



**RIPE NCC**  
RIPE NETWORK COORDINATION CENTRE

# RIPE NCC Financial Update

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# Our Financial Strategy



- Not-for-profit funding model
- Our funding strategy aims to generate sufficient income so we can fulfil our obligations in a stable and predictable manner
- A flat per-LIR fee has kept things straightforward and predictable since 2013
- We maintain a low-risk profile



# Financial Update

# Financial Performance



- Compared to 2021 budget  
(2021 October YTD budget = 100%)



# Overview (2021 October YTD)



- Income EUR 34.9 million (9% above budget)
  - Sign-up fee income at EUR 5.1 million (vs EUR 2 million in 2020)
- Major increase in new LIRs
  - Total of 23,789 LIRs / 20,297 members
  - 566 LIRs opened in October / 427 closed
- Expenditure EUR 23.8 million (13% under budget)
  - Mainly due to impact of COVID-19
  - 161.1 FTEs (165.3 in October) vs budget of 170 FTEs
- A surplus of EUR 10.7 million (118% above budget)
  - 2020 surplus: EUR 11.2M

# Balance Sheet (in kEUR)



<b>Assets</b>	<b>Oct 2021</b>	<b>2020</b>	<b>Oct 2020</b>
Tangible Fixed Assets	1,587	2,323	2,152
Financial Fixed Assets	10,332	12,381	12,408
Total Current Receivables	2,556	1,861	2,767
Cash at bank and in hand	39,424	32,556	36,296
<b>Total Assets</b>	<b>53,899</b>	<b>49,121</b>	<b>53,623</b>
<b>Capital and Liabilities</b>			
Capital	43,218	32,472	43,416
Current Liabilities	10,681	16,649	10,207
<b>Total Capital and Liabilities</b>	<b>53,899</b>	<b>49,121</b>	<b>53,623</b>

# Balance Sheet (in kEUR)



<b>Capital and Liabilities</b>	<b>Oct 2021</b>	<b>2020</b>	<b>Oct 2020</b>	<b>2019</b>
Clearing House	32,472	32,234	32,234	25,460
Surplus / Deficit	10,746	238	11,182	6,774
<b>Capital</b>	<b>43,218</b>	<b>32,472</b>	<b>43,416</b>	<b>32,234</b>
Fees Redistributed	173	11,156	16	8,365
Other Current Liabilities	10,508	5,493	10,191	7,683
<b>Current Liabilities</b>	<b>10,681</b>	<b>16,649</b>	<b>10,207</b>	<b>16,048</b>
<b>Total</b>	<b>53,899</b>	<b>49,121</b>	<b>53,623</b>	<b>48,282</b>



