

APNIC EC meeting

Teleconference

Thursday 11 October 2007

Meeting Start: 3:00 pm (UTC +1000)

Present

Akinori Maemura (Chair)
Che-Hoo Cheng
Vinh Ngo
Kuo-Wei Wu
Kusumba Sridhar
Mao Wei
Ming-Cheng Liang
Paul Wilson

Geoff Huston (Executive Secretary)
Irene Chan
Connie Chan

Agenda

1. Roll Call and Agenda bashing
2. Minutes of Last Meeting and Matters Arising
3. Finance Report
4. Director-General's Report
5. APNIC Fees Review
6. Review of EC Procedures
7. AOB

Minutes

1. Roll Call and Agenda bashing

Paul Wilson was recognised as an ex-officio member of the EC.

Consideration of Phase 2 of the KPMG Fee structure review was added to the agenda under the AOB item.

2. Minutes of Last Meeting and Matters Arising

The minutes from the meeting of 4 September 2007, as amended, were approved.

Action ec-07-034: Secretariat to publish minutes of 4 September 2007 meeting

Review of action items:

Action ec-07-028: EC Chair to notify Kenny Huang of his term to be extended for 3 months (until 31 March 2008)
completed

Action ec-07-029: Secretariat to publish minutes from 16 August 2007.
completed

Action ec-07-030: APNIC Secretariat and Treasurer to prepare a set of cost saving options for 2007 that would be consistent with a final operating deficit of \$492,000 USD for the year.
completed

Action ec-07-031: Secretariat to prepare an initial draft of the 2008 budget for consideration by the EC in October 2007.
completed

Action ec-07-032: EC to provide response to KPMG on proceeding with Phase 2 activity
To be considered

Action ec-07-033: Secretariat to add IPv6 per address fee to the APNIC 25 Policy SIG agenda
outstanding

3. Finance Report

The EC considered the financial reports for the month ending August 2007 and September 2007 (attached).

It was noted that the August financial report contained an additional commentary on the treatment of realised and unrealised foreign exchange gains and losses in the reports.

It was noted that the period covered by this report saw a high level of variation in the AUD / USD currency exchange rate, which has had a considerable impact on the projected financial position of APNIC as of the end of 2007.

The EC queried the procedures used by APNIC relating to member contact.

The EC approved the financial reports.

Action ec-07-035: Director-General to prepare a report to the EC on member services and associated Secretariat procedures relating to member contact

4. Director-General's Report

The DG reported no matters to mention further to those already covered in the meeting's agenda.

5. APNIC Fees Review

The EC considered advice provided by KPMG to APNIC regarding the financial status of APNIC and the fee currency (attached) and an analysis of the impact of the currency used for fees on the projected 2008 financial position of APNIC (attached).

The EC reviewed the membership vote and the subsequent discussion in the Fees Working Group on the topic, and the APNIC By Laws regarding the provisions for the EC to set membership dues.

The EC adopted the following motion

The APNIC fee schedule will be in Australian Dollars as of 1 January 2008. The fee schedule shall be based on a conversion of the current APNIC fee schedule with currency conversion rate of 0.7889 from USD to AUD.

Action ec-07-036: Secretariat to announce the adopted fee schedule to members

6. Review of EC Procedures

The EC considered a report concerning a review the APNIC By Laws (attached) and a proposed set of procedures to be adopted by the EC for the conduct of business (attached).

The EC determined to continue the review of this matter at its next meeting.

Action ec-07-037: EC Procedures to be placed on the agenda of the next EC meeting

7. AOB

Phase 2 of the KPMG Study

The EC considered the proposal by KPMG to undertake the second phase of the Fees Study.

The EC determined to reconsider this proposal once the 2008 budget process had been completed.

Action ec-07-032: EC to consider Phase 2 of the KPMG study following completion of the 2008 budget process

8. Next meeting

15 November 2007(Teleconference)

Meeting closed: 5:00 pm (UTC+1000)

Action items

- Action ec-07-032:** EC to consider Phase 2 of the KPMG study following completion of the 2008 budget process
- Action ec-07-033:** Secretariat to add IPv6 per address fee to the APNIC 25 Policy SIG agenda
- Action ec-07-034:** Secretariat to publish minutes of 4 September 2007 meeting
- Action ec-07-035:** Director-General to prepare a report to the EC on member services and associated Secretariat procedures relating to member contact
- Action ec-07-036:** Secretariat to announce the adopted fee schedule to members
- Action ec-07-037:** EC Procedures to be placed on the agenda of the next EC meeting

Attachment 1

Agenda Item 3:
August Financial Report



APNIC

Monthly financial report (in AUD)

For the month ending August 2007

Asia Pacific Network Information Centre

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1. Balance Sheet

Statement of Financial Position (AUD)					
	31/08/2007	% of Total Asset or Liab+Equity	% change from 31/12/2006	Year-End 2006	Year-End 2005
<i>Exchange rate(*)</i>	<i>0.8384(1)</i>		<i>5.60%</i>	<i>0.7938(1)</i>	<i>0.7363(2)</i>
CURRENT ASSETS					
Cash	7,199,782	46%	26.4%	5,696,300	5,173,256
Term deposit investment	2,800,000	18%	-15.2%	3,300,000	3,300,000
Receivables	1,457,486	9%	-12.9%	1,673,458	1,209,551
Advance payment (Prepayment, Deposit, etc)	206,004	1%	54.5%	133,331	117,361
Others	4,043	0%	-72.9%	14,937	5,269
TOTAL CURRENT ASSETS	11,667,316	75%	7.9%	10,818,026	9,805,436
NON-CURRENT ASSETS					
Other financial assets	1,221,834	8%	6.4%	1,148,369	1,020,778
Property, plant and equipment	1,562,604	10%	4.6%	1,494,461	1,319,499
Long term deposit investment	1,200,000	8%	-40.0%	2,000,000	2,000,000
TOTAL NON-CURRENT ASSETS	3,984,438	25%	-14.2%	4,642,830	4,340,277
TOTAL ASSETS	15,651,754	100%	1.2%	15,460,856	14,145,713
CURRENT LIABILITIES					
Accrued expenses	1,085,374	7%	-25.6%	1,458,382	1,078,411
Provisions	694,157	4%	-1.9%	707,834	531,283
Unearned revenue	4,470,247	29%	4.7%	4,271,275	3,675,909
TOTAL LIABILITIES	6,249,778	40%	-2.9%	6,437,490	5,285,602
EQUITY					
Share capital	1.00	0%	0.0%	1.00	1.00
Reserves	113,067	1%	-21.3%	143,620	158,167
Retained earnings	9,288,908	59%	4.6%	8,879,745	8,701,943
TOTAL EQUITY	9,401,976	60%	4.2%	9,023,366	8,860,111
TOTAL LIABILITIES & EQUITY	15,651,754	100%	1.2%	15,460,856	14,145,713

(*) The exchange rates used in this report are official average rates provided by the Australia Taxation Office (ATO), mainly for reference.

(1) ATO official monthly average rate for August 2007

(2) ATO official notes spot rate for 31 Dec 2006 and 31 Dec 2005 respectively.

2. Profit and Loss Statement

2.1 Expenses

EXPENSES (AUD)	Aug-07 Actual	YTD Actual	YTD %	Projected Actual 2007	Budget 2007	Projected Year End Budget Variation	Projected Budget Variation %
Bank charges	8,898	46,642	0.8%	69,443	59,154	10,289	17.4%
Communication expenses	18,579	107,444	1.9%	159,967	157,298	2,669	1.7%
Computer expenses	14,843	124,767	2.2%	185,757	156,798	28,959	18.5%
Depreciation expense	44,933	370,743	6.5%	551,976	553,966	(1,990)	-0.4%
Donation/ Sponsorship	0	54,220	1.0%	90,374	94,302	(3,929)	-4.2%
Doubtful debt expenses	0	1,940	0.0%	14,303	14,303	0	0.0%
ICANN contract fee	243,540	243,540	4.3%	243,540	273,846	(30,307)	-11.1%
Meeting and training expense	65,851	117,168	2.1%	188,001	188,001	0	0.0%
Membership fees	3,390	37,537	0.7%	55,887	75,231	(19,345)	-25.7%
Miscellaneous expenses	2,531	3,676	0.1%	5,474	9,707	(4,234)	-43.6%
Office operating expenses	16,929	153,120	2.7%	227,970	190,458	37,512	19.7%
Personnel expenses	49,701	306,780	5.4%	487,193	549,049	(61,855)	-11.3%
Postage & delivery	3,556	24,190	0.4%	36,014	45,663	(9,649)	-21.1%
Printing & photocopy	4,910	32,592	0.6%	48,525	42,053	6,471	15.4%
Professional fees	49,146	229,320	4.0%	471,421	488,141	(16,721)	-3.4%
Publicity expense	4,301	9,601	0.2%	14,295	68,141	(53,846)	-79.0%
Recruitment	13,067	74,575	1.3%	82,062	82,062	0	0.0%
Rent and outgoings	37,876	293,248	5.2%	436,599	412,280	24,319	5.9%
Salaries	308,338	2,452,425	43.2%	3,950,768	4,081,493	(130,725)	-3.2%
Staff Training/conference	1,676	57,627	1.0%	82,627	73,811	8,816	11.9%
Tax expense	16,380	130,205	2.3%	333,858	333,858	0	0.0%
Translation Expenses	0	0	0.0%	58,001	58,001	0	0.0%
Travel expenses	152,872	800,822	14.1%	1,062,822	1,037,770	25,052	2.4%
TOTAL EXPENSES	1,061,315	5,672,184	100.0%	8,856,875	9,045,387	(188,512)	-2.1%

2.2 Revenue

REVENUE (AUD)	Aug-07 Actual	YTD Actual	YTD %	Projected Actual 2007	Budget 2007	Projected Year End Budget Variation	Projected Budget Variation %
Interest income	100,476	285,969	4.7%	553,491	546,577	6,914	1.3%
IP Resource application fees	99,084	533,974	8.7%	717,914	717,914	0	0.0%
Membership fees	510,210	4,058,504	66.2%	6,042,453	5,948,589	93,864	1.6%
Non-members fees	11,825	97,600	1.6%	145,311	98,578	46,732	47.4%
Per Allocation fees	144,716	978,448	15.9%	988,232	917,140	71,092	7.8%
Reactivation fees	0	8,550	0.1%	12,729	6,319	6,410	101.5%
Sundry income	30,692	172,017	2.8%	172,017	186,883	(14,866)	-8.0%
Realised foreign exchange gain/(loss)	12,039	(586)	0.0%	(586)	0	(586)	0.0%
TOTAL REVENUE	909,042	6,134,475	100.0%	8,631,560	8,421,999	209,561	2.5%

2.3 Operating Profit/ Loss – against budget

Revenue and Expenses (AUD)	Aug-07 Actual	YTD Actual	YTD %	Projected Actual 2007	Budget 2007	Projected Year End Budget Variation	Projected Budget Variation %
Total Revenue	909,042	6,134,475	100.0%	8,631,560	8,421,999	209,561	2.5%
Total Expenses	1,061,315	5,672,184	100.0%	8,856,875	9,045,387	(188,512)	-2.1%
OPERATING PROFIT/ (LOSS)	(152,274)	462,291		(225,315)	(623,388)		

2.4 Operating Position – after foreign exchange adjustment

Revenue and Expenses (AUD)	YTD Actual	Projected Actual 2007
Total Revenue	6,134,475	8,631,560
Unrealised foreign exchange gain/(loss)	(53,128)	161,912
Total Expenses	5,672,184	8,856,875
OPERATING PROFIT/ (LOSS)	409,163	(63,403)

Note:

