

## Redistribution of the RIPE NCC 2019 Financial Surplus

As per the RIPE NCC's [Clearing House Procedure](#), the General Meeting (GM) decides whether any financial surplus should be added to the Clearing House or redistributed to the membership in the form of a reduced service fee for the following year. As this redistribution impacts both the finances of the RIPE NCC and its membership, it is voted on by the GM.

The Executive Board is proposing two models for the redistribution of the RIPE NCC's 2019 financial surplus:

- Option A: The total 2019 financial surplus will be added to the Clearing House reserve.
- Option B: 50% of the 2019 financial surplus will be added to the Clearing House reserve and 50% will be redistributed to the membership in 2020.

If neither option is approved, the total 2019 financial surplus will be redistributed to the membership in 2020, according to the existing Clearing House Procedure.

**Please note that all figures provided in this document are projections.**

### Rationale

The RIPE NCC implements a conservative investment strategy to minimise risks to its reserves. Its current capital position stands at EUR 25.4 million, it possesses adequate liquidity and is solvent. However, the financial surplus has a strong link to the one-time sign-up fees that new members pay. With an anticipated drop in membership applications following IPv4 runout, the income for 2020 is projected to be lower. Therefore, the Board proposes adding the 2019 financial surplus to the capital reserves.

Furthermore, the RIPE NCC's integrated financial risk management approach uses a target capital expense ratio of 100% as its financial reserve metric. The estimated budget for 2020 is EUR 34.4 million, indicating a need to build up capital.

The estimated financial surplus for 2019 is EUR 14.8 million, which would amount to a redistribution of approximately EUR 608 per LIR.

<b>Estimated Surplus 2019 (EUR 14,800,000)</b>	<b>Adding 100% to reserves</b>	<b>Adding 50% to reserves</b>
Surplus Total	14.8M	7.4M
Tax Percentage	25%	25%
Total to Pay in Tax	3.7M	1.8M
<b>Amount Added to Reserves</b>	<b>11.1M</b>	<b>5.6M</b>
<b>Amount Redistributed to Membership</b>	<b>0</b>	<b>7.4M</b>
Capital Expense ratio if the surplus is added to the existing reserves of EUR 25.4M	106%	90%

### **Option A: Adding the total surplus to the Clearing House reserve**

Option A proposes that the total surplus is added to the financial reserves of the RIPE NCC. This would result in the addition of approximately EUR 11.1 million to the capital reserves after tax.

The integrated risk management approach used by the RIPE NCC targets a capital expense ratio of 100% as a financial reserve metric. Adding the total estimated financial surplus for 2019 would ensure that the capital expense ratio stands at 106% of the financial reserve metric.

### **Option B: Adding 50% of the surplus to the Clearing House reserve**

Option B proposes that 50% of the total financial surplus is added to the financial reserves of the RIPE NCC and the remaining 50% is redistributed to the membership in 2020.

Under this option, approximately EUR 5.6 million will be added to the capital reserves, leading to a capital expense ratio of 90%, which is slightly below the target financial reserves. The remaining EUR 7.4 million will be redistributed among the members in 2020, amounting to approximately EUR 302 per LIR.

### **Voting on This Resolution**

Each option will be voted on individually. Each will have three voting options – YES, NO or ABSTAIN. Abstentions will be noted but will not count towards the voting results.

Votes will first be counted for Option A. If Option A receives more than 50% of the YES votes, it will be adopted by the General Meeting. In this case, the results for Option B will be noted, but will not count.

Votes will be counted for Option B *only if Option A has been rejected by the General Meeting* (receives less than 50% YES votes). Under this situation, if Option B receives more than 50% of the YES votes, it will be adopted by the GM.

If neither option is adopted, the 2019 financial surplus will be redistributed to the membership in 2020 according to the RIPE NCC Clearing House Procedure.