SIDN Annual report 1997

Personal Details

Foundation Board
Drs. B. Nederkoorn, Chairman
Dr. R.J.T. Lindgreen, Secretary
Ir. P.A.M. Oude Ophuis, Treasurer
P. Beertema
P.W. Morée
N.A. Vermeulen

Foundation Office
Ir. R.J. Clason, Manager
Ing. R.J.M. de Klein, Hostmaster/Team Coordinator
Ing. D.J. Ligtenbelt, Secretariat/Legal Affairs
M.J. Buurman, Operator
J. van Pijkeren, Operator
W.G.M. Driessen, Technical Support
H.G.J. Roelofs, Technical Support
Drs. F.H.B. Guijken, Controller
A.L. Brunsting, Financial Records

Mr. H.W. Wefers Bettink, Legal Adviser
W.H. Stikkelbroeck, Chairman to the Council of Participants

Introduction

The Foundation for Internet Domain Registration in the Netherlands was successful in 1997.

The number of registered participants rose from 166 by the end of 1996 to 210 by the end of the year under review. The number of registered domain names also increased spectacularly, from 9,215 in early 1997 to 26,324 by the end of 1997. Starting March 1, 1997 the board decided, after positive advice from the Council of Participants, to allow several domain names per holder. By the end of the year under review, 2,276 second or subsequent names were registered.

Total income amounted to NLG 3,042,647, while expenditure totalled NLG 1,322,822. The positive result after taxes was NLG 1,157,006.

During the year under review, the rates were lowered twice. The rate for first domain name registration was reduced from NLG 100 to NLG 25 and finally to NLG 20 per year. The rate for mutations, initially NLG 100, dropped to NLG 40 and then even to NLG 30 per mutation. As of March 1, 1997, registration of second or subsequent names became possible and the appropriate rate fell from NLG 250 to NLG 100 for each second or subsequent domain name. The fixed contribution for participants was reduced from NLG 2,500 to NLG 2,000 per participant per year. The foundation board met five times during the year under review. The Council of Participants held two meetings in 1997.
Being nominated by the Council of Participants, Peter Oude Ophuis was re-appointed member of the Board for a period of three years as of April 1, 1997. Consequently, at the end of the year under review the Board was composed of the following members:

- Boudewijn Nederkoorn (1999)
- Ted Lindgreen (1999)
- Piet Beertema (1999)
- Peter Morée (1999)
- Nick Vermeulen (1998)
- Peter Oude Ophuis (2000).

On December 10, 1997, the Council of Participants elected Wilbert Stikkelbroeck as their chairman. This mutation had become necessary since Iljitsch van Beinum had announced that he intended to resign his chairmanship of the Council of Participants.

Looking Back on the Year Under Review

As mentioned in the first annual report of the foundation, the decision to opt for a foundation (rather than for instance an association) was inspired mainly by the desire of continuity and stability. The "lack of democratic content" was compensated for by a Council of Participants with its own chairman and by the obligation imposed on the board to ask for the Council's prior advice about a number of essential matters that are explicitly stated in the articles of association. In practice, this formula has proven adequate.

In spite of a rather tumultuous start, the foundation has managed to achieve a high level of stability. The meetings held by the Council of Participants are well-attended and during the first two years the board adopted all advice given by the council. It would seem that there is no longer a lack of democratic content.

By the end of the year it was decided that the two seats on the board that are assigned in the Articles of Association to SURFnet and NLnet will no longer be linked to these two organizations. It was also decided that the Council of Participants may also nominate candidates for board membership who are not by definition board members of a service provider.
The Council of Participants has turned out to be a lively body, offering a healthy counterbalance to the board, without lapsing into fruitless opposition.
The way the chairman of the Council did his job certainly was a positive contribution to this result.
The board also paid attention to international developments, like the discussion on the new gTLDs (besides the well-known .com), but also to the activities of the European nTLDs (like .nl) within RIPE. In 1997, a start was made with efforts to structurally reinforce relations with RIPE and other nTLDs.