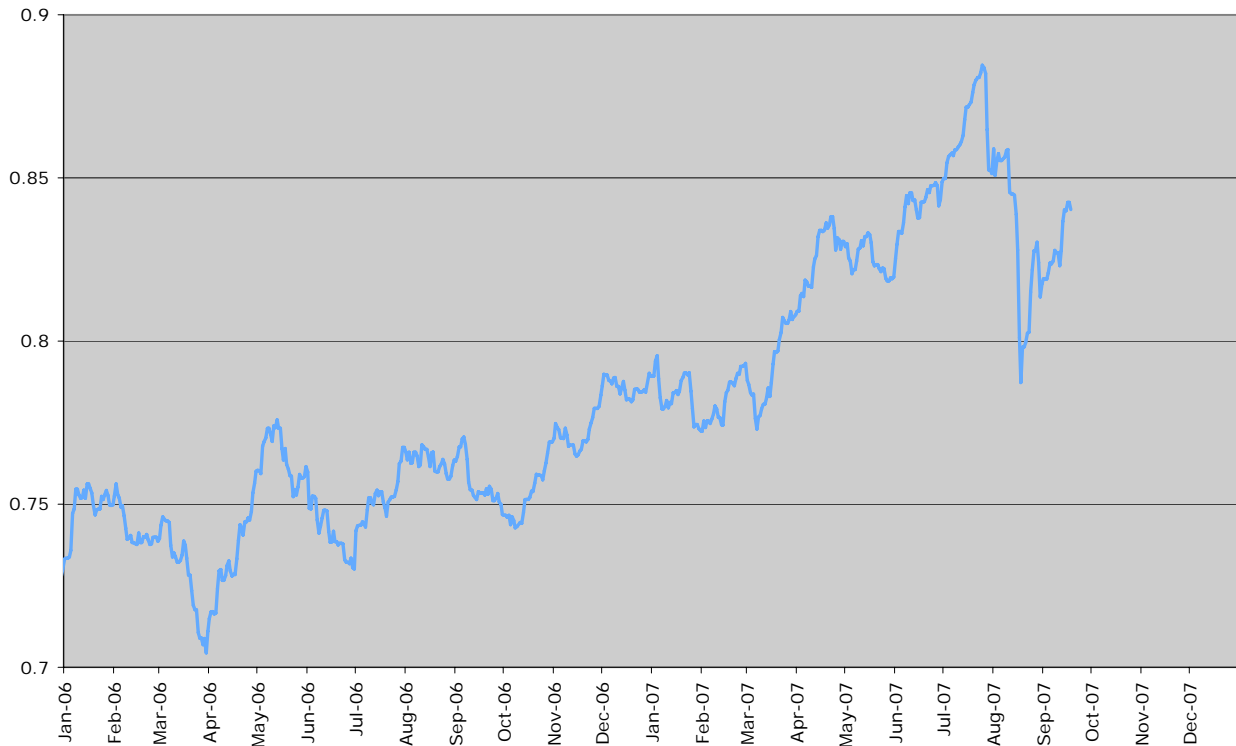
Accounts are projected base on the following:-

- pro-rata from the actual figures and projected until end of year
- year to date figures will be used if further expenses are not expecting
- budget figures, or
- other updated information on hand.

3. Foreign Exchange

- ATO official monthly average rate for August 2007 was 0.8384
- The average exchange rate for ATO official monthly average rate from Jan to August 2007 was 0.8236
- Exchange rate being used in budget 2007 by referring to the economical data provided by National Australia Bank in their Foreign Exchange Outlook 2007 is 0.8298.
- The budgeted average exchange rate for 2007 was 0.7889

The chart below shows the daily AUD / USD exchange rate for the period 1 January 2006.



4. Membership

By the end of August 2007, APNIC had a total of 1,515 members serving 51 economies. Marshall Islands first become APNIC member in August 2007. We have the highest new members joined us, with 41 new members whilst 14 members have been closed. There is a net gain of 27 members. Economies in which APNIC have the highest members are Australia (395 members), India (180 members), followed by Hong Kong (137 members).

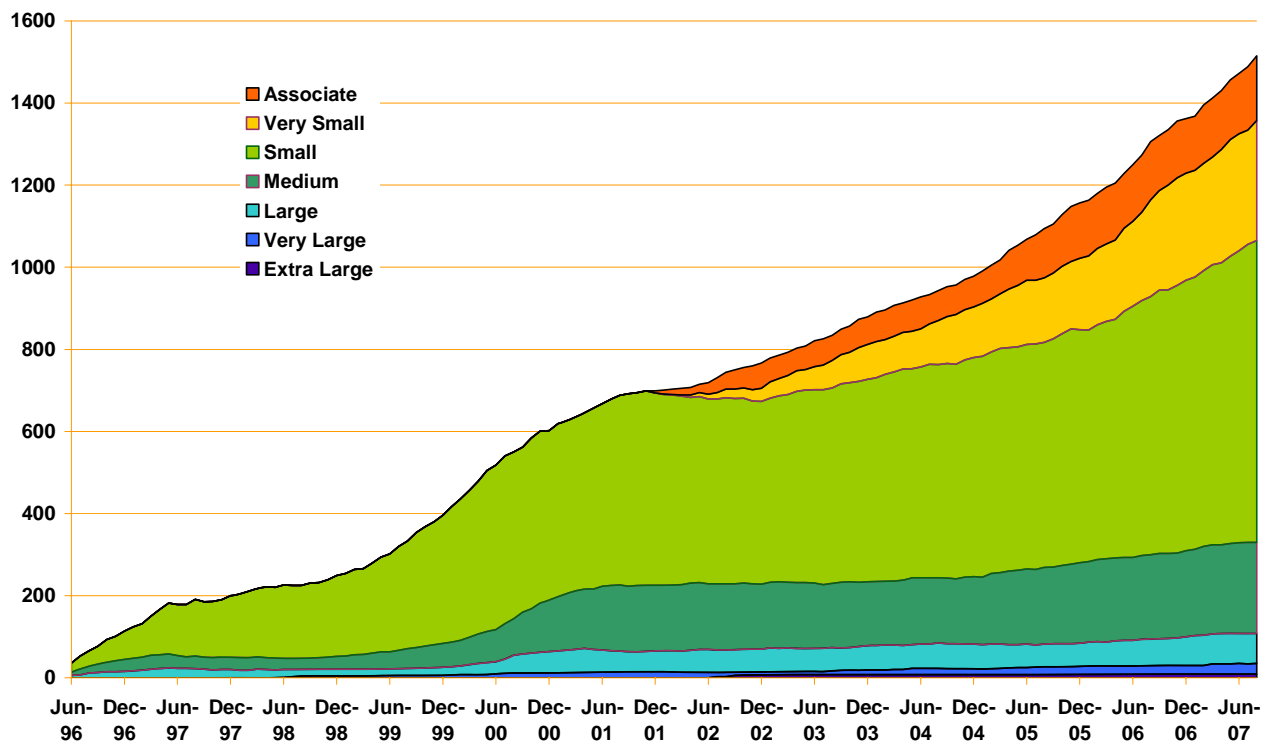
The following table shows the monthly membership changes, and the analysis of membership tier of APNIC, which shows 49% of APNIC members are at Small membership tier.

Membership	Total	New	(Closed)	Size	Total	Total YTD
	July-07	Aug-07	Aug-07	Change	YTD	(%)
				Aug-07	Aug-07	Aug-07
Extra Large	9	0	0	0	9	1%
Very Large	25	0	0	1	26	2%
Large Member	74	0	0	(1)	73	5%
Medium	222	1	(2)	1	222	15%
Small	726	11	(10)	8	735	49%
Very Small	278	16	(1)	(1)	292	19%
Associate	154	13	(1)	(8)	158	10%
TOTAL	1488	41	(14)	0	1515	100%

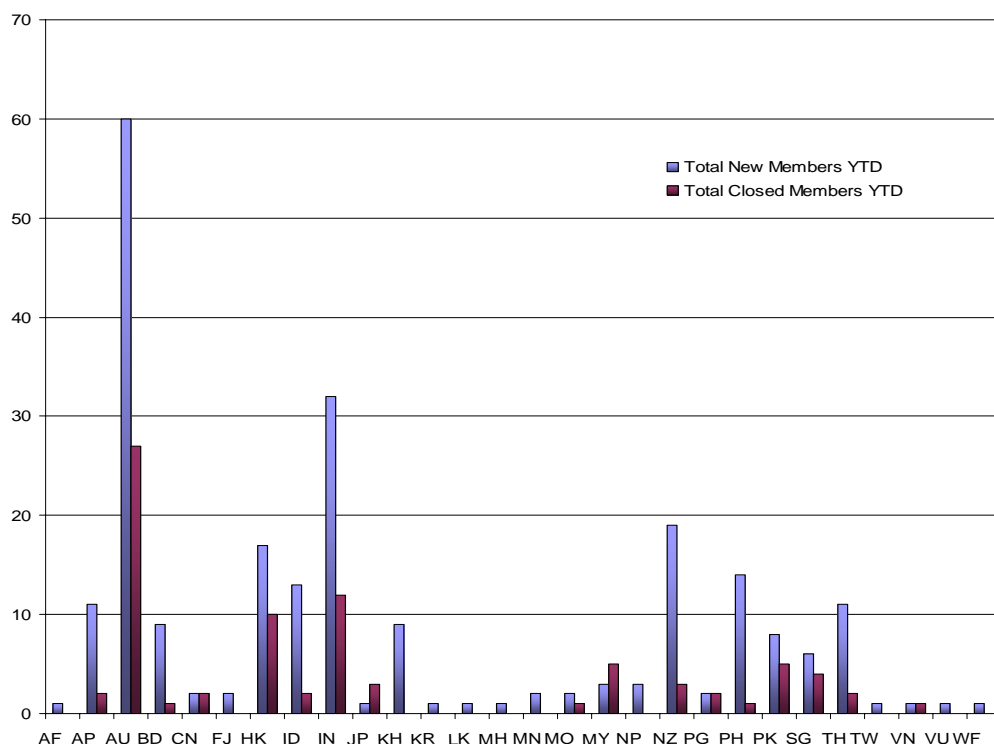
Table below compares actual growth of membership till the end of August 2007 with the budgeted growth on a pro-rata basis. Overall, there is slight variance from the budgeted year to date growth.

Membership	Actual Total EOY	Actual Total YTD	Actual Growth YTD	Budgeted Total EOY	Budgeted Growth EOY	Budgeted Growth YTD	Variation Actual vs. Budget
	2006	Aug-07	2007	2007	2007	(*)	(*)
Extra Large	9	9	0	10	1	1	-1
Very Large	21	26	5	22	1	1	4
Large Member	70	73	3	84	14	9	-6
Medium	210	222	12	224	14	9	3
Small	658	735	77	748	90	60	17
Very Small	261	292	31	348	87	58	-27
Associate	133	158	25	131	-2	-1	26
TOTAL	1362	1515	153	1567	205	137	16

The graph below illustrates the historical figures for total memberships since the establishment of APNIC's membership system in 1996; it is shown that the membership is growing steadily. The monthly net change in membership is shown in the following graph.



The chart below illustrated per economy in the number of new members who joined APNIC as well as closed members by the end of August 2007. The highest number of new members is from Australia, followed by India and New Zealand. Majority of the closure are from Australia due to non contactable and business not operating.



5. Notes on the Monthly Financial Report for August 2007

In view of the significant shift in the exchange rates in the US Dollar / Australian Dollar over the course of 2007, and the continued use of US Dollars for membership fee payments to APNIC, the APNIC Financial Report for this month contains a number of changes to the format of this report.

The changes reflect changes in the reporting of the Realised and Unrealised Foreign Exchange Rate gains/losses. The reporting of the Operating Profit/Loss is a report on performance of APNIC against budget for the year and includes realised foreign exchange rate gains/losses. An additional report, the overall Operating Position of APNIC, includes the unrealised foreign exchange gains/losses as applied to the USD cash deposits held by APNIC.

The following notes describe the accounting practices used by APNIC in further detail as they apply to treatment of currency exchange.

1. Treatment of Currencies in the Accounts of APNIC

All APNIC member fee invoices are raised in USD.

In the APNIC AUD accounts this USD fee revenue is entered into the accounts using the equivalent AUD. This AUD amount is calculated using the prevailing AUD / USD exchange rate on the day that the invoice has been raised. This AUD amount, once converted to AUD at the date of raising the invoice, is not subsequently changed in the APNIC statement of accounts as revenue for the remainder of the year in terms of monthly and annual reports.

For example:

- A member is invoiced for annual fees for the amount USD \$1,000
- This amount is converted to AUD on the day the invoice is raised
- If the exchange rate on the day was 0.82, then AUD \$1,219 is used for accrual purposes
- As APNIC uses accrual accounting, 1/12 of AUD \$1,219 is recognised as revenue for each of the months over which the membership applies.
- APNIC recognises AUD \$102 per month for the next 12 months as revenue

- APNIC totals total allocations for the previous month for confederation / NIR members
- The invoice amount in USD is calculated
- The invoice is raised and the equivalent AUD amount is recognised in the APNIC revenue accounts for the current month
- A member is invoiced USD \$1,000 for per address fees
- If the exchange rate on the day was 0.82, then AUD \$1,219 is entered into the APNIC Revenue amounts for the current month

Money is received by APNIC on the day of payment in USD. The prevailing rate of the AUD / USD exchange rate on the date that the money is received by APNIC is compared to the rate used when recognising the income into the books. The difference between the 2 rates is recorded as the Realised Foreign exchange gain / loss for the month when the gain or loss was realised.

For example:

- The member pays APNIC USD 1,000
- This amount is converted to AUD on the day the invoice is raised
- If the exchange rate on the day was 0.86, then the difference between the rate used at the time of the invoice (0.82) and the time of payment is accounted as a realised gain / loss
- In this case the amount is AUD \$1,163 received against AUD \$1,219 entered into the books, of \$57 is entered as a realised foreign exchange loss for the month

The money is held by APNIC in USD in a bank account until needed to meet expenses.