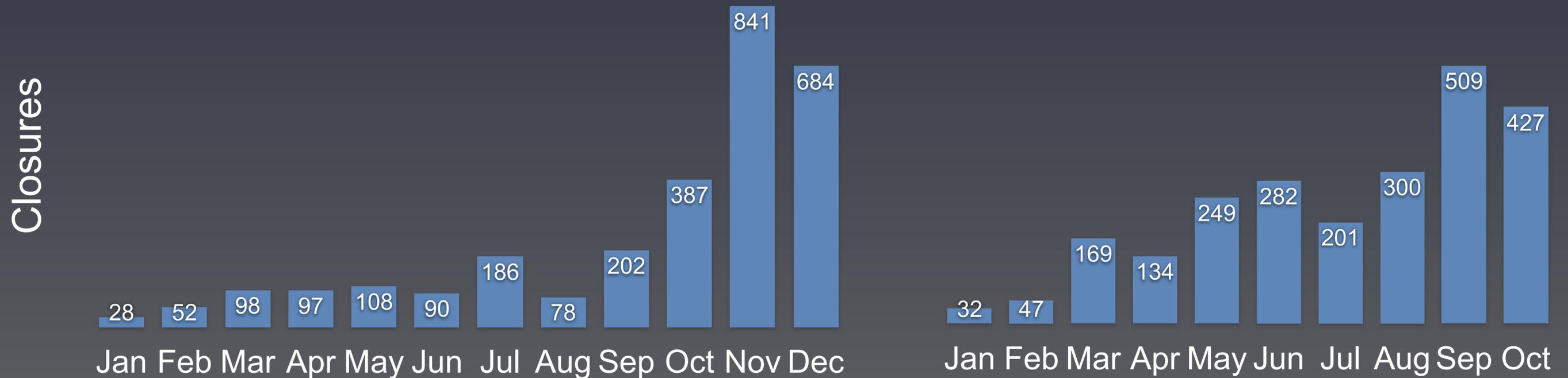
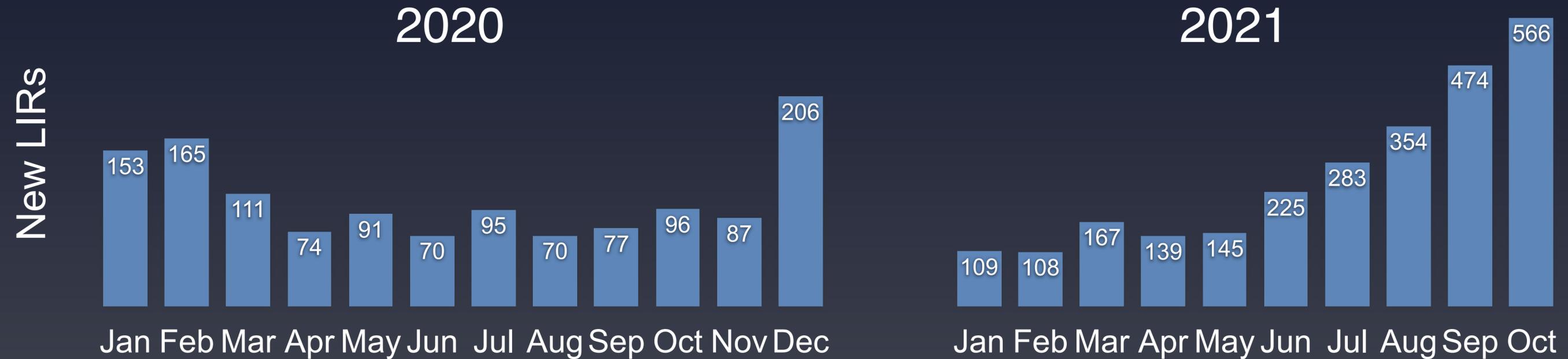
**Income**

