain Name Registration Data Validation

New Proactive Monitoring Tool.

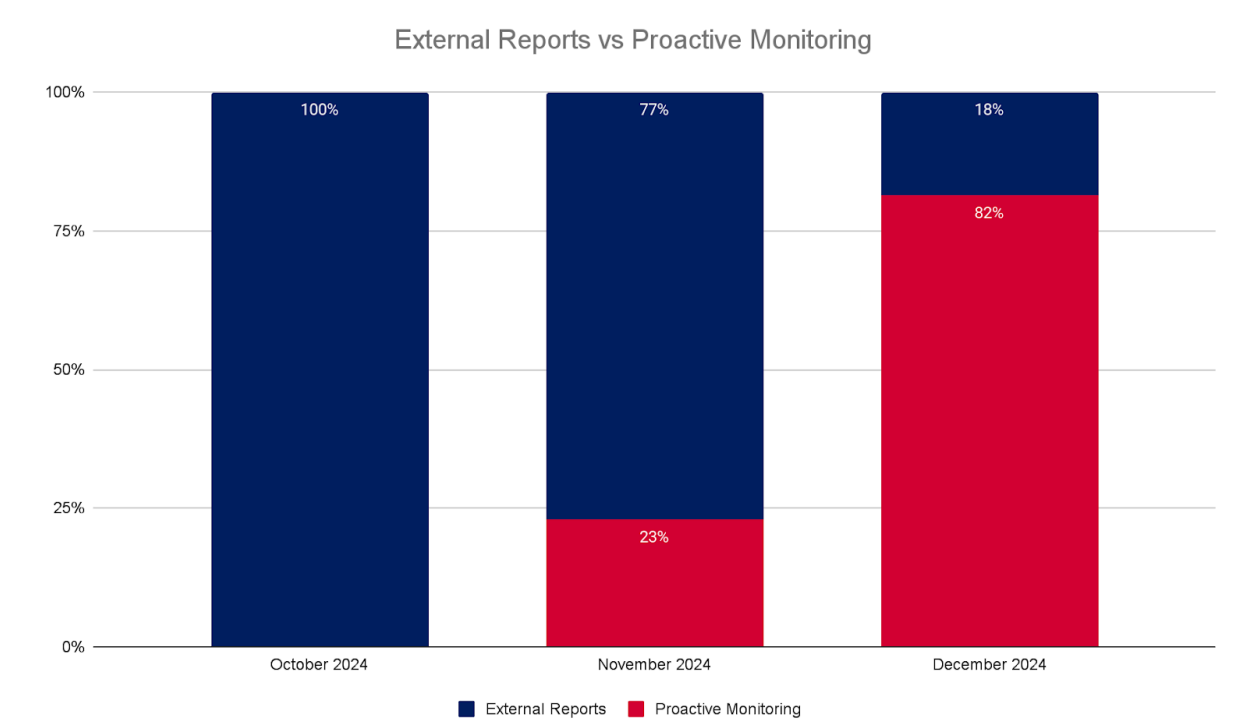
The DNC, with the assistance of InternetNZ, has developed a Domain Registration Threat Intelligence tool that processes new .nz registrations and attempts to assess the likelihood of misuse. The tool aims to identify key factors relevant to New

Zealand, such as brand or government impersonation, phishing or scam-related terms, and deceptive domain structures such as typosquatting¹ and homoglyphs².

The DNC then attempts to validate the registration details and verify the identity of the domain name holder of the ‘flagged’ domain names via its data validation process. 100% of the proactively flagged domain names processed through the data validation tool in Q3 were suspended as the domain name holders did not validate registration details.

The graph below shows the percentage of proactively ‘flagged’ domains compared with referrals received from external parties. The reporting tool became operational partway through November, which is reflected in the increase in reports in December.

Early indications are that this tool appears to be flagging domains that are likely malicious given the number of suspensions. This tool will enable DNC to disrupt potential harm very early in the lifecycle of a domain name.