In calculating the Unrealised Foreign Exchange Gain / Loss, the prevailing exchange rate at the date when the financial report is prepared is compared to the exchange rate used to record the payment of the invoice for each invoice raised where the payment has been made and the payment is still being held in a USD account. The sum of all the differences between the amounts (the difference between the realised AUD amount and current AUD value for each payment still held in USD) is recorded as the unrealised foreign exchange gain / loss.

2. Operating Profit/Loss – against budget

This section of the report tracks the performance of APNIC against budget without factoring in the net book value change of APNIC cash reserves that are retained in USD accounts. The report contains the expenses in AUD, converting to AUD when appropriate using the exchange rate at the time the expense is processed, the revenue in AUD, converted to USD using the procedure described above, and including in the revenue the correction for realised foreign exchange gain / losses.

This report is intended to describe the financial status of APNIC for the current year, tracking recognised revenue and expenses against the expectations that were phrased in the annual budget.

3. Operating Position – after foreign exchange adjustment

This section of the report tracks the financial status of APNIC on the assumption that this represents the position of APNIC at the time of the report's preparation, were all the USD cash deposits to be converted into AUD on that day. This report uses the Operating Profit/Loss report and adds the unrealised foreign exchange gain/loss component, calculated using the method described above.

This report is intended to describe the financial status of APNIC for the current year, were all the accumulated and reserve cash assets of APNIC to be realised in AUD.

4. Comparison of the Operating Position 31 July to 31 August

In July 2007 the projected net Operating Position of APNIC for 2007 was a loss of AUD \$1,080,535.

In August 2007 the projected net Operating Position of APNIC for 2007 is a loss of AUD \$63,403.

A major reason for this significant change in the projected end-of-year Operating Position between the July and August monthly reports is the change in the projected USD exchange rates for January 2008.

As of the end of July the projected exchange rate for the start of 2008 was 0.90. This produced a projected unrealised loss of AUD \$597,468 based on the projected total amount of funds held in USD accounts as of the start of 2008. The calculation is based on an expected total of USD deposits on 1 January 2008 of USD \$5.5M with a realised value in the APNIC accounts of AUD \$6.7M (an average exchange rate of 0.8198 across all USD deposits) and a final exchange rate of 0.90 and a corresponding unrealised loss of AUD \$597,648.

The projection of the start of 2008 USD exchange rate has been revised since the July financial report was prepared, and the National Australia Bank's September 2007 projection for the USD exchange rate for the start of 2008 is 0.80. The projected total of deposits held in USD accounts on 1 January 2008 is USD \$5.6M, with a realised value in the APNIC accounts of AUD \$6.8M (an average exchange rate of 0.8189 across all USD deposits). Using the projected final exchange rate of 0.80 this equates to a AUD value of AUD \$7M, and an unrealised gain of AUD \$161,912.

Further variations in the projected start of 2008 USD exchange rates will generate corresponding changes in unrealised foreign currency exchange gain/loss for APNIC, and have a corresponding impact on the projected Operating Position as of the end of the year. For example a projected January 2008 exchange rate of 0.86 would change the unrealised foreign currency position to a projected loss of AUD \$326,460.

Attachment 2

Agenda Item 3:
September Financial Report



APNIC

Quarterly financial report (in AUD)

For the month ending September 2007

Asia Pacific Network Information Centre

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1. Balance Sheet

Statement of Financial Position (AUD)					
	30/09/2007	% of Total Asset or Liab+Equity	% change from 31/12/2006	Year-End 2006	Year-End 2005
<i>Exchange rate(*)</i>	<i>0.8511(1)</i>		<i>7.20%</i>	<i>0.7938(1)</i>	<i>0.7363(2)</i>
CURRENT ASSETS					
Cash	7,162,361	46%	25.7%	5,696,300	5,173,256
Term deposit investment	2,800,000	18%	-15.2%	3,300,000	3,300,000
Receivables	1,401,492	9%	-16.3%	1,673,458	1,209,551
Advance payment (Prepayment, Deposit, etc)	183,091	1%	37.3%	133,331	117,361
Others	11,868	0%	-20.5%	14,937	5,269
TOTAL CURRENT ASSETS	11,558,812	74%	6.8%	10,818,026	9,805,436
NON-CURRENT ASSETS					
Other financial assets	1,221,834	8%	6.4%	1,148,369	1,020,778
Property, plant and equipment	1,590,638	10%	6.4%	1,494,461	1,319,499
Long term deposit investment	1,200,000	8%	-40.0%	2,000,000	2,000,000
TOTAL NON-CURRENT ASSETS	4,012,471	26%	-13.6%	4,642,830	4,340,277
TOTAL ASSETS	15,571,283	100%	0.7%	15,460,856	14,145,713
CURRENT LIABILITIES					
Accrued expenses	1,135,049	7%	-22.2%	1,458,382	1,078,411
Provisions	729,705	5%	3.1%	707,834	531,283
Unearned revenue	4,428,921	28%	3.7%	4,271,275	3,675,909
TOTAL LIABILITIES	6,293,675	40%	-2.2%	6,437,490	5,285,602
EQUITY					
Share capital	1.00	0%	0.0%	1.00	1.00
Reserves	113,067	1%	-21.3%	143,620	158,167
Retained earnings	9,164,540	59%	3.2%	8,879,745	8,701,943
TOTAL EQUITY	9,277,608	60%	2.8%	9,023,366	8,860,111
TOTAL LIABILITIES & EQUITY	15,571,283	100%	0.7%	15,460,856	14,145,713

(*) The exchange rates used in this report are official average rates provided by the Australia Taxation Office (ATO), mainly for reference.

(1) ATO official monthly average rate for September 2007

(2) ATO official notes spot rate for 31 Dec 2006 and 31 Dec 2005 respectively.

2. Profit and Loss Statement

2.1 Expenses

This section now includes both a "Year to Date" expenses report, and a report for quarterly expenses of the current year.

2.1.1 Year to Date Expenses - Budget Comparison

EXPENSES (AUD)	Sep-07 Actual	YTD Actual	YTD %	Projected Actual 2007	Budget 2007	Projected Year End Budget Variation	Projected Budget Variation %
Bank charges	6,289	52,931	0.8%	70,015	59,154	10,862	18.4%
Communication expenses	11,300	118,808	1.9%	157,154	157,298	(144)	-0.1%
Computer expenses	18,384	143,151	2.2%	189,354	156,798	32,556	20.8%
Depreciation expense	45,358	416,101	6.5%	550,403	553,966	(3,563)	-0.6%
Donation/ Sponsorship	1,974	56,195	0.9%	92,197	94,302	(2,105)	-2.2%
Doubtful debt expenses	0	1,940	0.0%	14,303	14,303	0	0.0%
ICANN contract fee	0	243,540	3.8%	243,540	273,846	(30,307)	-11.1%
Meeting and training expense	6,450	123,618	1.9%	188,001	188,001	0	0.0%
Membership fees	3,390	40,927	0.6%	54,137	75,231	(21,095)	-28.0%
Miscellaneous expenses	117	3,794	0.1%	5,018	9,707	(4,689)	-48.3%
Office operating expenses	14,483	167,603	2.6%	221,699	190,458	31,240	16.4%
Personnel expenses	74,192	380,972	5.9%	539,330	549,049	(9,718)	-1.8%
Postage & delivery	4,634	28,824	0.4%	38,127	45,663	(7,536)	-16.5%
Printing & photocopy	855	33,447	0.5%	44,242	42,053	2,189	5.2%
Professional fees	92,937	322,257	5.0%	501,270	488,141	13,129	2.7%
Publicity expense	15	9,617	0.1%	12,721	68,141	(55,420)	-81.3%
Recruitment	1,583	76,158	1.2%	82,062	82,062	0	0.0%
Rent and outgoings	38,956	332,204	5.2%	439,427	412,280	27,147	6.6%
Salaries	289,664	2,742,089	42.7%	3,852,333	4,081,493	(229,160)	-5.6%
Staff Training/conference	3,063	60,690	0.9%	85,690	73,811	11,879	16.1%
Tax expense	14,653	144,858	2.3%	333,858	333,858	0	0.0%
Translation Expenses	0	0	0.0%	58,001	58,001	0	0.0%
Travel expenses	114,682	915,504	14.3%	1,097,504	1,037,770	59,734	5.8%
TOTAL EXPENSES	742,978	6,415,226	100.0%	8,870,386	9,045,387	(175,001)	-1.9%

2.1.2 Quarterly Expenses – Progressive

EXPENSES (AUD)	Quarter 1 (Jan – Mar 07)	Quarter 2 (Apr – June 07)	Quarter 3 (Jul – Sep 07)
Bank charges	17,218	14,465	21,249
Communication expenses	34,506	47,132	37,170
Computer expenses	56,701	41,369	45,081
Depreciation expense	137,424	143,159	135,519
Donation/ Sponsorship	46,052	8,168	1,974
Doubtful debt expenses	340	1,599	0
ICANN contract fee	0	0	243,540
Meeting and training expense	39,737	6,288	77,593
Membership fees	18,925	11,746	10,255
Miscellaneous expenses	335	432	3,027
Office operating expenses	42,223	78,549	46,831
Personnel expenses	89,846	152,278	138,849
Postage & delivery	14,262	3,972	10,590
Printing & photocopy	15,061	10,714	7,672
Professional fees	90,935	104,437	126,885
Publicity expense	2,923	2,224	4,470
Recruitment	43,004	9,623	23,532
Rent and outgoings	102,907	114,591	114,707
Salaries	859,260	1,012,516	870,313
Staff Training/conference	19,738	30,207	10,745
Tax expense	48,349	50,016	46,493
Translation Expenses	0	0	0
Travel expenses	245,540	287,268	382,696
TOTAL EXPENSES	1,925,283	2,130,753	2,359,189

2.2 Revenue

This section now includes both a "Year to Date" revenue report, and a report for quarterly revenue of the current year.

2.2.1 Year to Date Revenue - Budget Comparison

REVENUE (AUD)	Sep-07 Actual	YTD Actual	YTD %	Projected Actual 2007	Budget 2007	Projected Year End Budget Variation	Projected Budget Variation %
Interest income	31,961	317,931	4.7%	546,712	546,577	135	0.0%
IP Resource application fees	63,207	597,181	8.8%	717,914	717,914	0	0.0%
Membership fees	511,426	4,569,930	67.0%	6,044,938	5,948,589	96,349	1.6%
Non-members fees	11,996	109,596	1.6%	144,970	98,578	46,391	47.1%
Per Allocation fees	71,486	1,049,934	15.4%	1,212,418	917,140	295,278	32.2%
Reactivation fees	2,249	10,799	0.2%	14,284	6,319	7,966	126.1%
Sundry income	834	172,851	2.5%	172,851	186,883	(14,032)	-7.5%
Realised foreign exchange gain/(loss)	(5,886)	(6,472)	-0.1%	(6,472)	0	(6,472)	0.0%
TOTAL REVENUE	687,274	6,821,749	100.0%	8,847,615	8,421,999	425,615	5.1%

2.2.2 Quarterly Revenue – Progressive

REVENUE (AUD)	Quarter 1 (Jan – Mar 07)	Quarter 2 (Apr – June 07)	Quarter 3 (Jul – Sep 07)
Interest income	57,422	111,299	149,210
IP Resource application fees	189,639	190,450	217,092
Membership fees	1,503,102	1,532,488	1,534,339
Non-members fees	36,551	37,228	35,817
Per Allocation fees	393,147	360,028	296,759
Reactivation fees	8,602	(52)	2,249
Sundry income	28,957	111,299	32,594
Realised foreign exchange gain/(loss)	(24,451)	34,065	(16,086)
TOTAL REVENUE	2,192,968	2,376,806	2,251,975

2.3 Operating Profit/ Loss – against budget

Revenue and Expenses (AUD)	Sep-07 Actual	YTD Actual	Projected Actual 2007	Budget 2007	Projected Year End Budget Variation	Projected Budget Variation %
Total Revenue	687,274	6,821,749	8,847,615	8,421,999	425,616	5.1%
Total Expenses	742,978	6,415,226	8,870,386	9,045,387	(175,001)	-1.9%
OPERATING PROFIT/ (LOSS)	(55,704)	406,523	(22,771)	(623,388)		

2.4 Operating Position – after foreign exchange adjustment

2.4.1 Operating Position

Revenue and Expenses (AUD)	YTD Actual	Projected Actual 2007
Total Revenue	6,821,749	8,847,615
Unrealised foreign exchange gain/(loss)	(121,727)	(617,568)
Total Expenses	6,415,226	8,870,386
OPERATING PROFIT/ (LOSS)	284,795	(640,339)