In the renovation of the domain name registration system, KEMA worked in close cooperation with Tunix Open Systems Consultants. This cooperation turned out to be particularly fruitful. Not only was the new system delivered according to specifications and on time (which was also thanks to the efforts of the retiring hostmaster: Piet Beertema), but the teething troubles that occurred were also dealt with quickly and effectively. The current processing system meets with little criticism, which does not mean, however, that the board is not looking out for further improvement.

In the short term the following goals for improvement have been set: the website should be kept more up to date. Also, the site should preferably be in the English language, according to the RIPE recommendation. Attention will also be paid to attractiveness of the website's appearance.

In the somewhat longer term, user-friendliness for participants should conform to stricter requirements. Also, availability and information supply should be improved. In general, more attention should be paid to public relations.

The board attaches great importance to the widest possible acceptance of the regulations it employs for domain name registration. To be able to field-test the regulations currently effective, it was decided to organize a conference where interested parties and experts would be given the opportunity to express their opinions on these regulations. The conference will be held in the first six months of 1998. The outcome will be used to develop regulations for domain name registration that are widely accepted.

In this annual report a number of office staff members, who were interviewed for this purpose, talk about their personal experiences in their work for the foundation.

The annual report is completed by the Annual Accounts and Auditor's Report.

'New registration system capable of processing large numbers'

René de Klein, hostmaster and team coordinator

After the transfer from the Centre for Mathematics and Information Science (Dutch acronym: CWI) to KEMA, the new registration system was officially put into operation in
January 1997. From that moment on, sitting back and relaxing was out of the question: there were backlogs to be caught up, bugs to be removed from the system, suggestions for improvement to be implemented. Numerous activities had to be performed to be able to provide faster and more accurate service.
`Our goal to process domain name applications within one working day of receipt was achieved by April already', hostmaster and team coordinator René de Klein looks back contentedly.

As early as August 1996 the preliminary version of the registration system was designed. Subsequently, the system was built in cooperation with Tunix Open System Consultants. The transfer of the registration work from CWI to KEMA was supported by Piet Beertema of CWI, who up until that time had been responsible for domain name registration in the Netherlands. `We had a great many talks with Piet', de Klein says. 'He helped us automate a large number of manually executed procedures.' This proved to be quite a challenge. A database was set up, standard forms were designed and procedures defined. The new method of operation, including the use of ticket numbers, had to be announced to all foundation participants. For a smooth transfer to KEMA the registration system was shut down for two weeks. 'That was done between Christmas of 1996 and mid-January 1997. About six of us worked a lot of overtime to get it all done in time', De Klein remembers. 'All requests that were still unfinished had to be input into the new system by hand. Piet Beertema handled all current affairs. He put in a great effort to get the job done.'

Backlog Caught Up
As soon as the new registration system became operational, a massive flow of domain name requests began to pour in, which providers had received from Christmas on.
`This meant that we started with a backlog', says the team coordinator. `That first month, things were pretty hectic around here. The system was new to everybody and the real thing is never the same as during test runs. Moreover, shadow operation proved to be very hard to do.'
Looking back on this period, De Klein feels that everything went well. `After just one month, the greater part of our backlog had already been caught up. In March we were fully up to date and had also removed most of the bugs from our system.' Another major effort was put into invoicing. 'Tunix took care of this. They had to take things up where Beertema left off. Implementation of the invoicing system requires a
great number of checks and inspections. The first few invoices were ready to be sent by April.'

Many requests for improvement of the system were received, which resulted in modifications being made. `These requests varied from an option to perform DNS inspection on the website to modifications in the application forms and an option to technically enable the cancellation of domain names', De Klein observes. `Also, the system was adapted so that applications from providers in arrears could be blocked and consideration had to be given as to what was to be done about domains belonging to providers who had ceased to exist.'

Additional Interface
Besides requests for improvement, there were also some unanticipated matters that led to modifications being made in the new registration system. `For instance, the database became polluted by different spellings of place names", De Klein says. `This was something we had not anticipated. And in the invoicing process we discovered that many e-mail addresses were either obsolete or incorrect.' Moreover, the operators were faced with an increasing number of domain name requests that were subject to debate and consequently stayed in the application queue for too

long. 'This slowed the operators down and that's why we set up an additional interface for Dirk Jan Ligtenbelt, who takes over the handling of any names that are subject to debate or doubt. Also, a number of additional interfaces have been built that enable direct modifications to be made to the database.'

