

For information
on 8 February 2002

**Legislative Council Panel on
Information Technology and Broadcasting**

The Administration of Internet Domain Names in Hong Kong

Purpose

This paper briefs Members on the latest development in respect of the administration of Internet domain names in Hong Kong.

Background

2. In March 2000, we briefed Members on the arrangements in respect of the administration of Internet domain names in Hong Kong. Members were informed that a Task Force had been set up under the Information Infrastructure Advisory Committee (IIAC)¹ to review the subject, with a view to recommending a framework of arrangements which best suited the needs of Hong Kong.

3. The Task Force completed its review in May 2000 and subsequently submitted a series of proposals to the IIAC. Following IIAC's endorsement of these proposals, a consultation paper was issued on 5 June 2000 to invite comments from the public on the subject. The consultation paper covered issues in respect of the proposed institutional arrangements for the administration of Internet domain names in Hong Kong, and the registration policies and dispute resolution mechanism for ".hk" domain names. In June 2000, we sought Members' views on the consultation paper. The consultation period ended on 16 July 2000.

¹ The IIAC was established in August 1998 to advise Government on the ways and means to promote the development of Hong Kong into a leading digital city. It is chaired by the Secretary for Information Technology and Broadcasting, with members drawn from a wide cross-section of the industry, business community and the academic field.

4. In December 2000, we briefed Members on the results of the public consultation. In summary, the public generally supported that the Joint Universities Computer Centre (JUCC), the administrator of ".hk" domain names at the time, should gradually transfer the Internet domain name administration functions to a new non-profit making and non-statutory corporation which would assume the overall responsibility for Internet domain name administration in Hong Kong. The aim is to provide more market-oriented registration services and better serve the Internet community. The corporation should be self-financing. In the consultation, the public also supported the adoption of more flexible domain name registration policies, aiming at promoting e-business in Hong Kong. New measures, including accepting registration of multiple domain names for a company, allowing transfer of domain names, and creating a new second level domain category under ".hk" to enable registration by individuals, etc. should be adopted. Moreover, the public also supported the establishment of an alternative dispute resolution mechanism to facilitate early resolution of domain name disputes so as to obviate the need to resort to court settlement.

5. At the same meeting, we also informed Members that a provisional board for the proposed new corporation would be set up under the auspices of the JUCC. As the establishment of the new corporation and the implementation of the new registration policies required extra facilities, equipment and manpower resources, the Government made a grant of \$3 million in December 2000 to the JUCC to facilitate the setting up of the proposed new corporation as early as possible, with a view to modernising the Internet domain name registration regime and promoting Internet and e-business development in Hong Kong.

6. In March 2001, we informed Members that the provisional board had been established to examine the proposed new registration policies, the registration fee schedule, the alternative dispute resolution mechanism, computer system development and migration, and the establishment of the new corporation.

7. In June 2001, we briefed Members that the JUCC had set up a new company, the Hong Kong Domain Name Registration Company Limited (HKDNR), for the purpose of transferring the Internet domain name administration functions to the proposed new corporation and to implement the new registration policies as early as possible.

8. The new registration policies for allowing multiple domain names registration by a company and transfer of domain names were implemented from 1 June 2001. The HKDNR also decided that an annual domain name fee should be charged, following international practice. The one-off registration and annual fees are both set at \$200 which are comparable to the rates of other economies. For domain names already registered before the roll-out of the new policies, which are not subject to annual fee payment, the holders can opt for the new policies with the enhanced services (i.e. registration of multiple domain name and transfer of domain name) by accepting a new agreement based on the new fee schedule. Alternatively, the holders can keep to the old arrangements. In such cases, they do not need to pay the annual fee but they will not be eligible for the enhanced services under the new policies.

9. As regards alternative dispute resolution mechanism, the Hong Kong International Arbitration Centre (HKIAC) has been appointed to provide arbitration service for domain name disputes starting from 1 June 2001 to tie in with the implementation of the new registration policies. This allows domain name disputes to be resolved quickly and economically and without resorting to the court system.

10. With the roll-out of the enhanced services, the number of “.hk” domain names registered has increased from 46 000 by end 2000 to 56 000 by end 2001.

Latest Development

Establishment of the New Corporation

11. In June 2001, a Preparatory Committee was set up to develop the constitution of the new corporation to administer domain name registration, including the membership structure of the corporation and the composition of the board of directors, and to work on the preparatory arrangements for the transfer of the domain name administration functions from the JUCC to the corporation. The Preparatory Committee comprises representatives from the JUCC, the IT, commercial and legal sectors, the Consumer Council and the Government. Its membership is at **Annex I**. The Preparatory Committee decided that the new corporation should be named as the Hong Kong Internet Registration Corporation (HKIRC).

12. The HKIRC was incorporated on 14 December 2001 and its Board of First Directors was formed in January 2002. The composition of the Board of First Directors is at **Annex II**.

Transfer Arrangements between the JUCC and the HKIRC

13. The transfer of the domain name administration functions will be effected through the transfer of shares of the HKDNR from the JUCC to the HKIRC. In recognition of JUCC's pioneering work and contributions in setting up the ".hk" domain name administration regime, the HKIRC has agreed to pay a sum of \$10 million to the JUCC. To ensure that the payment will not impose undue financial burden on the HKIRC, the JUCC has agreed that the payment would be made from the net profit of the HKIRC. An amount of not less than 20% of HKIRC's net profit before tax will be made to the JUCC at the end of each of HKIRC's financial year until the payment is fully discharged. No payment is required for a year if the HKIRC does not make a profit in that year. It is anticipated that the \$10 million payment can be fully discharged in 6 years.

