



31 October 2023

Ms Joy Liddicoat

President
InternetNZ

Via email president@internetnz.net.nz

Dear Joy

Quarter 2 (Q2) Report 1 July – 30 September 2023

This report is for the three months 1 July to 30 September 2023. It includes the Domain Name Commission Ltd (DNC) quarterly Profit and Loss Statement and a summary of some of the core activities the DNC have been focused on.

Financials:

Q2 resulted in a net profit of \$8,112.75 against a budgeted loss of \$44,781.00. Total Operating cost savings of \$28,158.00 were achieved due to reduced spend on communications, compliance reporting, moderator fees (due to the resignation of .iwi.nz moderator in August), professional services and office and admin expenses.

We have used 78% of the mediator fee budget as at the end of Q2 and, subsequently, in early Q3 this was exhausted. We will look to redistribute an additional \$9,000 from other line items where savings have been made to facilitate a budget for an additional six meditations for the remainder of the financial year.

The profit and loss statement is presented on Page 8.

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 filed** over the last two quarters.

	April	May	June	TOTAL Q1	July	Aug	Sept	TOTAL Q2
DRS Complaints Filed	1	7	6	14	1	8	6	15
Mediations commenced	1	1	1	3	1	2	1	4
Mediation - Settlement	0	1	0	1	0	2	0	2
Mediation - no settlement	0	0	0	0	0	2	0	2
Expert Determinations(total)	1	3	4	8	2	3	1	6

DRS Complaints that are filed require triaging and correspondence to be sent to the parties involved. At times, some of these are triaged as not meeting the DRS eligibility criteria or as a potential breach of .nz Rules which would lead to the DNC determining whether to commence an investigation (eg: resellers registering registrant domains in the reseller's name).

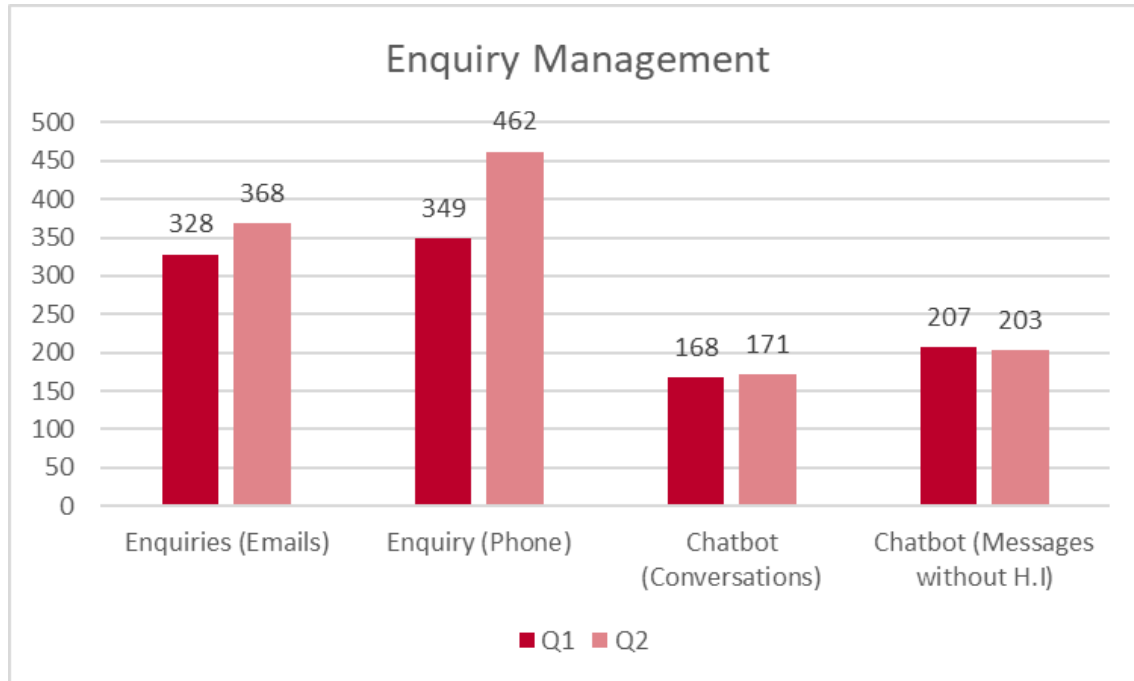
Mediations are the total number of mediations that have commenced that month. The reporting on Mediation Settlement/ No settlement relates to mediations that have concluded that month (potentially started the month prior).