When it became possible to register several domain names per holder, this possibility also had to be implemented in practice. This meant that a new form had to be developed and that it had to be established whether the applicant did or did not have a name already. `It turned out that searching for company names was a difficult task', De Klein points out. Small differences in holder names made it very hard for the system to establish whether the applicant was already in possession of a domain name. Tunix was able to solve this problem quite satisfactorily. As of March 1, it was possible to register several domain names for a single holder.'

Rapid Growth
The number of domain name applications has grown rapidly over the past year. `In February 1997 we received 1,283 applications. In October we crossed the 2,000 limit and right now we are processing some 3,000 applications and mutations per month', De Klein says to illustrate the rapid growth. `Nevertheless, we are able to handle the applications increasingly faster, provided they are submitted correctly. It is quite a relief to know that the new system is fully capable of processing these large numbers.'
Even though most of the modifications had been implemented in the system by September, De Klein expects that modifications will continue to be made. `This rapid growth means that we have to continue to pay attention to system capacity', says the team coordinator. `If the increase in the number of applications accelerates, another renovation of the registration system will be needed before long.'

'Filling out forms requires precision'

Operators Martin Buurman and Jan van Pijkeren

Operators at the office of the Foundation for Internet Domain Registration in the Netherlands process between 100 and 150 domain name applications and mutations per day. `This number has increased drastically over the past year', says operator Martin Buurman. `In early 1997 we were processing 50 to 80 applications a day, working with two operators. Now we have three full-time operators for checking and acceptance of the applications.'

Operator Jan van Pijkeren explains how applications are processed in practice: `An application or mutation is submitted electronically by the provider, using a standard form. The first check on the application is performed by our mail robot `admin'. If the form has not been filled out completely, or if the nameserver check fails, `admin' returns it to the provider immediately.' If this first check is passed, receipt is acknowledged to the provider and the application is passed on to the operator. `We check the form and decide whether or not to grant the application', van Pijkeren continues his explanation. `If we have any doubt about the domain name and feel that it may conflict with the foundation's regulations, the application is passed on to our legal staff member Dirk Jan Ligtenbelt.' If there are any doubts about the Chamber of Commerce data, the provider is requested by fax to submit these data. 'The provider should submit the data in question to us within three working days', says van Pijkeren. 'We request providers to submit Chamber of Commerce data on a sampling basis. If they fail to respond within three working days, the domain name application in question is removed from the queue.'

An application must be processed first, so that it can be established whether the domain name will be granted or not. `There are those who try to elicit a statement about a domain name from us by telephone', the operator says. `But we cannot answer such questions just like that. The applicant must first submit his application and observe the procedure through the usual channels.' Applications that meet all requirements and do not cause any doubts are granted within one working day of receipt. By the end of that day, all granted domain names are passed on to the nameserver in Amsterdam. This uploading of the zone file releases and activates the domain names.

Special Effort
The technical and administrative modifications that the operators have to implement are not always plain and simple. `Each application or mutation requires the proper form to be filled out', Buurman explains. `For instance, a domain name holder may apply for a second name, but to do so he must fill out a different form. And that's where things tend to go wrong. But fortunately, automatic checks and experience enable us to detect such errors very soon. Sometimes you see an application with a company name that you have come across before.'
Moving a domain to a different provider or cancelling a domain altogether also requires close attention.

`Domains that have to be moved following an application by the holder because he wants to go to a different provider, are not too complicated', van Pijkeren says. `But if the provider wants to move a domain himself, he needs the holder's permission to do so. That requires a special effort.' Especially providers wanting to become a participant in the foundation run into this type of problem. 'Only internet providers who are participants can apply for domain names', the operator points out. `Other providers, who are often smaller, submit their applications through a provider who is a participant. Holders are then often unaware of who is the superordinate internet provider.