2.4.2 Quarterly Operating Position – Progressive

Revenue and Expenses (AUD)	Quarter 1 (Jan – Mar 07)	Quarter 2 (Apr – June 07)	Quarter 3 (Jul – Sep 07)
Total Revenue	2,192,968	2,376,806	2,251,975
Unrealised foreign exchange gain/(loss)	97,437	(307,036)	87,872
Total Expenses	1,925,283	2,130,753	2,359,189
OPERATING SURPLUS/ DEFICIT	365,122	(60,984)	(19,343)

Note:

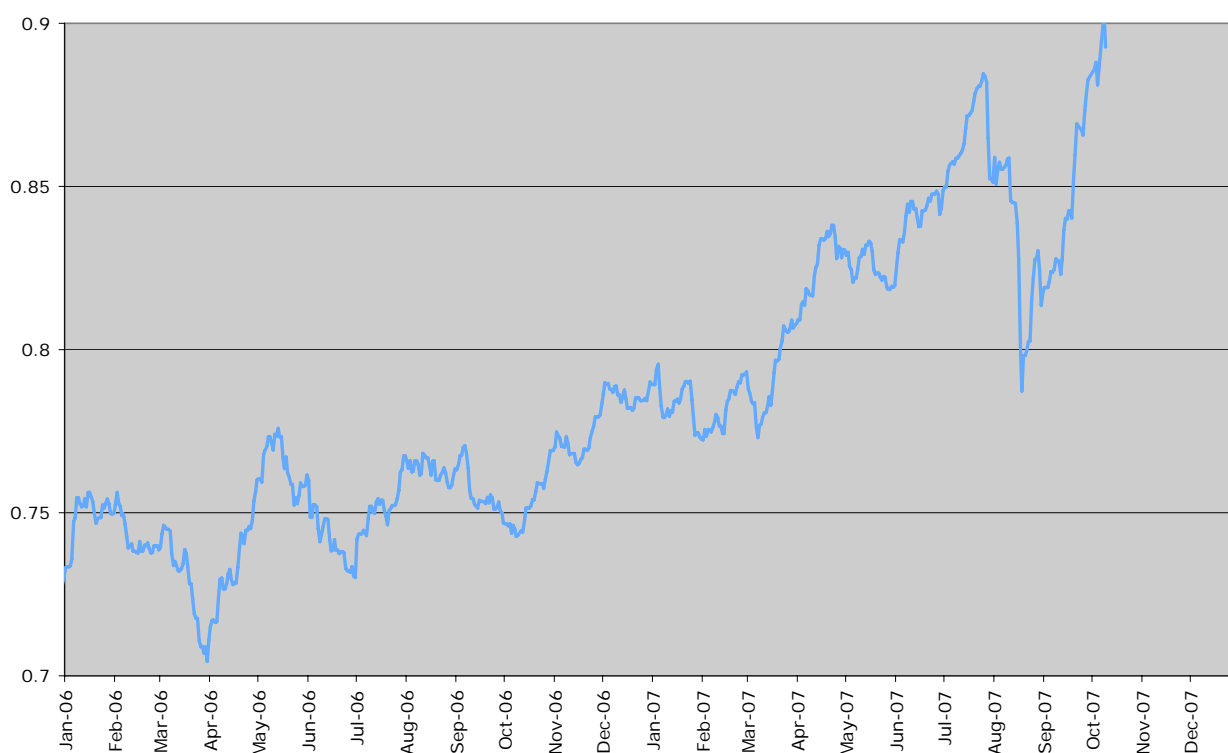
Accounts are projected base on the following:-

- pro-rata from the actual figures and projected until end of year
- year to date figures will be used if further expenses are not expecting
- budget figures, or
- other updated information on hand.

3. Foreign Exchange Rates

- ATO official monthly average exchange rate for AUD / USD for September 2007 was 0.8511
- The average exchange rate for ATO official monthly average rate from Jan to September 2007 was 0.8267
- Exchange rate being used in budget 2007 by referring to the latest economical data provided by National Australia Bank in their Foreign Exchange Outlook 2007 is 0.8333.
- The budgeted average exchange rate for 2007 was 0.7889
- The exchange rate as of 30 September 2007 was 0.8884
- The projection for the exchange rate as of 1 January 2008 is 0.9000

The chart below shows the daily AUD / USD exchange rate for the period 1 January 2006.



4. Membership

By the end of September 2007, APNIC had a total of 1,541 members serving 51 economies. There are 30 new members, 3 members reactivated their account, whilst 7 members have been closed. There is a net gain of 26 members. Economies in which APNIC have the highest members are Australia (406 members), India (181 members), followed by Hong Kong (139 members).

The following table shows the monthly membership changes, and the analysis of membership tier of APNIC, which shows 49% of APNIC members are at Small membership tier.

Membership	Total	New	Reactivated	(Closed)	Size Change	Total YTD	Total YTD (%)
	Aug-07	Sep-07	Sep-07	Sep-07	Sep-07	Sep-07	Sep-07
Extra Large	9	0	0	0	0	9	1%
Very Large	26	0	0	0	0	26	2%
Large Member	73	0	0	0	1	74	5%
Medium	222	1	1	(2)	5	227	15%
Small	735	6	1	(2)	12	752	49%
Very Small	292	11	0	(2)	(5)	296	19%
Associate	158	12	1	(1)	(13)	157	10%
TOTAL	1515	30	3	(7)	0	1541	100%

Table below compares actual growth of membership till the end of September 2007 with the budgeted growth on a pro-rata basis. Overall, there is slight variance from the budgeted year to date growth.

Membership	Actual Total EOY 2006	Actual Total YTD Sep-07	Actual Growth YTD 2007	Budgeted Total EOY 2007	Budgeted Growth EOY 2007	Budgeted Growth YTD (*)	Variation Actual vs. Budget (*)
Extra Large	9	9	0	10	1	1	-1
Very Large	21	26	5	22	1	1	4
Large Member	70	74	4	84	14	11	-7
Medium	210	227	17	224	14	11	6
Small	658	752	94	748	90	68	27
Very Small	261	296	35	348	87	65	-30
Associate	133	157	24	131	-2	-2	26
TOTAL	1362	1541	179	1567	205	154	25

The table below shows membership data as at the end of each quarter. We have gained members in each quarter steadily, with the highest member growth during the third quarter of 2007.

Membership	Actual Total EOY 2006	YTD Mar-07	YTD Jun-07	YTD Sep-07
Extra Large	9	9	9	9
Very Large	21	25	26	26
Large Member	70	73	73	74
Medium	210	217	221	227
Small	658	682	711	752
Very Small	261	262	285	296
Associate	133	144	147	157
TOTAL	1362	1412	1472	1541
Quarterly Net Gain		50	60	69

Attachment 3

Agenda Item 5:
KPMG advice to APNIC on fees



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Our ref Adoption of Fee Charges in AUD

21 September 2007

Draft

Dear Paul

APNIC Member Fee Review

We understand that the member fee proposal was voted on by members at the Delhi meeting. Whilst there was substantial support for the proposal, the proposal failed to achieve the necessary number of votes and was narrowly defeated.

As you will recall, the key components of the fee structure proposal put forward included:

- Fees to be levied in \$AUD to help address the impact of the exchange rate variations. This will also help to provide more certainty in APNIC's financial position given that the majority of APNIC expenses are paid in \$AUD.
- An overall percentage increase across all levels of membership.
- This change will take effect from January 1 2008.

In the work we have done to date considering the possible future member fee structures, levying fees in \$AUD would be a key component in any future long term fee structure.

The majority of expenses incurred by APNIC will continue to be incurred in \$AUD, and we believe that as a minimum the EC should consider adoption of this aspect of the proposal, to be effective 1 January 2008.

Recent legal advice received by APNIC has indicated that the EC, (under Bylaw 4), is responsible for settling membership fees. This means that, despite the fee proposal not being adopted by the members, the EC has the authority to approve the proposal.

In view of the strong support (nearly 50% of the votes) shown by members for the proposal, we believe the EC should consider partial adoption of the fee structure proposal.

We believe that this would be in the best interests of APNIC to help address the continued impact of exchange rate variations, and would provide more certainty in APNIC's financial position going forward. This would be a practical immediate step, and would provide greater financial stability to APNIC.



APNIC

21 September 2007

APNIC will still need to consider the longer term solution. In light of there being no percentage increase in fees, APNIC will need to give some consideration as to how it delivers the ongoing services envisaged in the members' survey, and how it manages a balanced budget.

Yours sincerely

Michael Hiller
Partner

Attachment 4

Agenda Item 5:

Fee Currency analysis

Setting APNIC Fees to AUD

4 October 2007
Geoff Huston

APNIC EC Briefing Note

Summary

APNIC currently operates using a fee schedule set in USD, while the majority of its expenditure is undertaken in AUD. One major consequence from this is the increased level of budgetary variability for APNIC, where the financial management of APNIC needs to take into account both the expectation of membership levels and the expectation of AUD / USD exchange rates.

Part of the fees consideration has included the proposal to re-set the APNIC fees in AUD rather than USD. This proposal, coupled with an increase in fees was the subject of a membership vote at APNIC 24. The proposal did not have a majority of the member votes cast in favour of the proposal.

Since APNIC 24 the APNIC Fees WG has considered whether it would be appropriate for the APNIC EC to set the APNIC fee schedule in AUD as of 1 January 2008, and to date all comments posted to the WG are in favour of this proposal.

The potential financial implications of this shift in the APNIC fee currency are studied in this document.

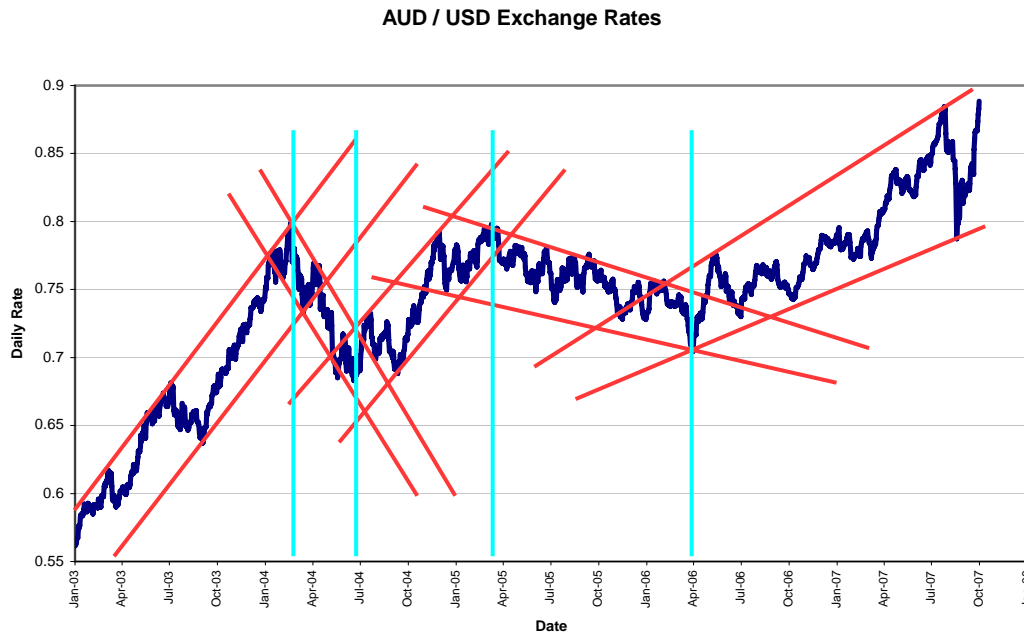
An analysis of the likely financial outcome for 2007, and projections of revenue, expenditure and exchange rates for 2008 are provided in this document. The analysis provides the projected net position for APNIC with respect to overall asset valuation in the scenarios of a continuation to use USD for fees, and the setting of APNIC fees in AUD as of 1 January 2008, using the exchange rate of 0.7889 (the rate used in the membership vote, and the projected average rate for 2007 as determined at the start of 2007). The analysis indicates that the adoption of this AUD fee schedule is likely to produce an outcome in terms of overall asset position of APNIC by the end of 2008 that recovers a significant proportion of the projected asset downgrade in 2007, such that by the end of 2008 APNIC's net asset position would be at the same level as the start of 2006.

In the event of a continuation of the use of USD fees, a continuation of APNIC's current service support levels would see a further decline in APNIC's net asset position by a further \$AUD 0.7M to \$AUD 1.3M. Efforts to reduce this drawdown on reserves would entail undertaking reductions in expenditures, implying a need to undertake reductions in the area of staffing and service delivery activities.

