

**For discussion
on 11 June 2007**

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

Review on Administration of Internet Domain Names in Hong Kong

Purpose

This paper briefs Members on the public consultation exercise being conducted on the administration of Internet domain names in Hong Kong.

Background

2. In October 1999, a Task Force under the then Information Infrastructure Advisory Committee (IIAC) was set up with a view to recommending a framework of arrangements which best suited Hong Kong's needs of an effective administration of ".hk" Internet domain names and market-oriented services. The proposals of the Task Force were endorsed by the IIAC and published for public consultation in 2000.

3. The consultation results showed that there was general support for the proposal that the Joint Universities Computer Centre (JUCC), the former administrator of ".hk" Internet domain names, should gradually transfer the Internet domain names administration functions to a new non-statutory and non-profit making corporation.

4. In December 2001, the Hong Kong Internet Registration Corporation Limited (HKIRC) was incorporated as a non-profit making company limited by guarantee for the purpose of taking up the overall responsibility for ".hk" Internet domain name administration. In March 2002, the HKIRC acquired the Hong Kong Domain Name Registration Company Limited (HKDNR), a wholly-owned subsidiary of the JUCC, as HKIRC's operation arm responsible for the administration of ".hk" Internet domain names.

5. In April 2002, the Government and the HKIRC signed a Memorandum of Understanding (MOU) in which the Government designated the HKIRC to manage and administer all Internet domain names under the “.hk” country-code top level domain (ccTLD) under a set of principles. The MOU also contains provisions on reserved rights of the Government on the designation.

6. The HKIRC is governed by a Board of 13 non-executive, part-time directors comprising members from six different member classes, namely User Class, Service Provider Class, IT Industry Class, Commerce and Industry Class, Tertiary Institution Class and Government Class. Except for the Government Class, directors are elected by HKIRC Members of the corresponding class for a three-year term. The Government Class director is appointed by the Government Chief Information Officer (GCIO).

The Consultancy Review

7. The current institutional arrangements for the administration of “.hk” Internet domain names have been put in place for years. In light of the latest international and regional developments in the administration of Internet domain names, the GCIO commissioned a consultancy study in 2006 to review the institutional framework and corporate governance for the administration of “.hk” Internet domain names so as to maximize benefits for the Hong Kong community.

8. The consultant conducted extensive research on the state of domain name administration regimes across more than a dozen countries and economies, and carried out qualitative studies and interviews in a few of them. A summary on the organisational and governance settings of ccTLD registries in these countries and economies is at **Annex A**. The international research identified the following five organisational solutions -

- A single not-for-profit organisation with ccTLD administration as its only mission (economies that adopt this regime include Australia, Canada, France, Germany, Sweden, Taiwan, and UK)

- A single for profit organisation with ccTLD registry as its only mission (Japan, US)
- A government agency with broad jurisdiction on information and communications technology (ICT) managing internally, through a department, the ccTLD administration (Finland)
- A single not-for-profit subsidiary of the government with ccTLD administration as its only mission (China, Singapore)
- A not-for-profit or statutory body functioning as a subsidiary to the government but with a broader mandate on ICT issues (India, Korea)

9. In Hong Kong, the consultant conducted face-to-face interviews with over 20 stakeholder organisations and received some 560 respondents to a web-based questionnaire distributed to a wider group of stakeholders to assess the current situation in relation to corporate governance for the administration of Internet domain names. The list of stakeholder organisations involved in the Hong Kong review is at **Annex B**.

Public Consultation

10. The consultant put forward a set of recommendations based on the Hong Kong review and the international research. Taking into consideration the consultant's recommendations, as well as the overall ICT strategy and scope of practical implementation in Hong Kong, we have set out the recommended changes to the institutional framework and corporate governance for the administration of “.hk” Internet domain names for public consultation before deciding on the way forward. A copy of the consultation paper is at **Annex C**. The framework of the consultation paper and a summary of its major recommendations are set out in the following paragraphs.