Expert Determinations are reported in the table when the decision is issued to the parties.

The number of new DRS complaints remains consistent across both quarters. Of note, during Q2 the DNC received its first appeal of an expert determination in a number of years and only the fourth since inception (this is still in progress).

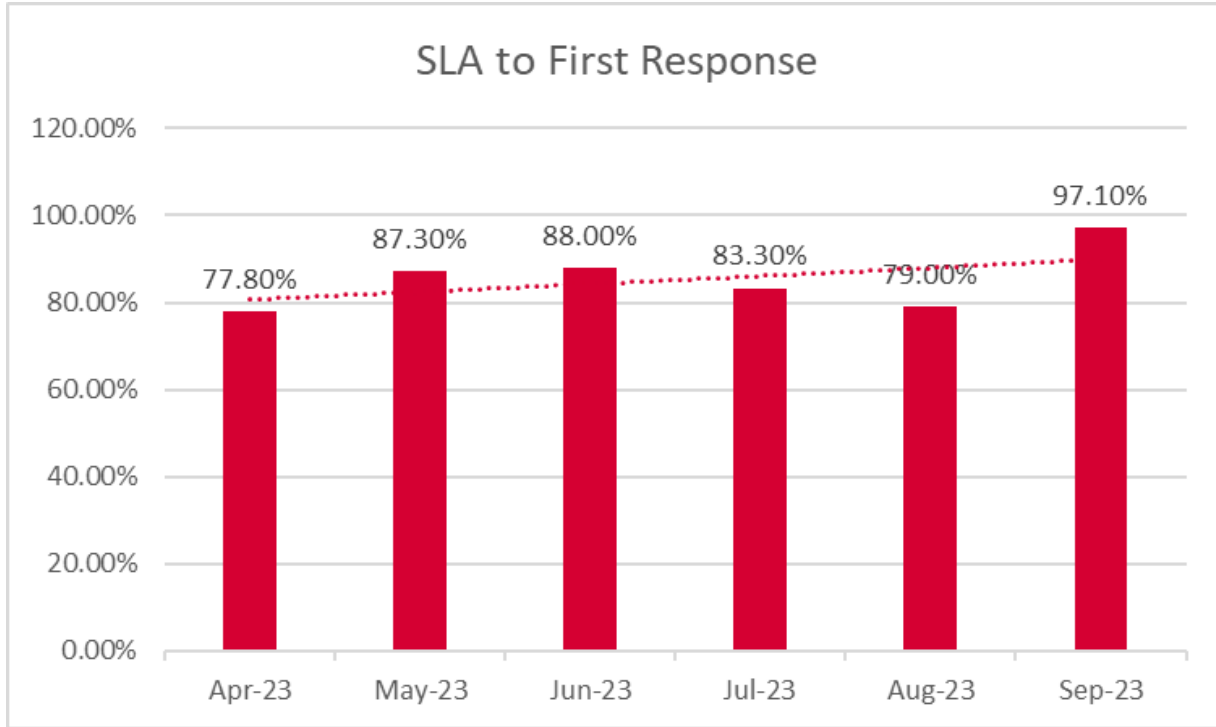
Customer Services/ Enquiry Management.

The DNC receives enquiries via multiple channels as set out in the following table, which provides comparisons over the first two quarters.



