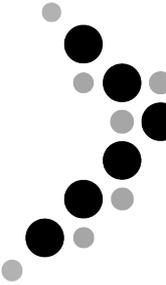


3 February 2020

Jamie Braddeley
President
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**domain name
commission**nz



Dear Jamie,

Please find enclosed DNCL's end of the third-quarter report for the 2019/2020 financial year.

The end of quarter financials is enclosed at the end of this letter.

INZ Group Projects

DNCL staff continue to be involved this quarter in a number of group-wide major projects including the office re-fit, .nz end to end policy review, and registry transformation project. DNCL continues, where possible, to use existing FTE to support these initiatives in their start-up phases.

Dispute Resolution:

The Annual Expert Meeting was held this quarter where the Experts discussed the annual cases. Other topics discussed included potential changes to .nz dispute resolution policy, implementation of process changes to the existing system and engaging a law student to produce plain English case summaries of existing decisions.

The DNCL Board at its last meeting approved for there to be a pilot of negotiation as a service for resolving disputes as a subset of mediation services. Planning for the implementation of a negotiation phase has commenced.

A project is also underway to re-develop the current architecture and existing information provided to parties regarding the Dispute Resolution service to improve access and use of the service.

Compliance and Enforcement

DNCL continues to invest in its monitoring of the .nz domain name space capability and enforcement of .nz policy under its refreshed approach devised in conjunction with Deloitte.

Our primary focus of late has been on the four data quality pillars: data validation after registration, data matching, data cleansing, and understanding data legacy.

Improvements to the DNCL's data validation process have been made this quarter which has seen gains in the time taken for suspension and cancellation. The Commission has a stretch goal target of achieving real-time suspension for fake registration details and is exploring ways to achieve this goal.

**Keeping .nz
fair for everyone.**

The DNCL continues to refine its threat feeds. Staff are working on how to communicate findings to other intelligence partners and parties with a role in keeping .nz safe trusted and secure.

Market regulatory functions

The trend of market consolidation continues in the .nz domain names, which has resulted in a number of registrars exiting the market. DNCL continues to work closely with a number of Registrars to assist with bulk transfers of domains between legal entities and de-authorisation processes.

An electronic legal contract management system to manage the various legal contracts is planned for 2020.

Pickens Review implementation

Coordination of the Pickens recommendations, as well as the Deloitte compliance recommendations, is being undertaken to identify common streams of work so these can be actioned in a more efficient manner. DNCL intends to issue a progress report on the implementation work at the end of the financial year.

DNCL Board recruitment

Two new board members have been appointed. An official announcement will be made in the February newsletter following their first board meeting at the beginning of February.

Yours sincerely,

Jordan Carter
Chair
Domain Name Commission

Domain Name Commission Limited
Income Statement
For the Quarter Ending 31 December 2019

The following notes relate to the accounts:

- Professional services continue to show litigation costs (\$187,681.70) not contained within the Annual Budget
- With the exception of Professional Services (explained above), Office and Administration (minor overspend) and Personnel and Staff all other areas reported an underspend for the quarter.
- Only Projects (minor overspend) and Professional Services are at an overall loss for the year to date.
- YTD results continue to remain positive, despite litigation expenditure of \$187,681.70 YTD.

| | Oct - Dec 2019 | | | | Year-to-Date | | | |
|-----------------------------|-------------------|------------------|-------------------|-------------|------------------|------------------|-------------------|------------------|
| | Q2 Act (\$) | Q2 Bud (\$) | Q2 Var (\$) | Q2 Var (%) | YTD Act (\$) | YTD Bud (\$) | YTD Var (\$) | FY Bud (\$) |
| INCOME | | | | | | | | |
| 5050 - Authorisation Fees | 3,391 | 3,000 | 391 | 0% | 12,000 | 6,000 | 6,000 | 6,000 |
| 5080 - DRS Complaint Fees | 4,000 | 8,000 | (4,000) | 0% | 18,000 | 24,000 | (6,000) | 34,000 |
| 5100 - Management Fees | 335,001 | 335,001 | (0) | 0% | 1,005,003 | 1,005,003 | (0) | 1,340,000 |
| 7010 - Interest Income | 4,154 | 5,100 | (946) | -19% | 9,322 | 7,380 | 1,942 | 13,500 |
| 1540 - Sundry Income | 0 | 0 | 0 | 0% | 0 | 0 | 0 | 0 |
| Total Income | 346,546 | 351,101 | -4,555 | -1% | 1,044,325 | 1,042,383 | 1,942 | 1,393,500 |
| EXPENDITURE | | | | | | | | |
| DNCL Board | 7,840 | 8,748 | (908) | -10% | 22,190 | 24,994 | (2,804) | 36,000 |
| Communications | 2,804 | 3,750 | (946) | -25% | 12,512 | 21,250 | (8,738) | 25,000 |
| Compliance | 1,717 | 18,000 | (16,283) | -90% | 1,717 | 51,000 | (49,283) | 69,000 |
| Dispute Resolution Services | 14,305 | 28,976 | (14,671) | -51% | 33,584 | 55,228 | (21,644) | 103,000 |
| Registrars | 3,440 | 3,799 | (359) | -9% | 12,062 | 20,497 | (8,435) | 24,000 |
| International | 22,899 | 42,300 | (19,401) | -46% | 68,441 | 88,300 | (19,859) | 143,800 |
| Office and Administration | 70,964 | 70,794 | 170 | 0% | 208,344 | 212,382 | (4,038) | 283,200 |
| Personnel and Staff | 201,696 | 153,749 | 47,947 | 31% | 421,359 | 446,417 | (25,058) | 604,114 |
| Professional Services ** | 64,641 | 8,502 | 56,139 | 660% | 213,914 | 25,506 | 188,408 | 45,000 |
| Projects | 23 | 8,700 | (8,677) | -100% | 26,871 | 26,100 | 771 | 35,000 |
| Total Expenditure | 390,328 | 347,318 | 43,010 | 12% | 1,020,995 | 971,674 | 49,321 | 1,368,114 |
| Depreciation | 4,334 | 9,000 | (4,666) | -52% | 11,927 | 19,800 | (7,873) | 30,000 |
| Other Comprehensive Items | 0 | 0 | 0 | | 0 | 0 | 0 | 0 |
| Net Profit/Loss | (\$48,116) | (\$5,217) | (\$42,899) | 822% | \$11,403 | \$50,909 | (\$39,506) | (\$4,614) |

** Included litigation costs: Q1 = \$30,392.77
Q2 = \$100,656.46
Q3 = \$56,632.46
YTD = \$187,681.69