RIPE ncc

The RIPE NCC Clearing House Procedure

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Document ID: ripe-202

This document has been written to provide additional information as to the working of the clearinghouse system and should be read in conjunction with RIPE-173, General Terms and Conditions. In case of dispute, the General Terms and Conditions and the Standard RIPE NCC Service Agreement will be authoritative.

When the RIPE NCC was established as a separate legal entity it was agreed with the Dutch tax authorities that any surplus or deficit of income over expenses would be distributed among the members. The process by which this was to be done was called the clearinghouse. The clearinghouse system started with the 1998 financial year.

This process will be used to distribute any surplus of operating income over operating expenses among the current members. In the case of a shortage in the operating income over expenses, the RIPE NCC will use this procedure to distribute the shortage among all its members. For the purposes of this document these two possibilities will be referred to as surplus and deficit.

A RIPE NCC member is defined as a Local Internet Registry (LIR) that receives services from the RIPE NCC and has been invoiced a service fee for the year at issue.

Eligibility to participate in this clearinghouse procedure depends on each member's (LIR) fulfilment of financial obligations towards the RIPE NCC. All members that have fully paid their invoices within the calendar year for which they were invoiced are eligible to participate in the clearinghouse. For example: if an LIR received its invoice in June 1999 and has completely paid its invoice before the end of December 1999 it will be eligible to participate.

An exception to this principle applies to members who were invoiced during the month of December. Those members will be eligible to participate only if they have paid their invoice within 30 days of the invoice date. Members who quit during the year will not participate in that year.

The clearinghouse procedure will take place as soon as possible 90 days after receipt of the audited financial statements. Members will be informed of their share of the clearinghouse by e-mail. Starting for the 1999 financial year, this will not be later than six months after the receipt of the audited financial statements.

The first step of this process is to determine whether a member has paid their fees and then to calculate the member's percentage of the total fees paid by members during the year at issue.

The member's share of the surplus will be equal to the percentage of its fee contribution to the total fees paid to the RIPE NCC throughout the year. Fees in this case pertain only to the year in question and do not include any prior years' fees that may have been paid.

The member's percent share in the total paid fees is calculated by dividing the member's fee paid by the total of all other members' fees paid throughout the same year. For example: if member A is a small Registry that paid a fee of 450 and the total paid fees of all members during the 1999 calendar is 60,000, then the percentage is as follows:

Member A percentage share (year 1999): 450 / 60,000 = .75%

This resulting percentage will then be used to calculate the member's share of the surplus. Thus if the total surplus is 14,000, member A used in the previous example will have 105 as its share of the surplus:

Member A share in surplus (year 1999): 14,000 x .75% = 105

The surplus amount of 105 will then be put in a special member account and will be considered as credit for the member in the RIPE NCC books.

In the case of a deficit in the operating income over operating expenses, all members of the RIPE NCC who have been invoiced for that particular financial year must participate in the clearinghouse procedure. Each member's percentage share of the deficit will be equal to their percentage contribution to the total fees. In summary: All members share in a deficit and only those who have paid their invoices within the calendar year share in a surplus.

The member's percentage of the deficit is calculated using the same formula taking into consideration the participation of ALL members, whether they have paid or not, in sharing the deficit. The idea behind this is to reward those who pay on time and encourage those who do not to do so.

In the case if a surplus, only members who have paid will participate, thus the member's surplus share will be higher. In the opposite scenario, all members will participate in the sharing of the deficit, thus the cost per member will be lower.

An identical procedure will be used in following years, taking into account the addition of new members and the potential size changes of existing members. If, for example, the RIPE NCC has a shortage of 8,500 in the year 2000, the amount will be divided among all the members in proportion to the member's percent share of the total fees due for that year.

Assume that the RIPE NCC invoiced 78,000 in fees and attained a deficit of -8,500 during the year 2000. Member A from the previous example became a medium-sized member that was invoiced a service charge of 700 during that year. Whether or not member A has paid its fee, it will be liable for the following amount:

Member A percentage share (year 2000): 700 / 78,000= .90%

Member A share in the deficit (year 2000): -8,500 x .90% = -76.50

The member’s share in the deficit will then be transferred to the same member account used in the previous year. Member A who acquired a surplus of 105 in the previous year, receives a deficit amount of -76.50 at the end of the year 2000, the total account balance then becomes 35.50

Member A account balance (year 2000): 105.00-76.50 = 35.50

After completing this procedure, the member’s account will be adjusted with the amount calculated as outlined above. This amount will be registered in the financial books of the RIPE NCC as a claim of the members on the surplus of the organisation.

If the member’s account balance has exceeded three times the current (i.e. most recent) service fee of the RIPE NCC, the member will be paid the excess amount. The date of the payment will be determined by the Executive Board of the RIPE NCC.

If a member quits, any positive amount in the member’s clearinghouse account is payable when the member officially notifies the RIPE NCC that they are quitting.

For example: if the account balance of member A from the previous example exceeded 3 x 700 = 2,100., the positive difference will be paid back to the member. This example assumes that Member A will remain a medium sized registry during the third year and that the fees do not change.

Changes in registry size will also lead to different results. If a "small" registry of 1999 became a "medium" registry in 2000; its share of the operating loss is therefore greater than what it would have been as a "small" registry while it has only a share of the 1999 surplus for a "small" registry. This means that it will take longer for this registry to reach the three times the current yearly fee. The opposite is also true: if a registry goes from large or medium to medium or small. It may be able to attain the three times the current yearly fee level earlier than other registries.

The RIPE NCC Executive Board reserves the right to make changes to these procedures as necessary. The examples provided in this document do not reflect the reality of RIPE NCC and are in no way representative of management’s thinking of future results of the RIPE NCC.