The institutional framework

11. The consultant is of the view that the fundamental structure of current governance arrangements in Hong Kong is fit for its purpose. The consultant therefore recommends that delegation by the Government of the domain name management function to the HKIRC, an arms-length, non-profit making organisation should be retained in the near term.

The guiding principles

12. The “.hk” ccTLD is a public resource of the HKSAR and as such should be administered in a way that would maximise the benefits to the Hong Kong community. Having regard to the international and regional developments, the consultant has identified a number of guiding principles of critical importance for the management and administration of Internet domain names in Hong Kong, and recommends the ccTLD administrative corporation (currently the HKIRC) to adopt such principles.

Scope and priorities of the HKIRC

13. In the light of the guiding principles, the consultant recommends that the HKIRC should continue to focus on the core business of domain name registration.

Corporate governance mechanism

14. The consultant is of the view that the administration of the “.hk” ccTLD regime is now maturing to the point where the HKIRC should establish a new Consultative and Advisory Panel (CAP) that engages a broad set of stakeholders to advise the Board of the HKIRC on major ccTLD issues and facilitates the interaction of the Board with the stakeholders in general and with specific interest groups. With the strategic engagement of key stakeholders being undertaken via the new CAP, the number of directors in the Board can be reduced to allow more effective strategic and operational management.

15. The consultant is of the view that the Board of the HKIRC should be moved to a mix of appointed and member-elected non-executive directors to allow the Board to expand the available pool from those who solely have a strong interest in ccTLD issues to a wider set of qualified, professional non-executives. The new CAP should comprise a Government representative and other members invited by the Government from the Internet community, including users, industry, academia and the Government as well as renowned and independent organisations and individuals.

16. The Board would have a duty to take full account of CAP guidance when reaching decisions, but would not be bound by it since, ultimately, the Board is responsible for the organisation. There should be a transparent mechanism for the Board to account for its decisions in any circumstances in which it decides not to follow the advice of the CAP. The proposed mandate and composition of the Board and the CAP are in the Annex to the consultation paper.

17. In addition, the consultant is of the view that the HKIRC should increase both the number of the HKIRC members and their level of engagement, including through streamlining the current process for becoming a member as well as simplifying membership classes and the election process of directors.

Registry-registrar system

18. As shown in the international research, a registry-registrar system is in place in most of the economies surveyed. The consultant recommends that the HKIRC should introduce, following consultation with all interested stakeholders, a “registry-registrar” model, whereby appropriate bodies may provide “.hk” users with registrar services on an equal and competitive basis with the HKIRC.

Performance measurement and monitoring

19. The consultant recommends that the HKIRC should publish a comprehensive Corporate Governance Framework established collaboratively with the Government and through stakeholder consultation. This framework should document key aspects of the development and administration of the “.hk” ccTLD.

20. The HKIRC should also introduce a comprehensive system of performance measurement with key metrics agreed with the CAP and report quarterly to the CAP on these measures.

Strategic plan

21. The consultant recommends that the HKIRC should develop and publish a Five-Year Strategic Plan to take forward the above recommendations. This Plan should aim at implementing the recommended changes no later than the start of the 2009 term of the Board, i.e. around September.

MOU renewal

22. The consultant recommends that the HKIRC should collaborate with the Government on a formal review of the MOU, to be undertaken five years after execution in the light of experience, feedback from the Internet community, relevant market and technological developments.

Current Status

23. The public consultation started on 4 May 2007 and will last for six weeks until 15 June 2007. The consultation paper has been put on the OGCIO web site. We have also sent out some 70 letters to IT-related trade associations, professional bodies, sub-committees of major chambers of commerce, digital divide and disadvantaged interest groups, and academia in Hong Kong, inviting their views and comments on the consultation paper. We have also briefed the Digital 21 Strategy Advisory Committee (D21SAC) the consultation paper in its meeting on 21 May 2007.

Way Forward

24. Members are invited to comment on the recommendations set out in the consultation paper.

25. We will take all comments and suggestions into thorough consideration before finalizing the proposals on changes and arrangements for the administration of “.hk” Internet domain names in Hong Kong.