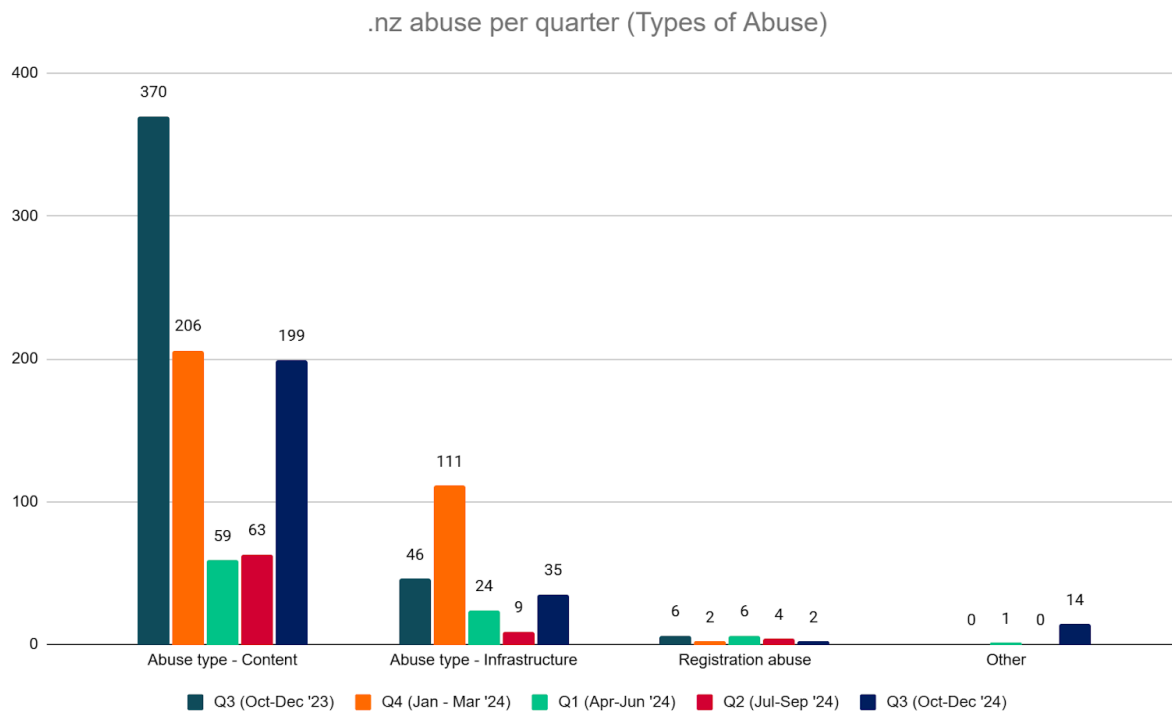


¹ registering domain names with deliberately misspelled names of well-known websites

² characters that resemble each other, such as the letter O and zero ('0').

Type of Abuse.

Note: The graph below shows the classification of suspected abuse by type of harm. The four categories are content, infrastructure, registration and other.



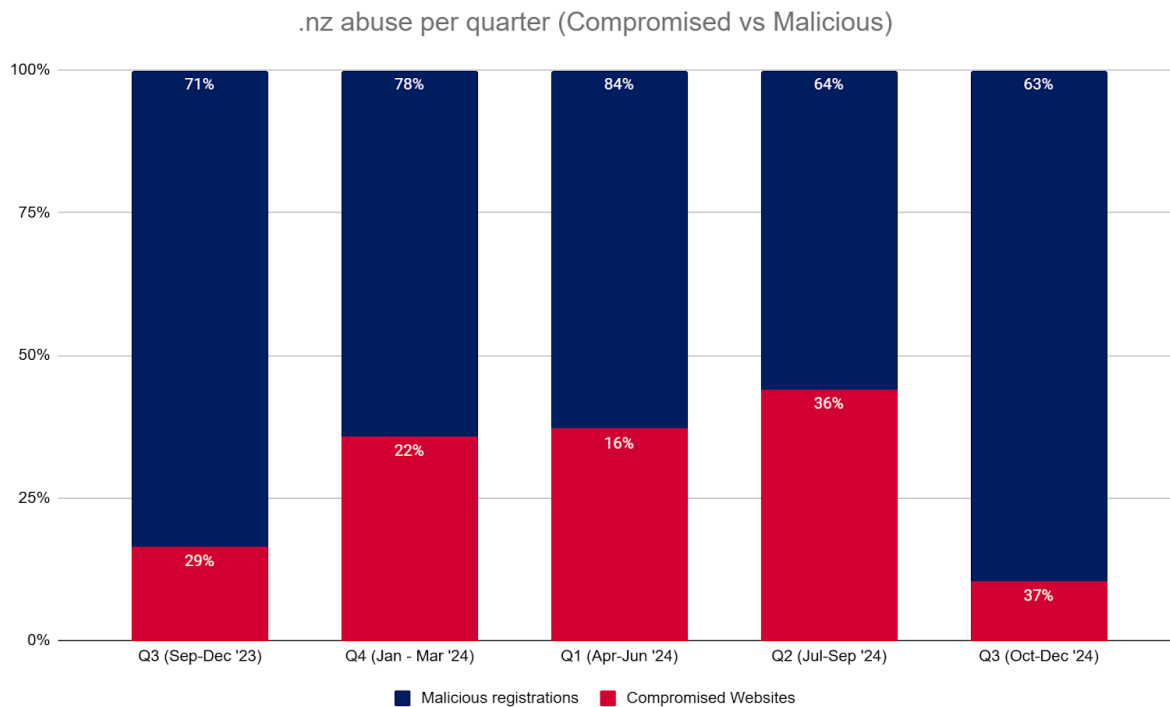
Q3 saw an increase in the amount of content-related abuse. This was largely due to the proactive identification of 168 domain names referred by the tool.