# Income Details (2021 October YTD)

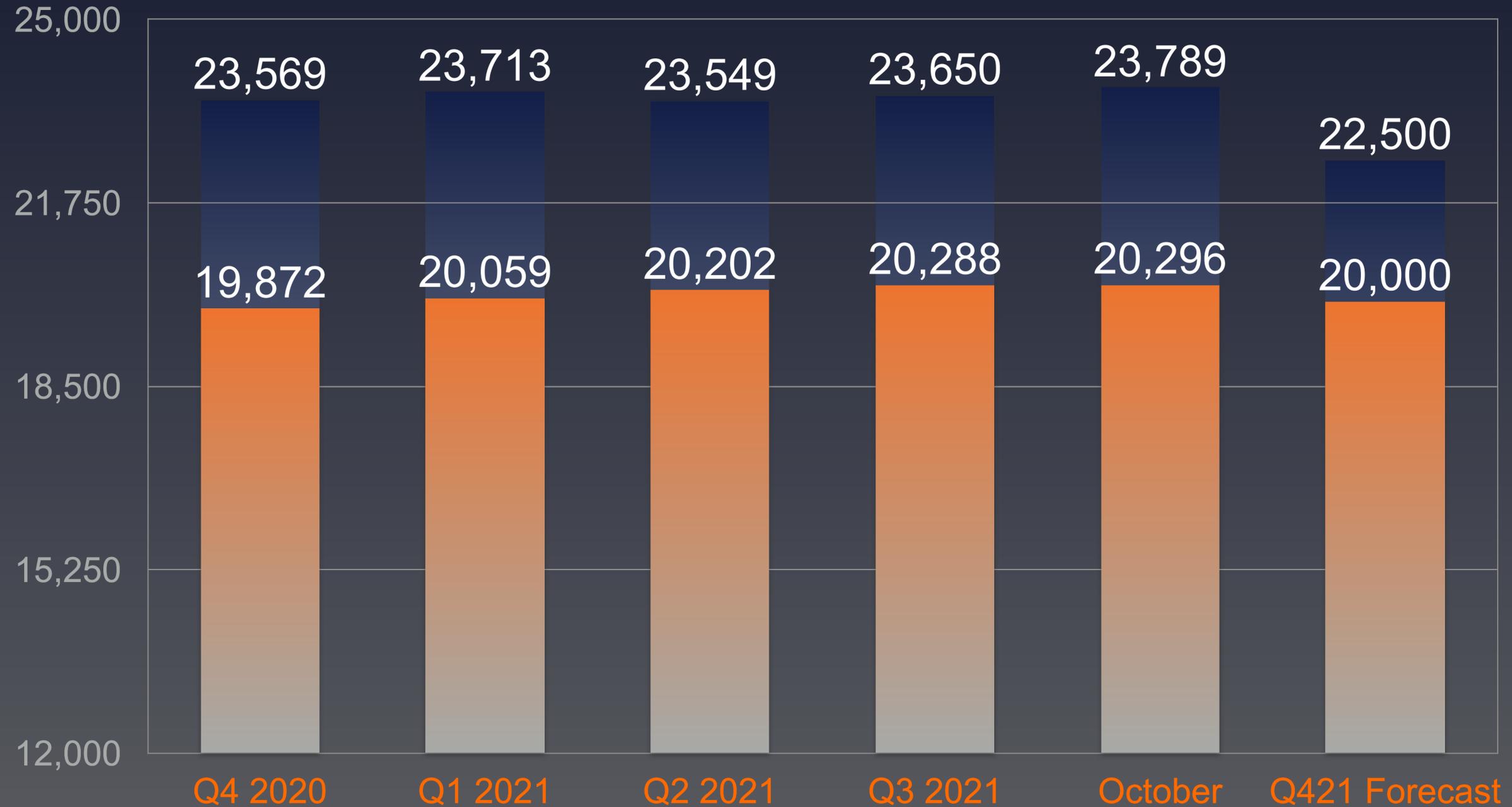


- Income EUR 34.9 million (9% higher than budgeted)
- Annual fees at EUR 29.8 million (31M in 2020)
- Sign-up fees at EUR 5.1 million (2M in 2020)
- No RIPE Meeting income (118 kEUR in budget)
- Other income is EUR 7k (254 kEUR in budget)
  - (This is mainly sponsorship)