**Office of the Government Chief Information Officer
Commerce, Industry and Technology Bureau
June 2007**

Comparison Table of Organisational and Governance Settings of ccTLD Registries

ccTLD Regime	Organisation Type	Relationship of Institution to Government	Board's Role and Selection	Registry-Registrar Arrangement
Australia	<p>.au Domain Administration Limited (auDA) is the policy authority and industry self-regulatory body for administering .au domain space; it is a non-profit organization with limited liability.</p> <p>The Government Endorsement Act gives auDA the formal recognition of being the appropriate body to administer the .au domain space.</p>	<p>A representative of the Australian Government may attend any meeting of the board of the company as an observer.</p>	<p>auDA is governed by a 13-member board of directors.</p> <p>11 elected by members in three classes (Supply Class, Demand Class and Representative Association Class) and 2 appointed by the elected directors.</p>	<p>Registration procedures are managed by 22 accredited registrars.</p>
Canada	<p>Canadian Internet Registration Authority (CIRA) is a not-for-profit Canadian corporation.</p>	<p>A representative of government is a non-voting member of the board of directors.</p>	<p>CIRA is governed by a 14-member board of directors.</p> <p>3 appointed to represent Internet users, commercial Internet interests, and CIRA Certified Registrars.</p> <p>9 elected by CIRA members holding .ca domain names.</p> <p>CIRA's President and a representative of the Government of Canada also sit on the CIRA board as ex-officio non-voting directors.</p>	<p>Registration procedures are managed through 90 accredited registrars.</p>

ccTLD Regime	Organisation Type	Relationship of Institution to Government	Board's Role and Selection	Registry-Registrar Arrangement
China	China Internet Network Information Centre (CNNIC) is a wholly owned subsidiary of the Government of the People's Republic of China. It is a non-profit organisation.	CNNIC takes orders from the Ministry of Information Industry (MII) to conduct daily business, while it was administratively operated by Chinese Academy of Sciences (CAS).		Registration procedures are managed through two accredited registrars for English domains, and 42 for Chinese domains.
Finland	The Finnish Communications Regulatory Authority (FICORA) is a general administrative authority for issues concerning electronic communications and information society services.	FICORA is a general administrative authority in the same administrative sector as the Ministry of Transport and Communications.		Domain name applications are directly administered by FICORA. Users can also apply for domain names through an agent, that acts on their behalf. Applications for .fi domain names are also made by internet service providers on behalf of their customers.
France	The Association Française pour le Nommage Internet en Coopération (AFNIC) is a not-for-profit organisation, regulated by the July 1 1901 law (regulating associations).	INRIA (the French National Institute for Research in Computer Science and Control) and the Ministries of Telecommunications, Industry and Research are AFNIC founding members, and are represented in the board of directors of AFNIC.	AFNIC is governed by a 10-member board of directors. 5 appointed by the founder members: two for INRIA and one for each of the concerned ministries. 5 elected from amongst each of the three categories (user, registrar and correspondent)	Registration procedures are managed by registrars (Internet Service Providers) that have to be members of AFNIC.

ccTLD Regime	Organisation Type	Relationship of Institution to Government	Board's Role and Selection	Registry-Registrar Arrangement
Germany	<p>DENIC is a not-for-profit registered cooperative created in 1996, after the decision of 36 German Internet Service Providers.</p> <p>DENIC operates under the German Cooperatives Act.</p>	<p>On questions regarding registration policy DENIC's decision-making bodies are assisted by a Legal Advisory Council, which comprises representatives from trade associations, academia and legal specialists as well as observers from the German Federal Ministry of Economics and Labour and the German Federal Ministry of Justice.</p>	<p>DENIC is governed by a 5-member Executive Board.</p> <p>3 full-time or part-time members appointed by the Supervisory Board.</p> <p>2 unpaid members elected by the General Assembly.</p>	<p>DENIC directly manages domain registrations, but it is considering domain registration through 200 accredited registrars.</p>
India	<p>INRegistry has been created by NIXI, the National Internet eXchange of India and under its authority.</p> <p>NIXI is a not-for-profit organisation with the objective of facilitating improved Internet services in the country by a legislative decree of the Department of Information Technology in 2004.</p>	<p>The Department of Information Technology (Ministry of Communications and Information Technology) is fully represented in NIXI board of directors, which comprises also academia and Internet industry representatives.</p>		<p>Registration procedures are managed through 39 accredited registrars.</p>