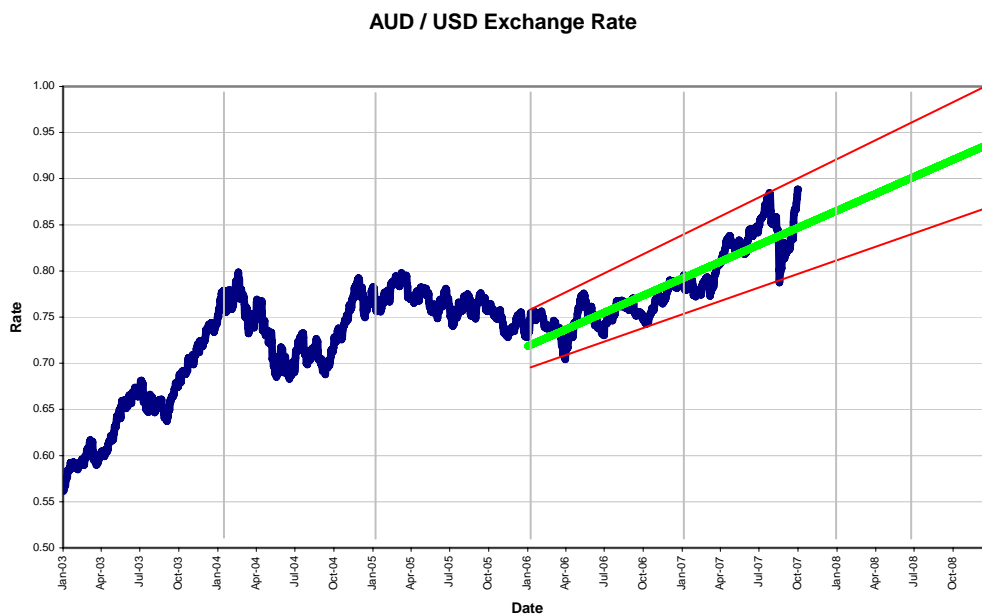
This analysis supports the recommendation of KPMG that it is in APNIC's best interests to adopt a fee schedule as of 1 January 2008 that is based in AUD, using a conversion factor of 0.7889 between USD and AUD.

1. AUD / USD Exchange Rate

The daily AUD / USD exchange rates since 1 January 2003 are shown in the following figure. The five year period covered by this data appears to encompass 5 distinct periods of currency movement, with each period of movement lasting between 3 to 18 months.



It is possible to perform a linear trend analysis of the data since 1 January 2006 to establish a potential trading range for the currency for the next 15 months, as shown in the following figure.



The current currency trend is an upward movement of the AUD against the USD, with the AUD currently trading at the top of the trend range (as of October 2007). A continuation of this trend would see the AUD trade in 2007 in the range between 0.85 to 1.00, with a median expectation of an average rate of 0.90 for the year, and a variation of ± 0.05 .

In analysing the impact of this AUD exchange rate on the APNIC budget for 2008 the following sections examine membership projections, expenditure projections and net operating position projections for 2008.

2. Membership and Revenue Projections for 2008

The membership population of APNIC since 2000 to the present is indicated in the following table:

Membership	2000	2001	2002	2003	2004	2005	2006	2007 (est)
X-Large	0	0	7	8	8	8	9	9
V-Large	12	15	8	11	14	20	21	28
Large	52	51	55	60	60	56	70	74
Medium	125	160	158	155	164	196	210	230
Small	413	468	445	493	534	568	658	772
V-Small	0	0	32	85	123	174	261	307
Assoc	0	5	62	67	75	135	133	170
Total	602	699	767	879	978	1157	1362	1590

Projections for 2008 can be made by taking the mean of the change in membership for each category in the period 2004 – 2007 and potential variation of membership can be derived by using a variability of one mean standard deviation from this mean annual growth. This provides the following range of projected membership populations for 2008.

Membership	2006	2007 (est)	2008 (Low)	2008 (Med)	2008 (High)
X-Large	9	9	8	9	9
V-Large	21	28	29	32	34
Large	70	74	70	77	84
Medium	210	230	240	249	257
Small	658	772	808	842	875
V-Small	261	307	343	363	381
Assoc	133	170	171	196	220
Total	1362	1590	1669	1768	1860

The overall APNIC revenue position since 2000 to the present, in USD, is indicated in the following table.

Revenue (USD)	2000	2001	2002	2003	2004	2005	2006	2007 (est)
Interest	125,861	153,764	139,993	195,950	282,928	327,818	428,215	467,700
IP Applications non-members	47,099	37,037	66,105	80,994	27,686	73,801	90,971	122,788
Per-Allocation	477,164	527,567	422,543	418,275	635,180	636,720	795,127	835,056
Reactivation					2,876	957	8,630	10,756
Sundry	30,277	92,181	20,674	31,319	78,007	135,570	183,638	145,354
Startup	238,548	135,014						
Membership Dues	1,715,473	2,472,532	2,871,724	3,409,078	3,510,392	3,733,776	4,159,073	5,105,873
Total	2,634,422	3,435,392	3,814,498	4,487,461	4,888,257	5,441,543	6,249,309	7,294,164
Exchange Rate	0.5479	0.5179	0.5468	0.6538	0.7380	0.7665	0.7574	0.8450

Applying a similar methodology to the other revenue categories, namely taking the mean of the annual changes in revenue in each category in the period 2004 – 2007 and also calculating the mean standard deviation can produce a USD revenue projection for 2008 that includes the application of the APNIC USD Fee schedule to the membership population. This is shown in the following table.

Revenue (USD)	2006	2007 (est)	2008 (Low)	2008 (Med)	2008 (High)
Interest	428,215	467,700	509,384	535,637	561,890
IP Application non-members	583,655	606,637	599,812	670,335	740,859
Per-Allocation	90,971	122,788	95,030	133,236	171,442
Reactivation	795,127	835,056	852,202	939,251	1,026,301
Sundry	8,630	10,756	10,038	13,445	16,852
Membership	183,638	145,354	135,074	173,863	212,652
Membership	4,159,073	5,105,873	5,355,625	5,703,594	5,966,250
Total (USD)	6,249,309	7,294,164	7,557,165	8,169,362	8,696,247
Variation		17%	4%	12%	19%

This implies that in USD the revenue for APNIC is projected to increase by 12%, with a variability of $\pm 5\%$.

The range of projected exchange rates for 2008 is 0.90 ± 0.05 . In AUD terms the range of revenue for APNIC is as follows:

	2006	2007 (est)	2008 (Low)	2008 (Med)	2008 (High)
Revenue (USD)	6,249,309	7,294,164	7,557,165	8,169,362	8,696,247
AUD 0.85			8,890,782	9,611,014	10,230,879
AUD 0.90			8,396,850	9,077,069	9,662,497
AUD 0.95			7,954,910	8,599,329	9,153,944
	0.7574	0.8450			
Revenue (AUD)	8,251,002	8,632,147	7,954,910	9,077,069	10,230,879

While the membership activity projection and revenue projection for 2008 is 11% to 12% above 2007 levels, the AUD revenue income for APNIC is anticipated to be 5% above the 2007 AUD level, and the variation is $\pm 12\%$. The reason for this rather poor and uncertain financial position is that there are a combination of two variables inherent in this AUD revenue projection: firstly the projection of activity levels and revenue levels associated with membership levels and related uncertainty in the projection, and, secondly, the projection of AUD / USD exchange rates and the uncertainty in this projection.

3. Expense Projections for 2008

The APNIC expenses in AUD since 2000 are shown in the following table.

EXPENSES (AUD)	2000	2001	2002	2003	2004	2005	2006	2007 (est)
Bank charges	21,655	18,631	19,682	22,120	22,560	41,665	56,336	69,443
Communications	80,670	82,244	162,831	213,862	143,539	164,567	125,248	159,967
Computer expenses	23,460	51,095	48,213	54,550	74,713	88,819	151,993	185,757
Depreciation	115,189	135,872	216,858	438,010	454,957	467,607	521,466	551,976
Donation/ Sponsorship	84,269	61,533	75,428	26,170	88,836	40,020	83,822	90,374
Doubtful debts	4,563	0	21,348	-11,887	13,778	-3,884	4,727	14,303
ICANN contract fee	117,175	179,473	225,393	176,846	233,082	298,515	245,405	243,540
Meeting and training	162,999	256,897	121,192	107,088	92,920	113,202	119,676	188,001
Membership fees	107,666	122,147	116,854	48,504	126,786	144,592	77,423	55,887
Miscellaneous	8,664	5,159	24,899	17,975	19,035	20,470	7,623	5,474
Office Operations	39,629	54,812	53,354	114,538	124,633	163,914	176,639	227,970
Personnel	108,127	177,909	277,516	311,774	422,182	394,885	486,979	487,193
Postage & delivery	23,690	27,117	35,177	64,325	55,063	58,902	44,829	36,014
Printing & photocopy	13,371	4,557	44,051	37,527	47,581	38,337	38,696	48,525
Professional fees	141,551	271,597	349,223	419,251	559,642	506,585	422,464	471,421
Publicity	0	27,364	19,486	29,558	17,201	14,321	26,885	14,295

Recruitment	60,584	47,461	40,311	68,902	61,922	66,240	87,699	82,062
Rent and outgoings	105,505	240,759	280,739	354,403	377,675	370,321	397,254	436,599
Salaries	1,095,983	1,955,466	2,209,949	2,539,879	2,857,459	3,110,795	3,538,164	3,950,768
Staff Training/Conf	23,661	49,224	87,917	77,417	65,915	47,655	61,014	82,627
Tax	125,262	239,050	99,914	116,193	150,379	179,179	178,803	333,858
Translation		1,579	3,206	12,059	18,835	13,982	35,281	58,001
Travel	161,453	296,266	623,859	789,610	708,882	788,129	952,703	1,062,822
TOTAL EXPENSES	2,625,127	4,306,212	5,157,401	6,028,674	6,737,575	7,128,818	7,841,129	8,856,877

Applying a similar methodology to the revenue projection, namely taking the mean of the annual changes in expenses in each category in the period 2004 – 2007 and also calculating the mean standard deviation can produce a AUD expense projection for 2008 This is shown in the following table.

EXPENSES (AUD)	2006	2007 (est)	2008 (Low)	2008 (Med)	2008 (High)
Bank charges	56,336	69,443	74,339	81,274	88,208
Communications	125,248	159,967	103,445	146,493	189,542
Computer	151,993	185,757	199,633	218,559	237,484
Depreciation	521,466	551,976	564,407	580,467	596,528
Donation/ Sponsorship	83,822	90,374	63,878	106,425	148,972
Doubtful debt	4,727	14,303	5,318	20,851	36,383
ICANN contract fee	245,405	243,540	212,370	260,213	308,057
Meeting and training	119,676	188,001	177,875	208,229	238,584
Membership fees	77,423	55,887	4,331	57,733	111,134
Miscellaneous	7,623	5,474	-3,434	2,349	8,132
Office operations	176,639	227,970	238,828	256,328	273,828
Personnel	486,979	487,193	472,474	531,048	589,621
Postage & delivery	44,829	36,014	22,305	28,936	35,567
Printing & photocopy	38,696	48,525	43,321	51,275	59,228
Professional fees	422,464	471,421	395,980	484,464	572,947
Publicity	26,885	14,295	243	10,479	20,715
Recruitment	87,699	82,062	73,991	85,352	96,713
Rent and outgoings	397,254	436,599	614,972	632,148	649,324
Salaries	3,538,164	3,950,768	4,232,303	4,303,490	4,374,678
Staff Training/Conf	61,014	82,627	67,312	83,930	100,547
Tax	178,803	333,858	328,701	388,274	447,847
Translation	35,281	58,001	58,177	69,487	80,796
Travel	952,703	1,062,822	1,039,820	1,131,125	1,222,430
Total Expenses (AUD)	7,841,129	8,856,877	8,990,587	9,738,928	10,487,268

As these expenses are incurred predominately in AUD there is no additional factor in terms of variability that relates to the prevailing AUD / USD exchange rate.

It is strongly emphasised here that these projections of expenditure are not intended to represent the 2008 APNIC budget. They are an approximation of such a budget based solely on projection from previous years' expenses, and assume that the activities undertaken by APNIC in 2008 increase at a rate that is consistent with the trends of expenditure change over the past four years. In other words this is a scenario that is consistent with a "business as usual" outlook, and does not represent the 2008 APNIC expenditure budget.

3. Net Operating Position for 2008

Correlating the projections of revenue and expense provides the following overall picture of APNIC's projected financial position for 2008.

Operating Position (AUD)	2006	2007 (est)	2008 (Low)	2008 (Med)	2008 (High)
Expenses	7,841,129	8,856,877	8,990,587	9,738,928	10,487,268
Revenue	8,251,002	8,632,147	7,954,910	9,077,069	10,230,879
Position (Surplus / Loss)	409,873	-224,730	-1,035,677	-661,859	-256,389

This indicates that at a median exchange rate projection of 0.90 for the year, APNIC would operate at a loss of \$AUD 0.66M for 2008, with a risk of a swing in this position of ± \$AUD 0.4M

Assuming that the fee structure is fixed in USD, then a balanced budget would require a reduction in projected expenses by \$AUD 0.66M.