Support from the Government

14. After the transfer has been effected, the Government will endorse the application of the HKIRC to the Internet Corporation for Assigned Names and Numbers (ICANN)² for ICANN's delegation to administer ".hk" domain name registration in Hong Kong. The HKIRC will be designated as the ".hk" domain name administrator with the mandate to exercise the registration functions and represent Hong Kong in international Internet fora. The tripartite relationship amongst ICANN, the Government and the HKIRC will be set out in a Memorandum of Understanding to be signed between the Government and the HKIRC.

15. Like other new establishments, the HKIRC will require a start-up working capital to fund its initial operations and capital investment has to be made for rolling out new registration services. The

² ICANN is an international, non-profit making, private sector led corporation, dedicated to preserving the operational stability of the Internet to promote competition, to achieving broad representation of global Internet communities, and to developing policy through the private sector, by consensus-based means.

Preparatory Committee has approached commercial banks for loan but the efforts are unsuccessful as the HKIRC is a new company without proven track record or collateral (except the ".hk" domain name database which is a public resource). We, however, are convinced that the corporation can run on a self-financing basis in the longer term and that it only has a cashflow problem initially. To address the HKIRC's cashflow problem and to enable it to develop healthily for the benefit of Hong Kong's Internet development, we are considering the provision of a loan of about \$6 million from the Loan Fund to the HKIRC as its initial working capital. This should be sufficient for the HKIRC to meet its initial operating expenditure and to make capital investment for the roll-out of new services. Interest will be charged on the proposed loan at the best lending rate. Repayment will commence when the HKIRC obtains surplus from its operations. We plan to go to the Finance Committee as soon as possible to seek approval for providing such a loan from the Loan Fund.

Future Plan of HKIRC

16. Within twelve months from its incorporation, the HKIRC will implement a membership scheme with its members recruited from ".hk" domain name holders, Internet service providers, IT industry, the commercial sector and the academia. Also, its board of directors will be elected from its members. The Government will be represented (through the Information Technology Services Department) on the board to provide input pertaining to public policies. This arrangement is in line with the proposal supported in the consultation exercise. The board will consist of 13 directors as set out in **Annex III**.

17. To keep up with international practices, the HKIRC has plans to roll out new services including registration for individual domain names ending with ".name.hk", domain names for information providers ending with ".info.hk", and half Chinese domain names ending with ".hk" (e.g. 甲乙.公司.hk) in 2002-2003. As the development of full Chinese domain names ending with ".香港" (e.g. 甲乙.公司.香港) is still being explored in international fora, the roll-out of this service will be examined at a later stage.

18. As the HKIRC is a non-profit making company, its profits will be used to develop new services with a view to promoting Internet and e-business development in Hong Kong.

Future Development on Dispute Resolution

19. Following the appointment of the HKIAC as the “.hk” domain name dispute resolution service provider, the HKIAC has co-operated with the China International Economic and Trade Arbitration Commission to form the Asian Domain Name Dispute Resolution Centre (ADNDRC) and applied to the ICANN for registration as its designated dispute-resolution service provider. The application has been approved and the ADNDRC has become the world’s fourth³ and Asia’s first such service provider authorised by ICANN under its Uniform Dispute Resolution Policy. The ADNDRC will provide a regional service to the Asian community and will begin to accept dispute cases from 28 February 2002, through the offices of its centres in Hong Kong and Beijing. This will substantially enhance the development of Hong Kong as an Internet hub in the region.

Presentation

20. We will continue to keep Members informed of the development of the subject.

**Information Technology and Broadcasting Bureau
1 February 2002**

³ The other three dispute-resolution service providers designated by ICANN are New York-based CPR Centre for Dispute Resolution; Minneapolis-based National Arbitration Forum; and Geneva-based World Intellectual Property Organisation.

**Membership of the Preparatory Committee
of the Hong Kong Internet Registration Corporation**

- Representative from the Hong Kong General Chamber of Commerce
- Representative from the Chinese General Chamber of Commerce
- Representative from the Hong Kong Information Technology Federation
- Representative from the Hong Kong Internet Service Providers Association
- Representative from the Hong Kong Computer Society
- Representative from the Joint Universities Computer Centre
- Representative from the Law Society of Hong Kong
- Representative from the Consumer Council
- Representative of the Hong Kong Government
(Assistant Director of Information Technology Services)

**Board of First Directors
of the Hong Kong Internet Registration Corporation**

- Representative from the Hong Kong General Chamber of Commerce
- Representative from the Chinese General Chamber of Commerce
- Representative from the Hong Kong Information Technology Federation
- Representative from the Hong Kong Internet Service Providers Association
- Representative from the Hong Kong Computer Society
- Representative from the Joint Universities Computer Centre
- Representative from the Law Society of Hong Kong
- Representative of the Hong Kong Government
(Assistant Director of Information Technology Services)

**Membership of the Future Board of Directors
of the Hong Kong Internet Registration Corporation**

Class	Members in the Class	No. of directors to be elected by members
User	".hk" domain name holders	6
Service Provider	Internet service providers and (future) domain name registrars	2
IT Industry	IT industry organisations whose members are eligible to vote in the Legislative Council election in respect of the IT Functional Constituency as defined in the Legislative Council Ordinance	2
Commerce & Industry	Commerce & industry organisations whose members are eligible to vote in the Legislative Council election in respect of the Commercial and Industrial Functional Constituencies as defined in the Legislative Council Ordinance	1
Tertiary Institution	Joint Universities Computer Centre	1
Government	Government	1 (permanent representative)