If such a smaller provider grows and decides to become a participant in the foundation, domain names can then be registered under his own name. But for this moving operation he must ask all his clients holding their own domain name for permission.' Buurman adds: `Especially when a provider

applies for cancellation of a domain name, the holder's permission is vital. Without this, the internet provider would be able to remove a holder from the net for instance because he fails to pay his subscription fees in time. But that is not our concern, that is a matter for parties to sort out themselves.'

Forgery
The operators also received a wrong application for domain name transfer at one time. It turned out that the holder's signature had been forged. In this way an applicant tried to gain possession of an existing domain name. `In that case the applicant simply committed forgery', van Pijkeren says. `Fortunately we found out that the signature was false. It turned out that the domain name holder was totally unaware of the application.' This is the reason why operators have become stricter in requesting information. `This is particularly so when we get an application to cancel a domain', van Pijkeren emphasizes. It happens quite frequently that forms are not filled out correctly or that data turn out to be wrong.' Both operators feel that the fact of forms being filled out incorrectly is not due to a lack of information from the foundation. `Our homepage contains an elaborate and accurate explanation on the procedures to be observed and the forms to be filled out. That things can still go wrong is often due to an internal problem with the provider in question. Unfortunately, we are often blamed for this. In some cases people get very emotional in their reactions. We always try to handle such situations with proper dignity. Four or five providers take a very critical attitude towards the foundation. We try to explain to them that the regulations really serve to protect their interests.'

'Right of appeal not often used'

Legal staff member Dirk Jan Ligtenbelt

Is the domain name applied for in accordance with the regulations? And does the applicant in fact possess corporate personality? These are the type of questions that are passed on to legal staff member Dirk Jan Ligtenbelt if the operators cannot answer them. `It is not the foundation's aim to give applicants a hard time. What we try to do in fact is to give maximum access to every party that is entitled to it', Ligtenbelt states.

Applications that are being handled by the operators, but which raise certain doubts, are passed on to the legal staff member. About twenty to twenty-five applications per day land on his desk. 'There are two categories of problems that I have to deal with', Ligtenbelt explains. `First, there is the name issue, which occurs most frequently. The other problem has to do with the legal personality of the applicant.' The rules relating to the name issue are specified in Clause 8 of the foundation regulations. One of the provisions in it is that geographical names are not granted. 'Only national embassies and consulates can claim the name of their country', Ligtenbelt says. `Similarly, the names of municipalities and provinces are granted only to the municipalities and provinces in question.' Another category of names not often granted is that of general and generic names. `Especially if the use of this type of names can give rise to misunderstandings', the legal staff member explains. `This is possible when a company or organization uses a name suggesting that it represents an entire sector.' However, umbrella organizations applying for a general name representing their sector, do stand a chance of being granted that name. `Initially, a general name will be rejected. But if the umbrella organization of e.g. volleyball in the Netherlands were to apply for the domain name `volleyball', it would stand a good chance of being granted that name after all.
But to get the domain name, they would have to use their right of appeal and to motivate in their written appeal that they do represent the entire sector covered by the name.'

Grey Area
Nevertheless, it is rather difficult to draw a clear line between general names that can and cannot be released. `There is a large grey area', says Ligtenbelt. `Take for instance the name `cat'. What does an applicant want with it? In such a case, a delegation of foundation board members decides what to do. Every week I submit a list of doubtful cases to these board members by e-mail.' If a domain name application is rejected, the applicant has the right to appeal against this decision through his provider. This should be done within 30 days. The appeal should be properly motivated and is subsequently submitted to the entire board. Ligtenbelt: `The right of appeal is often not used. Some applicants feel that the appeal procedure takes too long and they want to go on the internet as soon as possible. That is why they prefer to apply for a different name. If no appeal is submitted to the rejection, the name will be automatically blocked. Still, there are quite a few domain names among these that would stand a reasonable chance of being granted through an appeal procedure.'
Finally, a domain name must not be contrary to public order and common decency. However, no clear line can be drawn for this criterion either. 'If a name actually involves obscene language, it is simply rejected by virtue of Clause 8f', the legal staff member states. `But the names that are applied for are not often in conflict with this provision. Providers and applicants usually have a good perception of what names are and are not regarded as fit to be used on the internet.