The increase in projected expenditure corresponds to a 10% increase, which corresponds approximately to an increase of 5%, or some \$AUD 0.5M, due to a projected currency inflationary / CPI movement in the AUD for 2008, and a further \$AUD 0.5M, or some 5% of total expenses, to provide additional services to a membership base that is anticipated to grow by 12% in 2008. In other words the projected expenses already include a productivity improvement factor for 2008 in terms of improvements in the unit costs of service delivery.

Assuming that projected currency inflationary / CPI movements are a constant, the only way that a further drawing down on APNIC financial reserves in 2008 can be avoided is through a reduction of some \$AUD 0.66M in expenditure. Such a reduction in expenditure implies some form of scaling back of APNIC activities and expenditure outlays by 2% - 3% from the 2007 levels. Given the projected rent increase because of a new lease as of 2008 for the APNIC premises, then the reduction in expenditure in 2008 would need to come from other expenditure categories, and after factoring in the currency inflationary / CPI factors, to balance the 2008 APNIC budget, the expenditure program would require a cost reduction for 2008 of the order of \$AUD 530,000, as expressed in 2007 dollars. It is noted that these cost reductions would be undertaken in the face of an anticipated 10% increase in membership and a comparable increase in demand for APNIC's associated service activity profile.

4. AUD Fee Analysis

Part of the fees consideration has included the proposal to re-set the APNIC fees in AUD rather than USD. The fee conversion point that was the subject of the recent membership vote was proposed to be the prevailing AUD / USD exchange rate as projected for 2007 at the start of 2007, namely **0.7889**.

Using the same projections for expenditure and revenue as the previous section, but in this case applying a fixed exchange rate to revenue of 0.7889 generates the following projected position for APNIC for 2008.

Operating Position (AUD)	2006	2007 (est)	2008 (Low)	2008 (Med)	2008 (High)
Expenses	7,841,129	8,856,877	8,990,587	9,738,928	10,487,268
Revenue (AUD)	8,251,002	8,632,147	9,579,370	10,355,384	11,023,257
Position (Surplus / Loss)	409,873	-224,730	588,782	616,456	535,989

In this scenario the median projection of the net operating position for APNIC is an operating surplus of \$AUD 616,456.

For 2007 the complete financial picture includes an additional net draw down of APNIC's assets of a further \$AUD 615,866 over and above the \$AUD 224,730 operating loss, due to realized and unrealised foreign exchange rate losses. This allows a complete picture of APNIC's asset value change in position for the period 2006 – 2008 to be estimated. With a projection of an end-of-2007 exchange rate of 0.90, 2007 would

have an anticipated result of an asset drawdown of \$AUD 0.84M for the year, and a cumulative position of a net drawdown of \$AUD 0.55M from the start of 2006 until the end of 2007.

Setting the APNIC fees to AUD for 2008, and using a conversion factor of 0.7889, projects a cumulative position of APNIC's asset value increase of some \$AUD 60,000 from the start of 2006 until then end of 2008, or in other words restoring the large draw down of assets that is projected to occur in 2007. This is indicated in the following table.

Operating Position (AUD)	2006	2007 (est)	2008 (Med)
Expenses	7,841,129	8,856,877	9,738,928
Revenue (AUD)	8,251,002	8,632,147	10,355,384
Position (Surplus / Loss)	409,873	-224,730	616,456
FX Component	-125,236	-615,866	0
Net Operating position	284,637	-840,596	616,456
Cumulative Asset Value Change	284,637	-555,959	60,497

In the event of a continuation of the use of USD fees, a continuation of APNIC's current service support levels would see a further decline in APNIC's net asset position by a further \$AUD 0.7M to \$AUD 1.3M. Efforts to reduce this drawdown on reserves would entail undertaking reductions in expenditures, implying a need to undertake reductions in the area of staffing and service delivery activities, compromising APNIC's ability to maintain the service profile according to the expectations of the membership as described in the APNIC membership survey.

This analysis supports the recommendation of KPMG that it is in APNIC's best interests to adopt a fee schedule as of 1 January 2008 that is based in AUD, using a conversion factor of 0.7889 between USD and AUD.

Appendix A

The APNIC Fee schedule in AUD, at an AUD / USD exchange rate of 0.7889 would be as follows:

	USD	AUD
	<i>Current</i>	0.7889
APNIC Fee Schedule		
Membership		
X-Large	40,000	50,704
V-Large	20,000	25,352
Large	10,000	12,676
Medium	5,000	6,338
Small	2,500	3,169
V-Small	1,250	1,584
Assoc	625	792
Per Address Fees		
X-Large	0.02	0.0254
V-Large	0.03	0.0380
Large	0.06	0.0761
Medium	0.11	0.1394
Small	0.16	0.2028
Non-Member		
Site Address Alloc	1.00	1.2676
Site Address Maint	0.10	0.1268
ASN Alloc	500	634
ASN Alloc	50	63
Rev DNS	50	63
Account	100	127

Attachment 5

Agenda Item 6:
Review of APNIC ByLaws

A Review of APNIC Executive Council Procedures

Geoff Huston
Executive Secretary, APNIC EC
21 September 2007

Advice to the Members of the APNIC Executive Council

In the light of legal advice provided to APNIC, I have undertaken a review of the situation regarding APNIC fees and the actions of the APNIC Executive Council (EC), the Fees WG and the APNIC Membership in this matter. There are a number of aspects of recent events where it appears possible that some of our actions have been at variance with APNIC's corporate documents. More generally, the current working mode of operation of the APNIC EC, the carriage of the APNIC member meetings, and the procedures used for fee setting and APNIC budgets appear to have been at times inconsistent with the provisions and procedures as set forth in these documents. A concern here is that the provisions of indemnification for members of the EC rely on the EC's adherence to a consistent and reasonable set of operational procedures.

This document highlights a number of potential discrepancies between current practice and documented procedures and provisions, and recommends that the EC adopt a number of changes in its operation. The intention is to ensure the alignment of the Council's operational procedures with the provisions in APNIC's corporate documents, and ensure that the Council operates in such a manner that all individual members of Council enjoy the full provisions of protection from personal liability afforded by APNIC's By-Laws, by APNIC's Directors and Officers insurance coverage, and by the Australian Corporations Act.

The following commentary is based on a reading of the APNIC By-Laws, the APNIC Pty Ltd Articles of Association, the Memorandum of Association, and the APNIC Membership Agreement.

These documents are available at the following URLs:

- By-Laws: <http://www.apnic.net/docs/corpdocs/Bylaws.pdf>
- Articles of Association: <http://www.apnic.net/docs/corpdocs/AoA.htm>
- Memorandum of Association: <http://www.apnic.net/docs/corpdocs/MoA.htm>
- Membership agreement: <http://www.apnic.net/docs/corpdocs/membership-agreement.html>

This document contains a number of recommendations to the Executive Council.

Recommendation 1

Members of the Executive Committee are reminded to ensure that they are thoroughly familiar with these APNIC corporate documents. The role of each member of the Executive Council is consistent with undertaking the duties of an officer of APNIC, and in order to undertake such a role responsibly, and in order to enjoy the protections of the indemnity provisions and the benefits of Directors and Officers liability insurance, then each member of the Executive Council must act in strict accordance with all the provisions of these documents, as well as in strict accordance with the Corporations Act 2001 of Australia.

1. APNIC Pty Ltd

APNIC Pty Ltd is a legal entity incorporated under the *Corporations Act 2001 of Australia* (Corporations Act).

There is a single subscribed share in APNIC Pty Ltd, held by the APNIC Director General, Paul Wilson. Paul Wilson is the sole member of APNIC Pty Ltd, holding this share in trust, under the terms of a Trust Deed.

APNIC Pty Ltd has a single Director, also the APNIC Director General, Paul Wilson.

APNIC Pty Ltd has certain obligations under the Australian Corporations Act, and these obligations are imposed on the Directors and Officers of APNIC Pty Ltd. Failure to perform these obligations include civil and

criminal penalties, personal liabilities and compensation orders and future prohibition on managing companies. These obligations include (and are not limited to) the obligation to:

- 1) act honestly and in good faith exercising care and diligence;
- 2) act in the best interests of the company;
- 3) avoid conflicts of interest; and
- 4) prevent the company trading if insolvent.

A Director or Officer may cite a defence to these obligations if expert advice were sought regarding the best interests of the company and reasonable reliance was placed on this expert information. That defence may be in doubt if expert advice was sought and not acted upon by the Director or Officer.

2. APNIC, the Membership Association

APNIC as a membership body is distinct from APNIC Pty Ltd in a corporate sense. The Director of APNIC Pty Ltd has the power to appoint one or more Special Committees, and delegate to such Special Committees some of the powers, authority and functions of the Director of APNIC Pty Ltd. "APNIC" is defined as a Special Committee of the company, and "APNIC Members" are members of that Special Committee [paragraph 9.3 of the APNIC Articles of Association, and Recital E of the APNIC Membership Agreement].

It is noted that this delegation of powers, authority and function does not remove the liability of the Director to comply with the Director's obligations under the Corporations Act.

The Special Committee may further delegate these powers, authority and functions to a subcommittee of this Special Committee, which is the Executive Council of APNIC [paragraph 9.3 of the APNIC Articles of Association].

The Director may promulgate By-Laws for the purpose of establishing, governing and prescribing the functions, powers and authorities of the Special Committee [paragraph 9.4 of the APNIC Articles of Association]. These are the APNIC By-Laws. These By-Laws may be amended, or annulled by the Director or by the Special Committee [paragraph 9.8 of the APNIC Articles of Association]. The Special Committee may only amend the By-Laws through the affirmative vote of two-thirds of the entire membership [Part XIII, paragraph 83 of the APNIC By-Laws].

Indemnification by APNIC of liabilities for persons acting on APNIC Pty Ltd's behalf only applies if the person acted honestly and in good faith with a view to the best interests of the Company and had no reasonable cause to believe that their conduct was unlawful [paragraph 13.1 of the APNIC Articles of Association].

3. The APNIC Executive Council

The Executive Council consists of the following members:

- seven individuals who are elected at APNIC AGMs in accordance with the provisions of the By-Laws [paragraph 31 of the APNIC By-Laws]; and
- the Director General, by virtue of his position ("*ex-officio*") [part VI paragraph 54, item i. of the APNIC By-Laws].

The By-Laws also contains the provision that the "Director General must not be a member of APNIC, the representative of a member of APNIC, nor a member of the Executive Council" [Part VI, paragraph 51. of the APNIC By-Laws]. The apparent contradiction between this provision and the provision for the Director to act as an *ex-officio* member of the APNIC Executive Council [part VI paragraph 54, item i. of the APNIC By-Laws] is resolved through the interpretation of paragraph 51 as a qualification for appointment to office as Director General, such that the Director General must not be an *elected* member of the Executive Council. Accordingly, it appears that the appropriate interpretation of the By-Laws is that the Director General is a member of the Executive Council, and is accorded all the powers, functions and authority of a member of the Executive Council by virtue of his office.

The current mode of operation of the EC assumes a membership of the Council that is therefore at variance with the APNIC By-Laws, as the Director General appears to be considered to be an observer rather than a voting member of the Council by virtue of his office ("*ex-officio*")

To ensure that the EC acts in accordance with the APNIC By-Laws, it is recommended that the Director General be recognised as a fully qualified member of the EC, and is eligible to attend all meetings of the EC.

Specifically, this recommendation advises the EC to adopt procedures such that:

- the Director General, like other members, can exercise a vote on all motions put to the EC,

- that all meetings of the EC are held with due notice of the meeting being extended to all EC members, including the Director General, and
- that no EC member, including the Director General, shall be prevented from attending any meeting of the EC.

As with all EC members, it is the responsibility of the Director General to identify those matters that represent a conflict of interest and to recuse himself from consideration of such matters, as appropriate. There is no mention of any matter in the By-Laws where the Director General is excused from any activities of the EC by virtue of his ex-officio membership of this Council.

Recommendation 2

The Director General of APNIC be recognised as a fully qualified member of the Executive Council, and therefore able to take part in all business of the Executive Council, to be able to exercise his vote on all motions put to the Executive Council, and to be subject to all the obligations and responsibilities of individual members of the Executive Council.

The EC operates under the delegation of powers, authority and functions from the Director of APNIC Pty Ltd. While this does not limit the liability and obligation of the Director to act within the provisions of the Corporations Act, this delegation also has potential liabilities for members of the EC. Paragraphs 62 through 66 of the APNIC By-Laws indemnify members of the EC, as long as it is established that the Council member acted honestly and in good faith in serving the best interests of APNIC and had reasonable cause to believe that his conduct was not unlawful. APNIC has purchased insurance against the liabilities as set out in paragraph 62 of the By-Laws. This does not in any way lessen the obligation of each of the members of the EC to act honestly in the best interests of APNIC and to avoid conflicts of interest.