ccTLD Regime	Organisation Type	Relationship of Institution to Government	Board's Role and Selection	Registry-Registrar Arrangement
Japan	Japan Registry Service (JPRS) Co. Ltd is a private company to carry out .jp domain name registration and management, and to undertake operation of the domain name system.	JPNIC assumes a responsibility for overseeing JPRS. JPNIC reports the performance of JPRS to the government authority on an annual basis.		Domain name registrations can be made directly with JPRS, but also through accredited registrars.
Republic of Korea	National Internet Development Agency of Korea (NIDA)/ Korea Network Information Centre (KRNIC) is a not-for-profit organisation.	MIC (Ministry of Information and Communication) has control and supervising powers on NIDA/KRNIC functioning. In particular, it approves the President and board members, NIDA/KRNIC bylaws and regulations, domain name registration fees, etc.		Domain name registrations are managed through 13 accredited registrars (authorised agencies).
Singapore	Singapore Network Information Centre (SGNIC), established as a private company, is the wholly-owned subsidiary of Infocomm Development Authority of Singapore (IDA), a governmental agency operating under the control of Singapore Ministry of Information, Communications and the Arts (MITA).	IDA senior management is also SGNIC senior management.	The chairman of SGNIC board is the Director General for Telecommunication of IDA.	Registration procedures (excluding .gov.sg domains) are managed through 9 accredited registrars.

ccTLD Regime	Organisation Type	Relationship of Institution to Government	Board's Role and Selection	Registry-Registrar Arrangement
Sweden	The Internet Infrastructure (II) Foundation of Sweden is a non-profit organization.	There is no governmental involvement in the ccTLD.		Registration procedures are managed through more than a hundred of accredited registrars.
Taiwan	Taiwan Network Information Centre (TWNIC) is a not-for-profit organisation under the authority of Taiwanese Directorate-General of Telecommunication (DGT).	DGT is not directly involved in TWNIC's decision making.	TWNIC is governed by a board of directors. A few board members are from the government, however they sit as individuals, instead of as government representatives.	Registration procedures are managed through 9 accredited registrars.
United Kingdom	Nominet UK is a private, not-for-profit company, limited by guarantee.	Nominet has no formal relationship with the UK government, but works closely with the DTI (Department of Trade and Industry) and other government departments. 8 Members of the Policy Advisory Board (PAB) of Nominet, are appointed from key stakeholders, including the Department of Trade and Industry, the Cabinet Office, the Information Commissioner (the UK's data protection authority), the Institute of Trade Mark Attorneys, and the Confederation of British Industry.	The board includes two executive directors, and four non-executive directors who are elected every two years. One of the executive directors is the Nominet's Chief Executive.	Nominet directly manages domain registrations, but it is recommended to register through more than 100 accredited registrars.

ccTLD Regime	Organisation Type	Relationship of Institution to Government	Board's Role and Selection	Registry-Registrar Arrangement
United States	NeuStar Inc is a privately owned company responsible for managing the .us domain names.	<p>NeuStar and the US Department of Commerce (DOC) entered into a four-year contract.</p> <p>The DOC has final authority on structure and the policies of the ccTLD and can terminate the contract if Neustar does not perform its duties adequately.</p>		Registration procedures are managed through more than 100 accredited registrars.