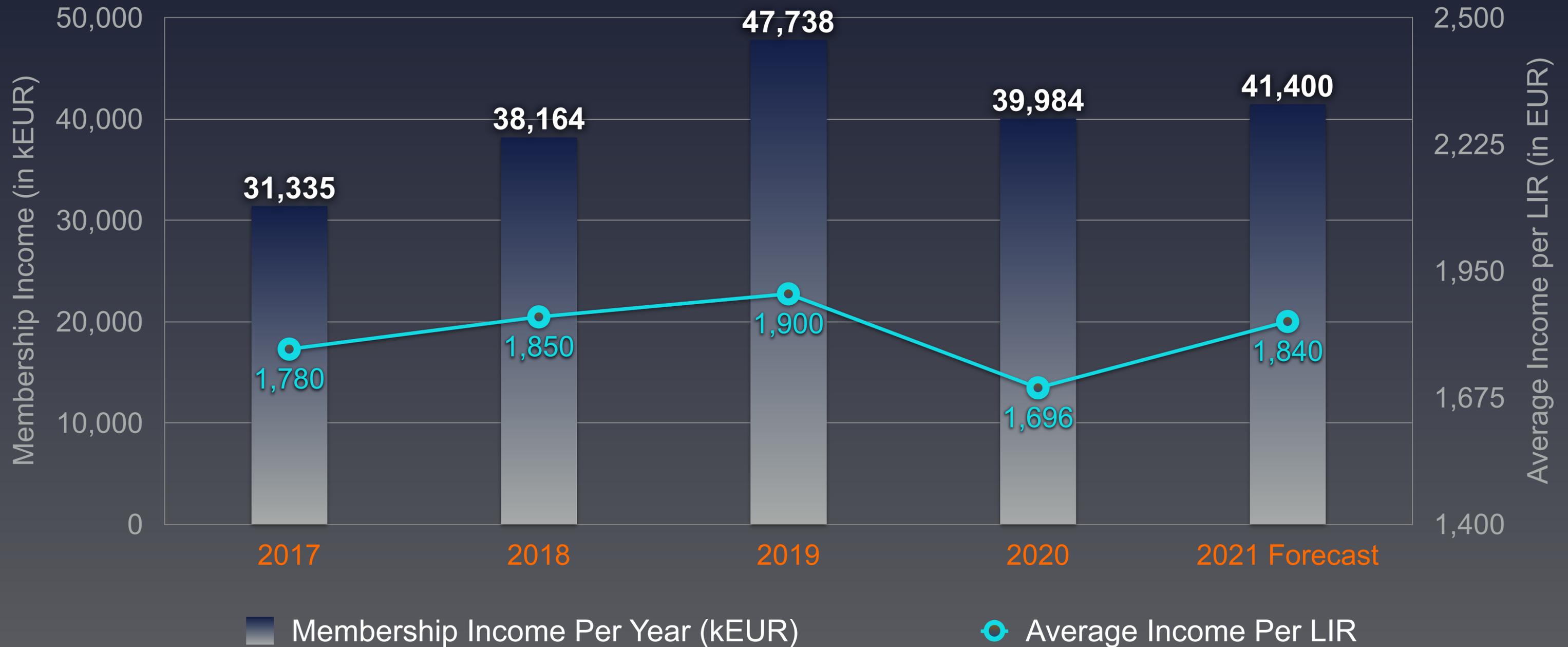
# New LIR Accounts and Closures



# Members and LIRs



# Membership Income



# Impact of COVID-19 on Income



<b>Payment Behaviour LIRs</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
On time (within 30-day payment term)	64%	56%	66%
Payment in COVID-19 extension	N/A	26%	N/A
Payment after reminders (but before final closure)	35%	17%	33%
LIR account closed for non-payment	0.2%	0.8%	0.8%
Outstanding as of 31 October 2021	1.3%	N/A	N/A

# Banking Relations (1)



- We need our banks in order to provide services
- Our banks are applying closer scrutiny to their compliance with sanctions and anti-money laundering legislation
  - This comes after two major Dutch banks were fined for non-compliance
- While we appreciate their position, a lack of clarity on our exact compliance obligations has made things difficult

# Banking Relations (2)



- We are making progress and our banks appear to feel more secure:
  - We have improved our sanctions screening
  - Supplied detailed KYC (Know Your Customer) information to our banks
- Some exposure remains, especially in countries they consider ‘high risk’ (Iran and Syria)
  - Our banks are concerned in terms of their operations in the US

# Banking Relations (3)



- What does this mean in practice?
  - We have not invoiced affected members - their payment obligations are *postponed* (not cancelled)
  - We initially postponed invoicing 453 members for their 2021 membership fee
  - 386 of these members were later invoiced in July
  - This leaves 67 members that have not yet been invoiced
- This is about concerns on the part of our banks rather than requirements under EU law
- We continue to look for a long-term solution