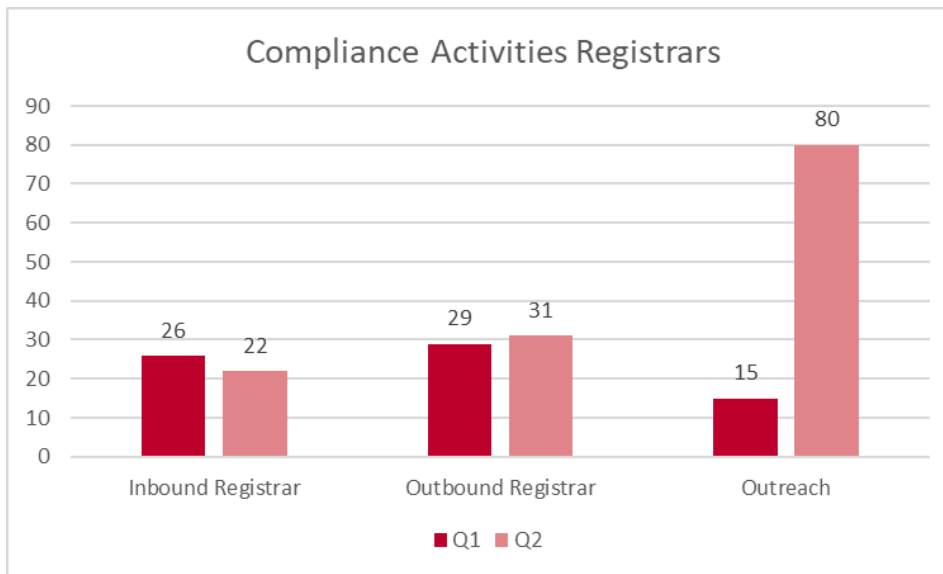
The table shows an 11% increase in email and 24% increase in phone enquiries in Q2 from Q1 which was largely due to the Discount Domains/Free Parking Major Outage that occurred on 29 September 2023. Other topics of enquiries are largely consistent across both Q1 and Q2 and include intelligence on suspicious .nz domain names, requests for help to change registrant details and reports on difficulties obtaining authorisation codes from registrars.

One of the DNC's goals in Q1 was to establish a new SLA to assess and resolve general enquiries within two business days, 80% of the time. This acknowledges that complex and technical enquiries and issues will generally take longer to investigate and resolve. The graph below shows that the DNC has generally been able to meet the new SLA. The slight dip in August was due to resources being diverted into improving our reporting capability.