Legal Person
The problem of the applicant's legal person is encountered less frequently than the name issue. `Private individuals cannot apply for a domain name. This means that the applicant must possess corporate personality and be able to prove this. This is usually done by means of a Chamber of Commerce extract, but some professional groups do not have to register with the Chamber of Commerce. If that is the case, they can demonstrate their corporate personality by means of their entry in a register acknowledged by the foundation.' Examples of such registers are notarial deeds of

companies, the Professional Organization of Dutch Designers and the Dutch Association of Reporters. The foundation also acknowledges a statement from the Supervisory Councils of the Dutch Bar. Independent government institutions can identify themselves by means of a statement from a higher government body. `Schools are not registered with the Chamber of Commerce either. We are currently investigating if we can use standardized information from the Ministry of Education and Science to serve as an acknowledged register.'

Disputes Concerning Domain Names
The Foundation for Internet Domain Registration in The Netherlands does not concern itself with the question whether a certain domain name might fit another company better. The applicant signs an indemnification statement to the effect that no rights of third parties are violated and that the foundation is indemnified against potential claims for damages. `Nevertheless, on several occasions the foundation already received written notifications from companies because a certain domain name had been granted to another party', Ligtenbelt says. `But there is no point in writing to us about this. We refer these people back to the holder of the disputed domain name. They have to settle their dispute in mutual consultation, either in or out of court.' The indemnification statement already mentioned also precludes the possibility of trade in domain names, in view of the great risk involved.

The legal staff member is of the opinion that trade in domain names is unlikely in the Netherlands. `Large companies often have very good lawyers. In the end the disputed domain names usually have to be either cancelled or released.' With the growth in the number of domain names, Ligtenbelt expects a corresponding growth in the number of rejections.

Annual accounts 1997

All amounts are stated in Dutch Guilders (NLG).

Balance Sheet as per 31 December 1997

Fixed assets	1997	1996
Tangible assets	80.346	4.326
Current assets		
Receivables	0	
Accounts receivable from services rendered	0	66.681
Accrued assets	361.623	290.871
	361.623	357.552
Cash at bank and in hand	1.870.998	968.283
	2.312.967	1.330.161

	1997	1996
Capital and reserves		
General reserve	1.543.173	386.167
Provisions		
Provisions for special operating risks	300.000	300.000
Current liabilities		
Debts to suppliers	297.351	79.665
Taxes	164.255	281.050
Sundry debts	8.188	283.279
	469.794	643.994
	2.312.967	1.330.161

Profit and Loss Account 1997

	1997	1996
Net turnover	3.042.647	1.397.175
Costs		
Depreciation of tangible assets	-34.760	-865
Sundry operating costs	-1.288.062	-809.833
	-1.322.822	-810.698
Operating result	1.719.825	586.477
Interest received	63.260	10.771
Result from normal operation before taxes	1.783.085	597.248
Taxes	-626.079	-211.081
Net Result	1.157.006	386.167

General Explanatory Notes

General

The Foundation for Internet Domain Registration in the Netherlands was established on 30 January 1996.

The foundation's objectives can be described as follows:

- responsible issue and registration of domain names in Internet addresses in the Netherlands, including coordination and adjustment thereof on a national and international level, at cost-neutral rates, at the request of providers for parties connected to the Internet;
- promotion of cooperation between service providers in the area of Internet domain registration on a national and international level;
- all matters directly or indirectly related or conducive thereto, in the broadest sense of the word.

Principles of Valuation and Determination of Result

General
The principles of valuation are explained hereunder in the explanatory notes to the separate balance sheet items; if there are no notes, valuation was done at nominal value.

Determination of Result
All items in the profit and loss account are accounted for in the amounts to be attributed to the year under review.

Taxes
The company tax owed is calculated on the basis of the result, taking into account exempted profit constituents. The difference between the taxes thus calculated and the taxes payable in the short term is expressed in the provision for latent tax liabilities. This provision is calculated at the applicable rate.