**The List of Stakeholder Organisations
involved in the Consultancy Study in Hong Kong**

- Hong Kong Internet Registration Corporation Limited
- Hong Kong Domain Name Registration Company Limited
- Former Chairman of Hong Kong Internet Registration Corporation Limited
- Joint Universities Computer Centre
- Chamber of Hong Kong Computer Industry
- Cyber Senior Network Development Association Limited
- GS1 Hong Kong
- Hong Kong & Mainland Software Industry Cooperation Association
- Hong Kong Association for Specific Learning Disabilities
- Hong Kong General Chamber of Commerce
- Hong Kong Council of Social Services
- Hong Kong Federation and Handicapped Youth
- Hong Kong Institution of Engineers
- Hong Kong Linux Industry Association
- Hong Kong Society for Rehabilitation
- Hong Kong Society for the Blind
- Hong Kong Society of Medical Informatics
- Information Security and Forensics Society
- Hong Kong Information Technology Federation
- Internet Professional Association
- SME Entrepreneur Consortium
- Digital 21 Strategy Advisory Committee

**Consultation Paper on the Review
on Administration of Internet Domain Names
in Hong Kong**

Government Chief Information Officer
Commerce, Industry and Technology Bureau
The Government of the Hong Kong Special Administrative Region

May 2007

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Foreword

The Government Chief Information Officer (GCIO) has recently conducted a consultancy review on the administration of Internet domain names in Hong Kong. This consultation paper invites comments on the recommendations before finalising any proposals on changes and arrangements.

Interested parties may forward their written submissions to the Government Chief Information Officer of the Commerce, Industry and Technology Bureau on or before **15 June 2007** by any of the following means:

Post: Government Chief Information Officer
Commerce, Industry and Technology Bureau
15/F, Wanchai Tower
12 Harbour Road, Wan Chai
Hong Kong
(Attn: Systems Manager (H)41)

Fax: (852) 2802 4549

E-mail: domainreview@ogcio.gov.hk

We assume that all submissions to this consultation are not made in confidence unless specified otherwise. We may reproduce and publish the submissions in whole or in part in any form and use, adapt or develop any proposals put forward without seeking permission from or providing acknowledgement to the party making the proposal.

This Consultation Paper is also available at the following websites:

<http://www.ogcio.gov.hk/eng/pubpress/download/edomainreview.pdf> (English)

<http://www.ogcio.gov.hk/chi/pubpress/download/cdomainreview.pdf> (Chinese)

**Government Chief Information Officer
Commerce, Industry and Technology Bureau
May 2007**

Background

In October 1999, a Task Force under the then Information Infrastructure Advisory Committee (IIAC)¹ was set up with a view to recommending a framework of arrangements which best suited Hong Kong's needs to ensure that the administration of Internet domain names of “.hk” was effective and the services provided were market-oriented. The proposals of the Task Force were endorsed by the IIAC and published for public consultation² in 2000.

2. The consultation results showed that there was general support for the proposal that the Joint Universities Computer Centre (JUCC), the former administrator of “.hk” domain names, should gradually transfer the Internet domain names administration functions to a new non-statutory and non-profit making corporation.

3. In December 2001, the Hong Kong Internet Registration Corporation Limited (HKIRC) was incorporated as a non-profit making company limited by guarantee for the purpose of taking up the overall responsibility for “.hk” Internet domain name administration. In March 2002, the HKIRC acquired the Hong Kong Domain Name Registration Company Limited (HKDNR), a wholly-owned subsidiary of the JUCC, as HKIRC's operation arm responsible for the administration of “.hk” Internet domain names.

4. In April 2002, the Government and the HKIRC signed a Memorandum of Understanding (MOU) for the Management and Administration of Internet Domain Names in Hong Kong in which the Government designated the HKIRC to manage and administer all Internet domain names under the “.hk” country-code top level domain (ccTLD).

¹ The then IIAC was established in August 1998 to advise the Government on the ways and means to promote the development of Hong Kong into a leading digital city.