The increase in the 'other' category was due to a number of high-risk domain names identified by the tool. This included 5 government impersonation domain names and 4 registrations that followed a previous pattern of alleged malicious use.

Compromised vs Malicious Registrations:

The DNC classifies reports of alleged malicious domain names into either "Malicious registrations" or "Compromised Websites"³

³ <https://netbeacon.org/best-practices-identification-mitigation-of-dns-abuse/>



The significant increase in malicious registrations vs compromised websites was due to the referrals from the new tool. DNC anticipates this will likely continue to increase as the tool is reviewed and refined over time.

Other Activities

Podcast: Radio New Zealand: The Detail

The Commissioner was interviewed by RNZ (along with Netsafe) for an episode called *'New research identifies a surge in fake online shops scamming Kiwis out of pocket in the lead up to Christmas'*. The host looked at the issue of scammers getting better and shoppers increasingly falling for fake online selling sites on .nz and .co.nz domain names as it becomes harder to tell what's real and what's not. You can listen to the podcast here:

<https://www.rnz.co.nz/programmes/the-detail/story/2018967256/christmas-red-flags-for-online-shoppers>

Internet Corporation for Assigned Names and Numbers (ICANN81)

The Commissioner and Head of Technical and Relationships attended ICANN81 in Istanbul, Türkiye, as well as ccNSO Domain Name Abuse Standing Committee workshops and a half-day cyber incident training workshop prior to the main sessions. This provided an opportunity to meet and work with peer TLDs and also meet with some of our .nz Registrars based overseas.

Yours sincerely

Vivien Maidaborn
Chair, Domain Name Commission

Schedule 1

Profit and Loss

Domain Name Commission Limited
For the 3 months ended 31 December 2024

Account	Q3 Actual 2024	Q3 Bud 2024	Q3 Var \$	YTD Actuals 2024	YTD Budget 2024	YTD Variance 2024	Budget 2024-2025	Remaining Budget
Trading Income								
Authorisation Fees	3,000	3,000	0	12,000	15,000	(3,000)	18,000	6,000
Income - DRS Complaint Fees	2,000	2,000	0	16,000	16,000	0	16,000	0
Management Fees	412,500	412,500	0	1,237,500	1,237,500	0	1,650,000	412,500
Total Trading Income	417,500	417,500	0	1,265,500	1,268,500	(3,000)	1,684,000	418,500
Other Income								
Sundry Income	0	103	(103)	800	103	697	103	(697)
Total Other Income	0	103	(103)	800	103	697	103	(697)
Total Other Income								
Total Income	417,500	417,603	(103)	1,266,300	1,268,603	(2,303)	1,684,103	417,803
Expenses								
Employment	212,320	234,387	(22,067)	599,879	612,195	(12,316)	833,418	233,539
Operating	100,989	97,218	3,771	298,526	315,603	(17,077)	459,934	161,408
Governance	15,177	10,736	4,441	33,303	33,409	(106)	52,975	19,672
International	27,134	27,500	(366)	37,490	38,500	(1,011)	66,000	28,511
Communications	14,670	13,806	864	43,145	42,691	454	56,057	12,912
Dispute Resolution Service	21,381	19,381	2,000	46,643	48,644	(2,001)	87,527	40,884
Compliance	16,537	15,579	958	51,876	57,651	(5,775)	101,682	49,806
Moderators	0	0	0	90	100	(10)	23,300	23,210
Projects	(4,500)	0	(4,500)	5,500	10,000	(4,500)	20,000	14,500
Depreciation	16,142	16,212	(70)	48,911	49,236	(325)	65,448	16,537
Total Expenses	419,851	434,819	(14,968)	1,165,362	1,208,029	(42,667)	1,766,341	600,979
Net Profit	(2,351)	(17,216)	14,865	100,938	60,574	40,364	(82,238)	(183,176)
Investment Activities								
Interest Income	17,699	18,015	(316)	22,020	22,230	(210)	40,000	17,980
Loss/Gain on Foreign Exchange	0	0	0	103	0	103	0	(103)
Total Investment Activities	17,699	18,015	(316)	22,123	22,230	(107)	40,000	17,877
Total Surplus/Deficit	15,347	799	14,548	123,061	82,804	40,257	(42,238)	(165,299)