Compliance Activities - Registrars

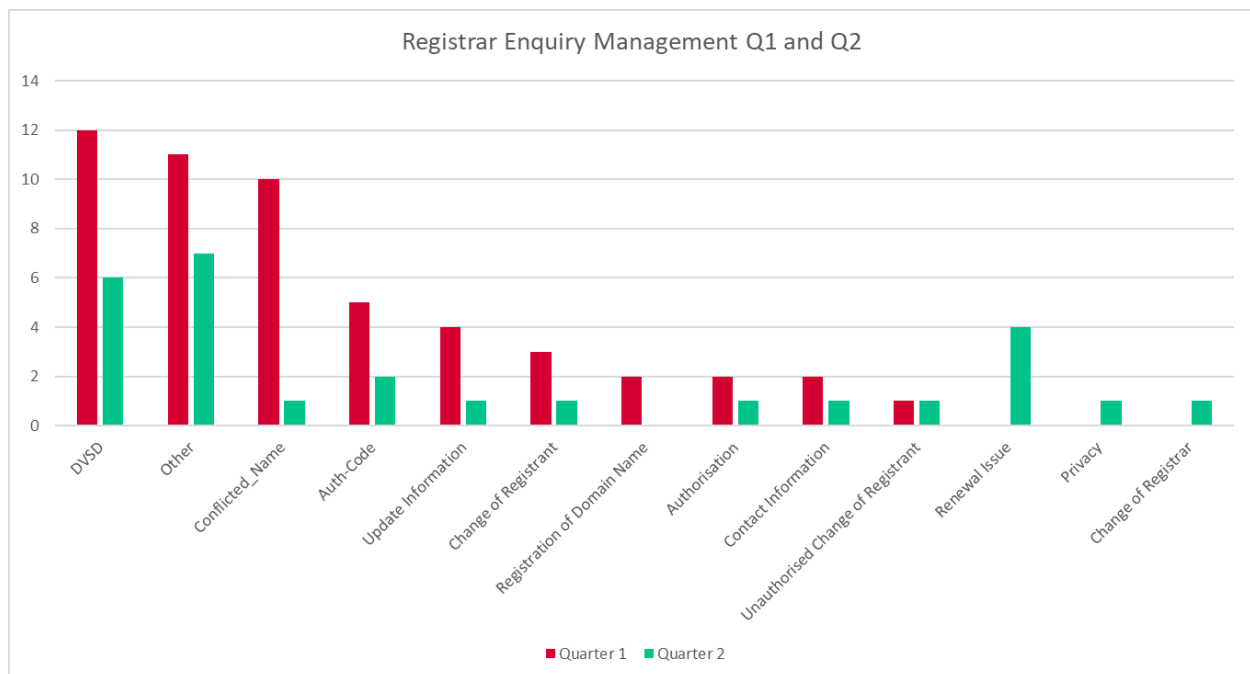
The DNC works with .nz registrars to resolve issues that are raised by registrants or other related parties (Outbound to Registrars). We also receive enquiries from registrars regarding the .nz rules or processes the DNC administers (Inbound from Registrars). The Outbound category relates to proactive communication by the DNC to registrars for various purposes. The following table shows the number of enquiries by type and compares across Q1 and Q2.



The spike in ‘Outreach’ in Q2 relates to the DNC proactively emailing registrars in August to set expectations around the time it should take registrars to respond to registrant requests for authorisation codes (i.e. within two business days). This was due to a consistently large number of complaints received on a monthly basis that registrars were not being responsive enough. While early days, this outreach seems to have had a positive effect with a slight decrease in the number of authorisation code enquiries in September (as shown in the classifications table below).

Breakdown of classifications

The table below shows the types of issues and complaints the DNC received across Q1 and Q2. Over time we expect to see certain issues and complaints reduce (and ideally disappear) as we take a more proactive approach to outreach and education initiatives with registrars.



We saw the emergence of Renewal Issues being referred to Registrars in Q2. This is an issue that we will continue to monitor for any ongoing trends.

The “Other” enquiry type is the catch-all for all other domain name-related enquiries. This can typically include account/fee queries with registrars, referrals out to InternetNZ (eg: technical issues) as well as enquiries that are not commonly encountered. This classification type is constantly reviewed to ensure that no emerging issues are being missed.

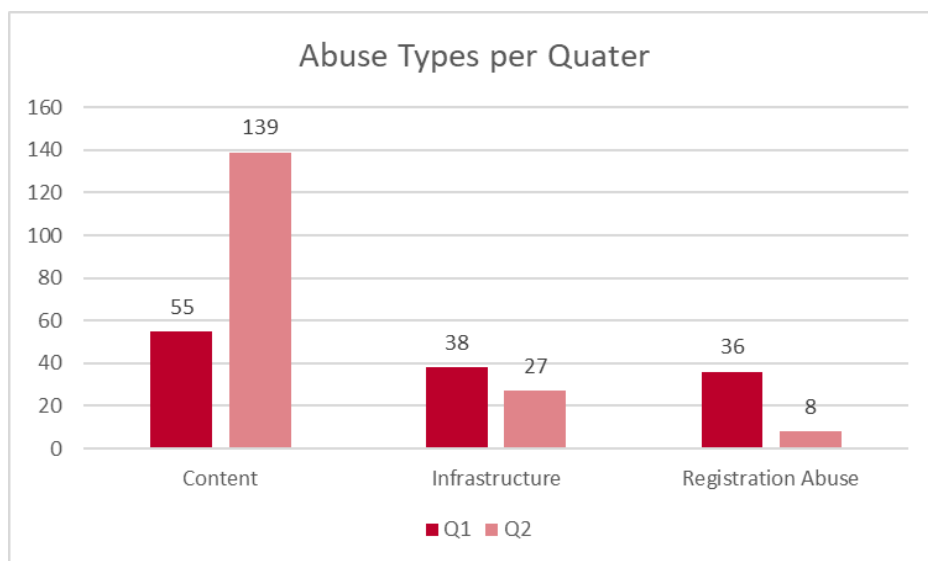
The reduction in Conflicted Name enquiries is likely due to proactive communication the DNC did via the DNC April newsletter which provided information for Registrars on the new process to register conflicted names.