² Details of the public consultation in 2000 are available at http://www.info.gov.hk/digital21/eng/itstructure/dnlp_main.html

5. The HKIRC is governed by a Board of 13 non-executive, part-time directors comprising members from six different member classes, namely User Class, Service Provider Class, IT Industry Class, Commerce and Industry Class, Tertiary Institution Class and Government Class. Except for the Government Class, directors are elected by HKIRC Members of the corresponding class for a three-year term. The Government Class director is appointed by the Government Chief Information Officer.

6. The Memorandum and Articles of Association of the HKIRC can be found in its company website at:

<http://members.hkirc.hk/MRS/articles/M&A06.pdf>

Further information about the HKIRC can be found at:

<http://www.hkirc.hk>

Review on the Administration of Internet Domain Names in Hong Kong

7. Since the current arrangements for the administration of “.hk” Internet domain names were put in place, there have been a number of developments which may impact on the administration of Internet domain names.

- i. governments’ role is observed to be increasingly important as the proportion of ccTLD domain name registrations has continued to grow, reaching to about 40 per cent of the total number of registered domains worldwide in 2005.
- ii. there are changes to Internet governance at the global level, with discussion on the role of the Internet Corporation for Assigned Names and Numbers (ICANN)³.
- iii. there is increasing understanding and appreciation of what constitutes good practice in ccTLD governance and administration.
- iv. there are increasing new challenges raised by technological changes for ccTLD governance regimes.

8. Against this context of environmental change, we commissioned a consultancy study in 2006 to review the institutional framework and corporate governance for the administration of Internet domain names in Hong Kong. The study looked at how the existing framework and arrangements can be improved to the best advantage of the Hong Kong community having regard to the latest international and regional developments.

9. The consultant conducted extensive research on the state of domain name administration regimes across more than a dozen countries and economies, and carried out qualitative studies and interviews in a few of them. In Hong Kong, the consultant conducted face-to-face interviews with key stakeholders and a web-based questionnaire distributed to a wider group of stakeholders to assess the current situation in relation to corporate governance for the administration of Internet domain names.

³ The Internet Corporation for Assigned Names and Numbers (ICANN) is an internationally organized, non-profit corporation that has responsibility for Internet Protocol (IP) address space allocation, protocol identifier assignment, generic (gTLD) and country code (ccTLD) Top-Level Domain name system management, and root server system management functions.

10. The consultant put forward a set of recommendations based on the Hong Kong review and the international research. Having considered the overall information and communications technology (ICT) strategy and scope of practical implementation in Hong Kong, we have set out the recommended changes to the institutional framework and corporate governance for the administration of “.hk” Internet domain names. These are described in the following paragraphs.

The institutional framework

11. From the international research, the consultant concluded that it is not possible to define a single set of best practices, and rank countries and economies linearly according to how they measure up against such best practices. Instead, different possible organisational and governance settings and choices for ccTLD regimes may be appropriate, depending on each institution’s priorities and the context in which the institution is embedded.

12. The international research identified the following five organisational solutions -

- A single not-for-profit organisation with ccTLD administration as its only mission (economies that adopt this regime include Australia, Canada, France, Germany, Sweden, Taiwan and the UK)
- A single for profit organisation with ccTLD registry as its only mission (Japan, US)
- A government agency with broad jurisdiction on ICT managing internally, through a department, the ccTLD administration (Finland)
- A single not-for-profit subsidiary of the government with ccTLD administration as its only mission (China, Singapore)
- A not-for-profit or statutory body functioning as a subsidiary to the government but with a broader mandate on ICT issues (India, Korea)

13. The consultant is of the view that the Hong Kong approach – based on delegation by the government of the ccTLD management function to an arms-length, non-profit making organisation – is a viable one with a track record of success in a number of countries and economies, and the fundamental structure of current governance arrangements in Hong Kong is fit for its purpose. The consultant therefore recommends that delegation by the Government of the domain name management function to the HKIRC, an arms-length, non-profit making organisation should be retained in the near term.