The EC has not formally adopted any document that describes the procedures for calling meetings of the Council, the procedure for the conduct of meetings and the manner of carrying motions put to the Council, and the required manner of recording the deliberations of the Council.

From the perspective of ensuring that the full protection of indemnification is available to EC members it is recommended the provisions of paragraph 57 of the APNIC By-Laws also be formally adopted by the EC, including, but not necessarily limited to, the adoption of procedural rules for meeting and for the conduct of its activities, functions and affairs. Adequate provision in such procedural rules should be made for notice to members of the Council of all meetings. The provision should also be made in the procedural rules that action may be taken without a meeting if there is prior consent of all members in writing and this consent is filed with the minutes of the proceedings of the Council.

Recommendation 3

The Executive Council adopt procedural rules for the conduct of all meetings whether in person or via electronic means, and for the conduct of its activities, functions and affairs.

It also appears appropriate to note that there has been some uncertainty expressed at recent EC meetings as to whether a specific action or measure has been formally adopted by the EC. Some clarification of the voting procedure would assist in resolving such matters if they arise in the future, and a clear statement that the EC as a group operates using a principle of a majority vote at a meeting as the method of adoption would be helpful in this context. It is recommended that the EC adopt the provision that all matters put to the EC shall be adopted by the affirmative vote of the majority of members present, except where otherwise specified in the APNIC By-Laws, and a provision is made for resolving a tied vote.

Recommendation 4

Except where a two thirds majority vote is required, a vote of the Executive Council at a meeting shall be considered to have passed if a majority of Council members present at the meeting vote in favour of the motion. In the event of a tied vote the Chair of the Meeting shall exercise the casting vote.

If members of the EC meet in private to conduct APNIC business, or meet in a way that does not post due notice of the meeting, or excludes any member of the Council from participation in the meeting, whether face to face or by electronic means, then the actions of those EC members that meet in such a manner incur a significantly higher level of risk of individual liability, as it is unclear whether it is a valid meeting of the EC with valid outcomes. If any meeting of EC members is held outside of the provisions of the APNIC By-Laws, it is not a valid meeting of the Council, and any outcomes of such a meeting are not binding on APNIC. In such a case it is likely that there is no form of individual indemnification on the part of APNIC relating to any

potential liabilities that may be incurred by the attendees at such a meeting, and the Council members that meet in such a manner may be highly exposed to allegations of collusion, conspiracy or fraudulent behaviour with attendant civil or criminal sanctions depending on the nature of the accusation and the matter leading to the accusation.

Recommendation 5

All meetings and proceedings of the Executive Council, whether in person or via electronic means, are to be held with the designated minute taker present. No items of Executive Council business shall be conducted in a manner that deliberately excludes any member of the Executive Council from being present or excludes the presence of the designated minute taker.

The EC has to power to “to act on behalf of the Members in the interval between AGMs within the limits of the powers delegated to it by the Members” [Part V, para 30, item a, APNIC By-Laws]. In addition to, and outside this delegation by the Members, the EC has the responsibility to set member fees by virtue of the provision in the By-Laws that “Members shall pay dues as established by the Executive Council from time to time, and the payment of such dues shall be a condition precedent to effective Membership of APNIC.” [Part IV, para 4, APNIC By-Laws].

Any decision of the EC, whether made by the delegation of powers by the APNIC membership to the EC, or made by functions explicitly delegated to the EC (such explicitly delegated functions include fee setting, and all functions enumerated in items b through i of the APNIC By-Laws, Part V, Para 30), may be reviewed by the members and may be amended by the members. Such an amendment requires the affirmative vote of a two thirds majority of the entire APNIC membership [Part IV, para 5, item f, APNIC By-Laws].

Under the APNIC By-Laws, the members has explicitly delegated to the EC the responsibility to set membership dues from time to time. Given this delegation of function has taken place, this function is no longer a membership responsibility. The membership could rescind this delegation and undertake this fee setting function directly, but this would require an amendment to the APNIC By-Laws, and this could only be undertaken by the membership through the affirmative vote of two thirds of the entire APNIC membership. The procedure followed at the AMM in APNIC 24 with the vote on membership dues was arguably not valid as a binding decision made within the powers and authority of the membership under the By- Laws, given that this function has one that the membership has unreservedly delegated to the EC and this delegation has not been rescinded or amended.

It is recommended that the EC undertake actions that are in conformance with the APNIC By-Laws and perform the function of setting membership dues from time to time (which is to say, at any time deemed necessary by the EC).

Recommendation 6

The Executive Council has been delegated the responsibility to set APNIC member dues from time to time.

A comment from the floor raised in the member meeting in APNIC 24 concerning the setting of the per-address fees touched upon the roles of individual members of the EC and the interests of the organizations from which these members have been drawn. The members of the EC are constrained by the By-Laws such that they “shall serve on the Executive Council in their personal capacity and shall act in the best interests of the APNIC membership and not the Member organization to which that individual belongs” [Part VI, para 35, APNIC By-Laws]. Such accusations regarding the interests of EC members are of course unhelpful from the perspective of the trust relationship on the part of APNIC members that the EC is acting in the interests of APNIC members and that the delegation of powers, functions and authorities from the membership to the EC is being undertaken in good faith. It is also possible that failure on the part of EC members to be seen to be acting in the manner as prescribed in the By-Laws imperils the indemnity protection and insurance cover for individual members of the EC.

Recommendation 7

EC members should bear in mind at all times their obligations to act honestly, to act in their personal capacity, to act in the best interests of the APNIC membership and not the member organization to which that individual belongs, to avoid personal conflicts of interest, and to take all reasonable measures to avoid a situation of APNIC trading while insolvent. EC members should note all expert advice that has been reasonably provided to APNIC concerning the best interests of APNIC, and ensure that no EC decisions contravenes applicable provisions of APNIC corporate documents or contravenes statutes and regulations as they apply to APNIC’s activities.

4. APNIC Members

It is the role of the members, as constituted as a Special Committee of APNIC Pty Ltd, to examine the accounts of APNIC, and to adopt decisions on strategic policy and planning for APNIC [Part IV, para 5, item b, APNIC By-Laws].

The process of review of strategic policy and planning has been undertaken through the use of periodic member surveys. If the outcome of these surveys is to be interpreted as membership adoption of the decision to commit APNIC to a specific set of strategic objectives and services then it would be appropriate for the EC to adopt a procedure that provides for the membership survey report be circulated to members and for the report to be adopted at a member meeting as a commitment by APNIC for the delivery of services and strategic objectives. This would then allow the EC to interpret this survey as an authoritative source of membership direction regarding strategic policy and planning and services for APNIC. Failure of the APNIC EC to act in accordance with this membership adopted decision could be interpreted as a failure of the APNIC EC to operate in accordance with the By-Laws

Recommendation 8

The Executive Council should adopt a procedure to commission regular membership surveys on APNIC services, planning and strategic objectives, and recommend the membership survey report to the membership for adoption. The membership-adopted survey report shall be the authoritative guide for the EC in managing the activities, functions, affairs and budget of APNIC and the corporation.

It is also noted that the procedure for the conduct of APNIC Member meetings appears to have aspects that are unclear to both the members and to the APNIC EC. While the By-Laws provide guidance on the notice for a meeting, and what constitute a quorum and who should chair the meeting, they do not provide guidance on the conduct of the meeting, including matters such as the tabling of motions to be put to the meeting, the type of motions that may be tabled, the conduct of discussion and the procedure for calling for a membership vote.

Recommendation 9

If is recommended that the APNIC Executive Council draw up a procedure for the conduct of member meetings, including the drawing up of standing orders for the meeting, the procedure for conducting debate, the procedure for the tabling and considerations of motions at the meeting and the procedure for calling for a vote on motions.

5. Executive Council Material

It appears that this information regarding the role and responsibilities of the EC, and the conduct of meetings and relating information be collected into a handbook that can be published so that the EC's procedures are clearly evident to all, and candidates for open EC positions and newly elected members of the EC can ensure that they are fully informed about the function of the EC.

Recommendation 10

An Executive Council Member's handbook be maintained that includes copies of the APNIC corporate documents, a summary of the powers, functions, and authorities of the Executive Council, the procedures that govern the conduct of meetings of the EC and related information associated with the role of members of the Executive Council.

6. Summary of Recommendations

Recommendation 1

Members of the Executive Committee are reminded to ensure that they are thoroughly familiar with the APNIC corporate documents. The role of each member of the Executive Council is consistent with undertaking the duties of an officer of APNIC, and in order to undertake such a role responsibly, and in order to enjoy the protections of the indemnity provisions and the benefits of Directors and Officers liability insurance, then each member of the Executive Council must act in strict accordance with all the provisions of these documents, as well as in strict accordance with the Corporations Act 2001 of Australia.

Recommendation 2

The Director General of APNIC be recognised as a fully qualified member of the Executive Council, and therefore able to take part in all business of the Executive Council, to be able to exercise his vote on any motion put to the Executive Council, and to be subject to all the obligations and responsibilities of individual members of the Executive Council.

Recommendation 3

The Executive Council adopt procedural rules for the conduct of all meetings whether in person or via electronic means, and for the conduct of its activities, functions and affairs.

Recommendation 4

Except where a two thirds majority vote is required, a vote of the Executive Council at a meeting shall be considered to have passed if a majority of Council members present at the meeting vote in favour of the motion. In the event of a tied vote the Chair of the Meeting shall exercise the casting vote.

Recommendation 5

All meetings and proceedings of the Executive Council, whether in person or via electronic means, are to be held with the designated minute taker present. No items of Executive Council business shall be conducted in a manner that deliberately excludes any member of the Executive Council from being present or excludes the presence of the designated minute taker.

Recommendation 6

The Executive Council has been delegated the responsibility to set APNIC member dues from time to time.

Recommendation 7

EC members should bear in mind at all times their obligations to act honestly, to act in their personal capacity, to act in the best interests of the APNIC membership and not the member organization to which that individual belongs, to avoid personal conflicts of interest, and to take all reasonable measures to avoid a situation of APNIC trading while insolvent. EC members should note all expert advice that has been reasonably provided to APNIC concerning the best interests of APNIC, and ensure that no EC decisions contravenes applicable provisions of APNIC corporate documents or contravenes statutes and regulations as they apply to APNIC's activities.

Recommendation 8

The Executive Council should adopt a procedure to commission regular membership surveys on APNIC services, planning and strategic objectives, and recommend the membership survey report to the membership for adoption. The membership-adopted survey report shall be the authoritative guide for the EC in managing the activities, functions, affairs and budget of APNIC and the corporation.

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It is recommended that the APNIC Executive Council draw up a procedure for the conduct of member meetings, including the drawing up of standing orders for the meeting, the procedure for conducting debate, the procedure for the tabling and considerations of motions at the meeting and the procedure for calling for a vote on motions.

Recommendation 10

An Executive Council Member's handbook be maintained that includes copies of the APNIC corporate documents, a summary of the powers, functions, and authorities of the Executive Council, the procedures that govern the conduct of meetings of the EC and related information associated with the role of members of the Executive Council.

Attachment 6

Agenda Item 6:
Proposed EC Procedures

Procedures for the Conduct of Business for the APNIC Executive Council

DRAFT

The procedures relating to the conduct of the APNIC Executive Council, together with the delegation of powers, functions and authorities to the Executive Council, are defined in the APNIC By-Laws. This document contains additional procedures relating to the conduct of activities undertaken by the Executive Council.

Notwithstanding any provisions contained here, these procedures are subject to the provisions of the APNIC By-Laws, the APNIC Articles of Association, the APNIC Memorandum of Association, and the powers of the corporation and its directors, other officers and members.

1. Meeting Conduct

All meetings of the Executive Council shall be conducted according to **Roberts Rules of Order**.

2. Confidentiality

All Executive Council members shall sign a binding non-disclosure agreement with APNIC. Failure to do so shall affect the ability of the member to view certain documents and reports that relate to the status and activities of individual APNIC members.

All proceedings of Executive Council meetings, and all correspondence among the Executive Council, are strictly confidential, except where explicitly allowed for under these procedures or under the provisions of the APNIC By Laws or applicable law.

Executive Council members must not share information or material divulged to them in their role as members of the Executive Council, in whole or in part, with any other persons or parties.

Executive Council meetings are not to be recorded in any form except by the designated minute taker, and access to telephonic meetings shall not be granted to any other person except with notice to, and consent of, the meeting.

Executive Council members are elected and serve in their individual capacities. These confidentiality provisions apply to all Executive Council members individually.

3. Notice of Meetings

Regular meetings of the Executive Council shall be scheduled by the Chair of the Executive Council with at least 2 weeks notice to all Executive Council members. Extraordinary meetings may be proposed by any Executive Council member and held at any time, by unanimous consent of all Executive Council members.