Notes on the Balance Sheet

Tangible assets

Tangible assets are valued at historical cost, less linear depreciation over time. The following depreciation rates are applied:

- inventory 20%
- computer hardware and software 33%

The mutations in tangible assets can be specified as follows:

1 January 1997	
Purchase value	5.191
Cumulative depreciation	-865
Book value	4.326
Mutations	
Investments	110.780
Depreciation	-34.760
	76.020
31 December 1997	
Purchase value	115.971
Cumulative depreciation	-35.625
Book value	80.346

Accounts receivable from services rendered

Debtors are valued at nominal amounts, subtracting a provision for bad debts.

The accounts receivable from services rendered can be specified as follows:

	1997	1996
Accounts receivable from services rendered	0	81.681
Provision for bad debts	0	15.000
	0	66.681

Accrued assets

	1997	1996
Interest to be received over the fourth quarter of the previous financial year	57.014	10.621
Domain mutations to be invoiced over the fourth quarter of the previous financial year	314.609	280.250
Provision for uncollectable domain mutations over the fourth quarter	-10.000	0
	361.623	290.871

Capital and reserves

General reserve
The issue of the general reserve can be specified as follows:

	1997	1996
Status as per 1 January	386.167	0
From appropriation of profits	1.157.006	386.167
Status as per 31 December	1.543.173	386.167

Provisions for special operating risks
This provision includes the cost of legal support relating to a number of fundamental legal proceedings. The foundation board expects this provision to be both necessary
and adequate.

Taxes
The taxes can be specified as follows:

	1997	1996
Status tax	-66.172	69.969
Company tax	230.427	211.081
Status as per 31 December	164.255	281.050

Sundry debts
The item sundry debts can be specified as follows:

	1997	1996
Innovation cost	0	230.100
Registration support	0	45.000
Accountant fees	5.800	5.000
Sundry debts	2.388	3.179
	8.188	283.279

Notes on the Profit and Loss Account

Net turnover
All of the net turnover was realized in the Netherlands, according to the following specification:

	1997	1996
Contributions by providers (NLG 2,500 per year)	483.422	253.600
Revenue from new domains (one-time contributions)	1.417.013	575.100
Revenue from domains (subscription fees)	1.135.631	568.475
Sundry income	6.581	0
	3.042.647	1.397.175

Sundry operating costs
The item sundry operating costs can be specified as follows:

	1997	1996
Allocation to provision for special risks	0	300.000
Office cost	1.219.944	252.114
Innovation cost	-9.888	230.100
Sundry costs	78.006	27.619
	1.288.062	809.833

Miscellaneous Data

Staff members
The foundation did not employ any staff during the year 1997.

Board members
Board members did not receive any remuneration during the year 1997.

Miscellaneous Data and Auditor's Report

Miscellaneous Data

Profit appropriation according to Articles of Association
Article 3, subsection 1 of the Articles of Association reads:

- The foundation's capital is made up of all contributions, subsidies, donations, bequests and testamentary dispositions received, as well as other assets.

Result appropriation
The board decided to add the result achieved in 1997 to the general reserve

Auditor's Report

Assignment
We have audited the 1997 annual accounts of the Foundation for Internet Domain Registration in the Netherlands at Amsterdam. The annual accounts were prepared at the responsibility of the foundation board. It is our responsibility to issue an auditor's report relating to the annual accounts.

Activities
Our audit was conducted in accordance with generally accepted auditing guidelines. These guidelines require our audit to be scheduled and performed in such a manner as to provide adequate certainty that the annual accounts do not contain any significant errors.

An audit includes an examination by means of partial observations of information in support of the financial figures and the explanatory notes to the annual accounts. Moreover, an audit comprises an assessment of the financial reporting principles used in the preparation of the annual accounts and of important estimates made by the operational management for this purpose, as well as an evaluation of the overall impression of the annual accounts. We are of the opinion that our audit provides a sound basis for our judgment.

Judgment
In our judgment the annual accounts are a true reflection of the size and composition of the capital and reserves on 31 December 1997 and of the result achieved in 1997 in accordance with generally accepted financial reporting principles; hence, they are in compliance with legal requirements regarding the annual accounts as included in Titel 9 BW2.

Arnhem, 25 February 1998,

Coopers & Lybrand N.V.