The guiding principles

14. The “.hk” ccTLD is a public resource of the HKSAR and as such should be administered in a way that would maximise the benefits to the Hong Kong community. Having regard to the international and regional developments, the consultant has identified a number of guiding principles of critical importance for the management and administration of Internet domain names in Hong Kong, and recommends the ccTLD administrative corporation (currently the HKIRC) to adopt such principles. They are –

- **Independence:** the corporation should act and be able to demonstrate that it acts, in the interests of the Internet community in the Hong Kong Special Administrative Region and the Internet community worldwide, without undue interference by its stakeholders. It must be autonomous of political, business or other interests
- **World-class standards:** all activities within the domain name registration system should be performed with a maximum of quality standard and quality control, ensuring security of the system and of users’ data, and promoting the stability and resilience of the Internet in Hong Kong and globally
- **Competition:** the corporation should seek to develop policies and operating models which support competition and consumer choice in the management of “.hk” domain names, with the aim of lowering costs, promoting innovation, enhancing user choice and satisfaction, and increasing the number of “.hk” users

- **Stakeholder involvement:** the corporation should ensure that the interests of all stakeholders in the Hong Kong Internet community are taken into account and balanced in decisions about the domain name registration system
- **Transparency:** the corporation should conduct its activities in an open and transparent manner that ensures wide public access to all relevant information
- **Future orientation:** the corporation should seek to be innovative in the provision of new services, and to anticipate and respond flexibly to new technological and market developments which may impact on domain name registration

Scope and priorities of the HKIRC

15. In the light of the above guiding principles, the consultant recommends that the HKIRC should continue to focus on the core business of domain name registration with the following responsibilities –

- Manage the “.hk” ccTLD and provide services for registration of all levels of Internet domain names under the “.hk” ccTLD and its other equivalents including but not limited to registry services, registrar services and other services ancillary thereto, in an efficient and effective manner, responding to stakeholders’ needs;
- Maintain and promote a stable, secure and interoperable domain name system (DNS) which abides by the technical requirements set forth by ICANN;
- Maintain open and transparent procedures which are inclusive of all parties having an interest in the use of the “.hk” domain names;
- Maintain appropriate complaints handling and disputes resolution processes; and
- Maintain an alert mechanism which will inform the GCIO promptly of any incidents which represent a significant failure including but not limited to the above duties.

Corporate governance mechanism

16. Given the greater clarity about the scope and priorities of HKIRC, the consultant is of the view that the administration of the “.hk” ccTLD regime is now maturing to the point where the HKIRC should establish a new Consultative and Advisory Panel (CAP) that engages a broad set of stakeholders to advise the Board on major ccTLD issues and facilitates the interaction of the Board with the stakeholders in general and with specific interest groups. With the strategic engagement of key stakeholders being undertaken via the new CAP, the number of directors in the Board can be reduced to allow more effective strategic and operational management.

17. The consultant is of the view that the Board should be moved to a mix of appointed and member-elected non-executive directors to allow the Board to expand the available pool from those who solely have a strong interest in ccTLD issues to a wider set of qualified, professional non-executives. The new CAP should comprise a Government representative and other members invited by the Government from the Internet community, including users, industry, academia and the Government as well as renowned and independent organisations and individuals. The Board would have a duty to take full account of CAP guidance when reaching decisions, but would not be bound by it since, ultimately, the Board is responsible for the organisation. There should be a transparent mechanism for the Board to account for its decisions in any circumstances in which it decides not to follow the advice of the CAP. Please refer to **Annex** for the proposed mandate and composition of the Board and the CAP.

18. In addition, the consultant is of the view that the HKIRC should increase both the number of the HKIRC Members and their level of engagement, including through streamlining the current process for becoming a Member as well as simplifying membership classes and the election process of directors. Based on international examples, the sort of changes envisaged include –

- significantly reducing the number of membership classes from the current six to three (i.e. Supply Class, Demand Class and Representative Association Class) ; and
- simplifying the process of becoming a Member – for example domain name registrants are automatically given Membership with an option to opt out if they wish to do so.