Compliance Activities: Registrant Data Verification

Under .nz rules, registrants of .nz domain names need to be identifiable individuals over the age of 18 or lawfully constituted entity and, contactable at the registration details they provide.

If the DNC is unable to verify the identity of a domain name holder through this process, the .nz domain name is suspended.

Over Q2, **we have suspended 82% of the .nz domain names** run through the DVSD process for failing the data validation checks. This was an increase from 66% percent in Q1.



Trends and Analysis:

The spike in the Q2 Content-related abuse was due to referrals from NZ Police CyberCrime Unit relating to suspected “fake webshops” (selling well-known branded goods such as Allbirds shoes, Skims, Tiffanys etc). While NZ Police had evidence of customer harm relating to some domain names, the DNC has not undertaken any assessment nor formed any views on whether the domain names are being used fraudulently or illegally. The DNC’s activities in relation to these referrals is limited to validating the registration information. Interestingly, none of the registration information relating to the domain names referred by NZ Police were validated by the relevant registrants.

Registrar Authorisations

A project was commenced in Q2 to review the registrar authorisation process and collateral, which has not been significantly reviewed since inception. This is to ensure that our application form and processes are fit for purpose, identify any gaps and enable the DNC to appropriately manage the risk associated with authorising registrars as effectively and efficiently as possible.

In Q1 **two** new registrar applications were received and another **four** were received in Q2. To date **three** applications have been approved by the DNC and have now been referred to InternetNZ for registry testing. **Two** applications remain under assessment with the DNC at the end of Q2 and **one** was rejected as it did not meet the minimum standards at initial triage. In addition, **one** Registrar joined the market in Q2 post meeting the InternetNZ testing requirements (this related to an application received in the previous financial year) taking the total number of .nz accredited registrars to 74.

Other Activities

In Q2 the Commissioner attended the **APrIGF in Brisbane** as part of an InternetNZ Group delegation. This facilitated the introduction to key stakeholders relevant to the DNC's functions and also led to an invitation by auDA to attend its annual **Registrar Summit in Melbourne**. The Registrar Summit provided valuable insights into auDA's licensing and compliance activities and to compare DNS abuse issues and an opportunity for both ccTLDs to continue to work together on matters of joint interest such as policy development.

The Commissioner also attended **ICANN78 in Hamburg** which spanned across Q2/Q3 and was able to meet with a number of vendors, registrars and ccTLD peers. The Commissioner was able to attend over twelve meetings with key stakeholders (in addition to conference sessions) to start to build mutually beneficial relationships to facilitate on-going shared learning and development opportunities.

The DNC Board held a **Strategy Day** in early September and a number of refinements are proposed to the current strategy to ensure more consistency across the InternetNZ Group where relevant and to provide for a review of the DNC's processes for its core regulatory functions to ensure they are fit for purpose and able to be implemented in an effective and efficient manner. An update on the proposed new strategy will be provided in due course.