Due notice of regular meetings shall consist of notification via the Executive Council's mailing list and notification posted on the Executive Council's web page.

4. Agenda Items for Meetings

Any Executive Council member may request that an item to be included in the agenda. Items from other sources may be included at the discretion of the Chair of the Executive Council.

Where an Executive Council decision is requested, a written proposal must be supplied, either on paper or electronically.

Agenda items, and documents for inclusion in those items, must be in the hands of the Executive Secretary of the Executive Council at least 10 days prior to the meetings. Agenda items and documents received after that date will only be included at the discretion of the Chair of the Executive Council, and with the consent of all those Executive Council members present at the meeting.

The agenda and documents of a meeting will be made available to all Executive Council members one week prior to the meeting.

The agenda of Executive Council meetings will contain the following standing items:

- Roll Call
- Minutes of last meeting and matters arising
- Finance Report
- Director General's Report
- Items submitted by Council Members

5. The Chairman of the Meeting

The Chairman of the meeting will be the Chairman of the Executive Council, or in his absence the Secretary of the Executive Council or in their absence the Treasurer of the Executive Council, or in their absence the Director General.

6. Executive Secretary

An Executive Secretary for the Executive Council shall be appointed by the Director General of APNIC from time to time.

The responsibilities of the Executive Secretary include:

- preparation of agenda and materials for Executive Council meetings,
- recording of minutes of Executive Council meetings,
- tracking of actions arising from meetings, and
- other activities as required to ensure smooth operations of the Executive Council,

under delegation from the Secretary of the Executive Council.

7. Minutes of Meetings

All meetings and proceedings are to be held with a designated minute taker present. The designated minute taker is the Executive Secretary of the Executive Council, or, in his absence, a member of the Secretariat as nominated by the Director General.

Minutes will normally consist of a record of the agenda, the documents of the meeting, a summary of each item considered, and a record of the decisions taken by the Executive Council. The minutes will contain an action list with names responsible for the actions.

The Executive Secretary shall produce minutes of a meeting as soon after the meeting as possible. The minutes shall be circulated electronically to the Council members for review. Normally, this circulation should

take place no later than two weeks after the meeting. The minutes will be approved at the subsequent Executive Council meeting, and published thereafter.

8. Publication of Minutes and Papers of Meetings

All minutes and all meeting documents will be catalogued and held electronically. All minutes and meeting documents, except those deemed to be confidential by the Executive Council, and except those that relate to the status or activities of individual APNIC members or individual clients of APNIC's services, will be published in accordance with these procedures as the record of the Executive Council's actions.

9. Exclusion

No items of Executive Council business shall be conducted in a manner that deliberately excludes any member of the Executive Council from being present, or excludes the presence of the designated minute taker.

10. Declaration of Conflict of interest

All elected members of the Executive Council serve on the Executive Council in their personal capacity and shall act in the best interests of the APNIC membership and not the member organization to which that individual belongs.

Any Executive Council member may declare a conflict of interest in the consideration of an item of business for the Executive Council.

Council Members declaring a conflict of interest will excuse themselves from the discussion of the item and abstain from the vote on any motion related to the item. The Member's declaration of conflict of interest and the abstinence from any vote will be recorded in the minutes of the Executive Council meeting.

11. Voting Procedure at the Meeting

Unless stipulated in the APNIC By Laws or other binding documents, an Executive Council vote shall be considered to have passed if a majority of the members of the Executive Council present at the meeting vote in favour of the motion. In the event of a tied vote the Chairman of the Meeting shall exercise the casting vote.

All majority votes shall be undertaken by affirmation. Any member may request the Chairman of the Meeting to perform a vote according to a roll call procedure.

All other votes shall be performed according to a roll call procedure.

The Executive Secretary shall conduct all roll call procedure votes. In a roll call vote each member shall respond when their name is called, indicating that they support or oppose the motion, or that they choose to abstain from the vote.

12. Electronic Voting Procedure

Any member of the Executive Council may submit a proposal to the Executive Secretary for electronic voting.

The Executive Secretary shall circulate the proposal to the Executive Council via the Council's email list, with a copy posted to the Executive Council's web page. A time limit for the discussion period of one week will commence as of the circulation of the proposal to the Executive Council.

At the expiration of the discussion period, the Executive Secretary shall call for an electronic vote with a dead-line for voting of one week. Votes must be sent to the Executive Council email list so that all Executive Council members can audit the outcome.

For an electronic vote to be valid, the votes of the majority of the members of the Executive Council must be received by the dead-line for voting.

The electronic voting options are: Yes / No / Abstention / Veto.

Any Executive Council member who fails to respond will be deemed as having abstained from the vote.

Up to the time of the completion of voting any member may change their vote, including a veto.

The "Veto" option is to be selected by an Executive Council member if they are of the view that the issue has not been vetted to their satisfaction and therefore wishes to reopen discussion.

At the dead-line of voting, if a "Veto" vote option has been cast then the process reverts to the consideration stage or is referred to an in-person (face-face or telephonic) meeting, at the proposer's discretion.

A proposal is accepted if the majority of the members give a positive vote and no "Veto" is recorded. For decisions where a larger majority is required by the APNIC By-Laws or other binding documents, that rule will prevail.

Upon resolution of an electronic vote (closure or referral to an in-person meeting), the Executive Secretary will state the issue and the result for recording in the relevant minutes.

13. Reporting to the APNIC Membership

As part of the Executive Council's report to the APNIC AGM, the Executive Secretary shall prepare a report to the APNIC members, indicating for each membership-elected member of the Executive Council:

- the record of Executive Council meeting attendance for each member of the Council;
- the record of trips and meetings attended as a representative of APNIC and the total amount funded by APNIC for these activities; and
- whether the Executive Council member has executed a non-disclosure agreement with APNIC.

14. Provision of Documents, Analysis and Research by the Secretariat

The Secretariat shall provide to the Executive Council the accounts and records as necessary to reflect the current financial position of APNIC. These accounts and records shall be presented in the Finance Report standing agenda item.

Any additional requests for documents, analysis, or reports shall be made by resolution of the Executive Council and be passed to the Executive Secretary for response by the Secretariat. The Executive Secretary shall acknowledge the request and provide an initial estimate of when the response material will be circulated to the Executive Council.

All provided material will be circulated to all members of the Executive Council, except in the case that the member has failed to execute a binding non-disclosure agreement with APNIC and the information to be circulated includes confidential information relating to individual member activities or status.

15. Election of Officers of the Executive Council

The Executive Council holds an internal election to select a Chairman, Treasurer, and Secretary for the calendar year. This election is held at the Board's first regularly scheduled meeting following the membership election of council members at the APNIC Annual General Meeting.

Each officer shall be elected for a one-year renewable term by the affirmative vote of at least a majority of the members of the Executive Council then in office. An individual may not hold more than one office.

The Director-General, as the only non-elected Executive Council member, chairs the first Council meeting following the AGM until the Chairman is elected.

The Director-General asks for candidates to run for Chairman of the Executive Council. The Director-General holds a roll call vote for each candidate and declares the winner. While no candidate achieves a majority vote then candidate with the least votes is removed from the slate and the voting procedure is repeated. The Chairman takes office immediately upon election.

The newly elected Chairman chairs the remainder of the meeting, including the selection of the Secretary and Treasurer.

The Chairman asks for candidates for Secretary and Treasurer. The Chairman then holds a vote for each office according to the procedure used to elect the Chairman.

16. SubCommittees of the Executive Council

All subcommittees formed by the Executive Council shall be constituted with a defined life time, at the expiration of which the subcommittee shall be extended for a further defined period or wound up, at the discretion of the Executive Committee.

All subcommittees formed by the Executive Committee shall have a charter to describe its role, and any delegated powers and authorities, and a membership.

All subcommittees formed by the Executive Council shall adhere to these procedures for the conduct of their business.

Appendix A. The Role of Executive Council

The role of the Executive Council is described in the APNIC By-Laws. The provisions of the By-Laws as they relate to the powers and functions of the Executive Council are summarized here, with a reference to the paragraph of the APNIC By-Laws that describes this role.

This appendix to the Executive Council procedures does not form part of the Executive Council Procedures.

A.1 Composition of the Executive Council

The Executive Council consists of seven members elected at Annual General Meetings of Members, and the Director General who is an ex-officio member of the Council

- Executive Council members are elected by the Members at the Annual General Meeting of the Members for a two year term [para 31, para 32]
- Only one individual per Member organisation may be elected to sit on the Executive Council. [para 35]
- Casual vacancies on the Executive Council may be filled by individuals appointed by the Executive Council, who shall serve on the Executive Council until the next Annual General Meeting of Members. [para 42]
- Executive Council members may be removed from office by a 2/3 majority vote of the members [para 25]
- The Director General serves as a member of the Executive Council by virtue of his office [para 54i]

A.2 Roles and Responsibilities of the Executive Council

The delegations of functions, powers and authority within the overall structure of APNIC is derived by a sequence of delegations from the Director to APNIC Pty Ltd to the APNIC Membership (the "Special Committee") to the Executive Committee (a subcommittee of the Special Committee), and, in a number of cases, to the Director General. The Executive Committee is responsible to the APNIC Membership by virtue of this delegation from the Membership, and to APNIC Pty Ltd by virtue of their effective role as an Officer of APNIC Pty Ltd.

- Executive Council members shall serve on the Executive Council in their personal capacity and shall act in the best interests of the APNIC membership and not the Member organisation to which that individual belongs. [para 35]

The Executive Council has the following roles and responsibilities:

- To be responsible to the Members to grant membership to qualified entities under the terms of the By-Laws, and delegate the authority to undertake this function to the Director General [para 4, para 54b]
- Set membership dues from time to time [para 4]
- Report to APNIC Members on the activities of APNIC [para 5b]
- Fix the place and time of Annual General Member meetings [para 6]
- Call Special Meetings of Members at a nominated place, date and time [para 7]
- The Chair of the Executive Council chairs Member meetings [para 11]

- To be responsible to the Members to count member votes, and may for this purpose appoint 2 or more persons to serve as tellers [para 13]
- To act on behalf of the Members in the interval between Annual General Member meetings, within the limits of the powers delegated to it by the Members [para 30a]
- To be responsible to the Members, and to provide direction to the Director General in the delegation of management of the activities, functions and affairs of APNIC and the corporation to the Director General [para 30b, para 54b]
- To be responsible to the Members, and to provide the authority to the Director General to exercise all such powers and do all such acts or things as may be required to be exercised or done by the corporation or the directors of the corporation, subject to the provisions of the Memorandum and Articles of Association of the corporation and to such requirements as may be prescribed by a resolution of the directors of the corporation [para 30c, para 54c]
- To be responsible to the Members, and to delegate to the Director General the authority to take all steps to facilitate and implement the decisions of the Members at Annual General Meetings and, where appropriate, of the decisions of other meetings of APNIC [para 30d, para 54e]
- To be responsible to the Members, and to delegate to the Director General the responsibility to consider broad Internet policy issues in order to ensure that APNIC's policies and strategies fully respond to the constantly changing Internet environment [para 30e, para 54e]
- To be responsible to the Members, and to delegate to the Director General the responsibility to ensure the efficient coordination of the work of APNIC [para 30f, para 54g]
- To establish the basis for the budget of APNIC and determine, in the light of the decisions taken by the Members on the reports referred to in paragraph 5(b) of the By-Laws, a ceiling for the expenditure of APNIC until the next AGM after considering all relevant aspects of the work of APNIC in that period [para 30g]
- To delegate the authority to the Director General to provide any general directives dealing with the staffing of APNIC and to delegate the authority to fix the basic salaries, the salary scales and the system of allowances and pensions for all employees of APNIC [para 30h, para 54d]
- Reduce or waive fees for 'deserving organisations' [para 37]
- Request an audit on any or all aspects of the operation of the Secretariat [para 37]
- To be responsible to the members and the delegate to the Director General the responsibility to keep minutes of all meetings of the Executive Council, and keep a record of resolutions passed by the Executive Council [para 49a, para 49b]
- To be responsible to the members and the delegate to the Director General the responsibility to keep minutes of all meetings of the Members, and keep a record of resolutions passed by Members [para 49a, para49b]
- To be responsible to the members and the delegate to the Director General the responsibility to keep such accounts and records as are necessary or desirable in order to reflect the financial position of APNIC and the corporation [para 49c]
- To elect the Director General [para 30i]
- By a 3/5 majority vote remove the Director-General [para 36]

A.3 Executive Council Decisions

- Decisions of the Executive Council shall be made by a majority vote of the members of the Executive Council present at a meeting [para 36]

- A decision of the Executive Council to remove the Director-General shall be made by a 3/5 majority vote of the Executive Council [para 36]