19. The consultant recommends that the Government should gradually reduce its involvement on the Board with operational management of the HKIRC. This reduced operational engagement should be accompanied by a stronger engagement at a strategic level on the CAP through implementation of a Transition Plan which is agreed with the Government and which ensures business continuity from the current Board.

Registry-registrar system

20. As shown in the international research, a registry-registrar system is in place in most of the economies surveyed. This widely adopted system provides two levers that can be fine tuned to manage the ccTLD administration –

- Through the setting of wholesale pricing and promotion to stimulate competition among accredited registrars and growth of the ccTLD size;
- Through accreditation requirements to ensure financial and technical reliability of the registrars and thus preserve the integrity and security of the system.

21. The consultant recommends that the HKIRC should introduce, following consultation with all interested stakeholders, a “registry-registrar” model, whereby appropriate bodies may provide “.hk” users with registrar services on an equal and competitive basis with the HKIRC.

Performance measurement and monitoring

22. To reflect the guiding principles in paragraph 14 above, the consultant recommends that the HKIRC should publish a comprehensive Corporate Governance Framework established collaboratively with the Government and through stakeholder consultation. This framework should document key aspects of the development and administration of the “.hk” ccTLD.

23. In addition, the HKIRC should introduce a comprehensive system of performance measurement with key metrics agreed with the CAP and report quarterly to the CAP on these measures. The system should cover, inter alia, security and technical aspects of its work (including a narrative summary of the work performed with appropriate details and particularity, a description of major events and problems encountered, and any projected significant changes), customer satisfaction and service level metrics, financial performance and human resource issues.

Strategic plan

24. The consultant recommends that the HKIRC should develop and publish a Five-Year Strategic Plan, setting out amongst other things HKIRC's plans for developing, consulting on, and implementing measures to take forward the above recommendations. This Plan should aim at implementing the recommended changes no later than the start of the 2009 term of the Board, i.e. around September.

25. The HKIRC should also update its Strategic Plan and report on key performance data on an annual basis, taking into account guidance from the CAP and any amendments to the MOU between the Government and the HKIRC.

MOU renewal

26. The consultant recommends that the enhanced institutional framework and corporate governance should be reflected in a clearer and more outcome-focused MOU for the management and administration of Internet domain names.

27. The consultant recommends that the MOU should be time-limited and renewable in the light of experience, feedback from the Internet community, relevant market and technological developments. The HKIRC should collaborate with the Government on a formal review of the MOU, to be undertaken five years after execution.

Public Consultation

28. We welcome views on the recommendations set out in this document, and will take all suggestions into consideration before finalising the proposals on changes and arrangements for the administration of “.hk” Internet domain names in Hong Kong.

**Government Chief Information Officer
Commerce, Industry and Technology Bureau
May 2007**

**Proposed Mandate and Composition
of the Management Board**

Mandate

- Focus on strategic and operational governance
- Supervise the work of the CEO and the senior management team
- Ensure the work of the organisation reflects the principles and objectives in the MOU and the strategic plan

Composition

A Board comprising seven (7) Non Executive Directors including -

- 4 Directors appointed by the Government
- 3 Directors, each of whom elected by the respective HKIRC membership class (i.e. Supply Class, Demand Class and Representative Association Class)
- The Chairman of the Board should be one of the Directors appointed by the Government

Proposed Mandate and Composition **of the Consultative and Advisory Panel**

Mandate

- Advise the Board on major issues such as domain name registration rules, pricing, internal governance arrangements, etc.
- Launch consultation process on issues that the Board directly refers to the CAP given their policy implications to Internet stakeholders
- Monitor the degree to which the Board provides feedback to and seeks the views and opinions from existing and potential customers bearing in mind the requirements and good practices of digital inclusion
- Facilitate the interaction of the Board with the stakeholders in general and with specific interest groups

Composition

A Panel of around fourteen (14) unpaid members comprising -

- One Government representative nominated by the Government Chief Information Officer
- Other members invited by the Government from the Internet community, including end users, industry, academia and the Government as well as renowned and independent organisations and individuals