Yours sincerely



Vivien Maidaborn

Chair, Domain Name Commission

Profit & Loss

Domain Name Commission Limited
For the quarter ended 30 September 2023

Account	Q2 Actual	Q2 Budget	Q2 Variance	Q1 Actual	Q1 Budget	Q1 Variance	YTD Actual	YTD Budget	YTD Variance	Overall Budget 2023-2024
Trading Income										
Authorisation Fees	9,000.00	3,000.00	6,000.00	3,000.00	3,000.00	-	12,000.00	6,000.00	6,000.00	12,000.00
Income - DRS Complaint Fees	19,200.00	0.00	19,200.00	10,000.00	8,000.00	2,000.00	29,200.00	8,000.00	21,200.00	12,000.00
Management Fees	408,750.00	408,750.00	-	408,750.00	408,750.00	-	817,500.00	817,500.00	0.00	1,635,000.00
Total Trading Income	436,950.00	411,750.00	25,200.00	421,750.00	419,750.00	2,000.00	858,700.00	831,500.00	27,200.00	1,659,000.00
Gross Profit	436,950.00	411,750.00	25,200.00	421,750.00	419,750.00	2,000.00	858,700.00	831,500.00	27,200.00	1,659,000.00
Operating Expenses										
Total Communications	17,126.59	24,750.00	(7,623.41)	19,890.22	24,750.00	(4,859.78)	37,016.81	49,500.00	(12,483.19)	99,000.00
Total Compliance	5,934.99	15,000.00	(9,065.01)	12,271.05	15,000.00	(2,728.95)	18,206.04	30,000.00	(11,793.96)	60,000.00
Total Director Expenses	11,836.10	13,018.00	(1,181.90)	10,697.45	13,018.00	(2,320.55)	22,533.55	26,036.00	(3,502.45)	52,070.00
Total Dispute Resolution Service	24,687.51	4,776.00	19,911.51	12,637.51	17,776.00	(5,138.49)	37,325.02	22,552.00	14,773.02	57,600.00
Total Memberships	2,826.06	3,450.00	(623.94)	3,596.49	3,450.00	146.49	6,422.55	6,900.00	(477.45)	13,800.00
Total Moderators	1,495.00	5,826.00	(4,331.00)	5,634.37	5,826.00	(191.63)	7,129.37	11,652.00	(4,522.63)	23,300.00
Total Office and Administration Expense	106,028.58	111,312.00	(5,283.42)	88,756.76	110,310.00	(21,553.24)	194,785.34	221,622.00	(26,836.66)	443,081.00
Total Personnel and Staff Costs	237,004.99	237,938.00	(933.01)	237,960.52	234,745.00	3,215.52	474,965.51	472,683.00	2,282.51	944,383.00
Total Professional Services	5,478.79	23,808.00	(18,329.21)	0.00	13,806.00	(13,806.00)	5,478.79	37,614.00	(32,135.21)	65,228.00
Total Projects	2,625.00	3,750.00	(1,125.00)	1,500.00	3,750.00	(2,250.00)	4,125.00	7,500.00	(3,375.00)	15,000.00
Total Registrars	2,349.99	2,001.00	348.99	2,349.99	2,001.00	348.99	4,699.98	4,002.00	697.98	8,000.00
Total Depreciation	14,489.40	14,412.00	77.40	14,482.69	14,412.00	70.69	28,972.09	28,824.00	148.09	57,648.00
Total Operating Expenses	431,883.00	460,041.00	(28,158.00)	409,777.05	458,844.00	(49,066.95)	841,660.05	918,885.00	(77,224.95)	1,839,110.00
Surplus from Investing Activity	3,045.75	3,510.00	(464.25)	143.02	48.00	95.02	3,188.77	3,558.00	(369.23)	30,000.00
TOTAL COMPREHENSIVE REVENUE AND EXPENSES FOR THE	8,112.75	(44,781.00)	52,893.75	12,115.97	(39,046.00)	51,161.97	20,228.72	(83,827.00)	104,055.72	(150,110.00)