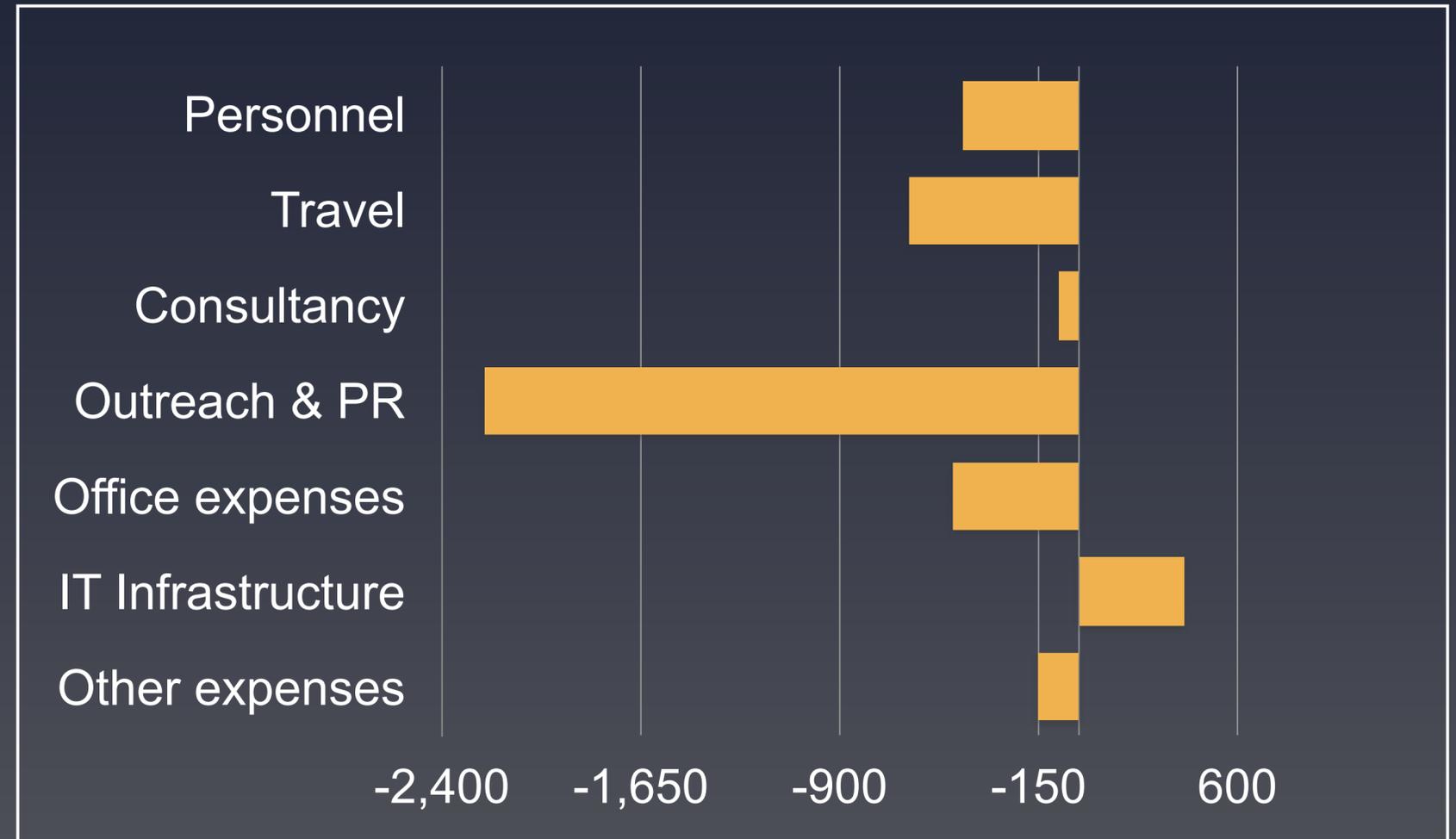
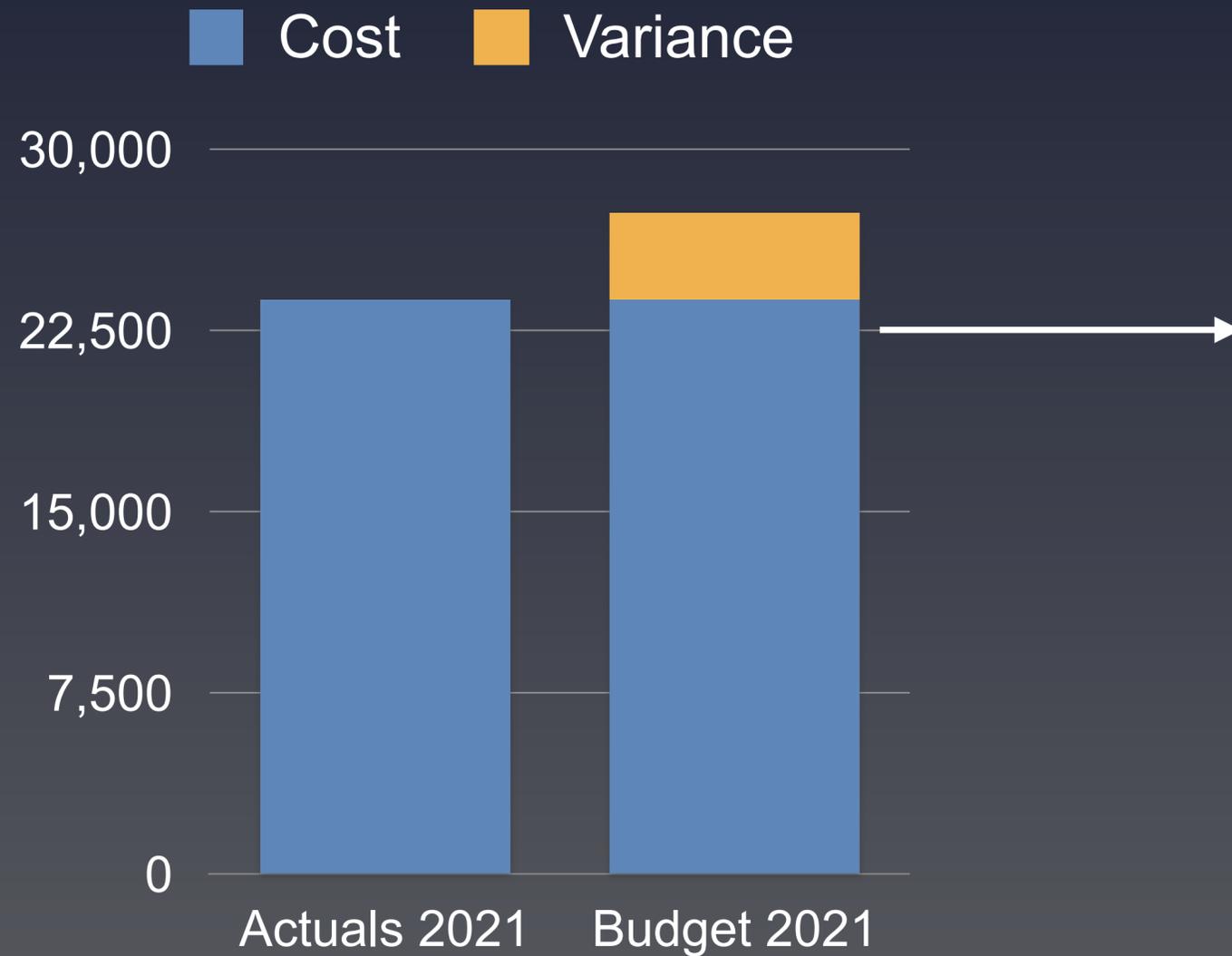
# Expenditures

# 2021 Expenditure Overview (October YTD)



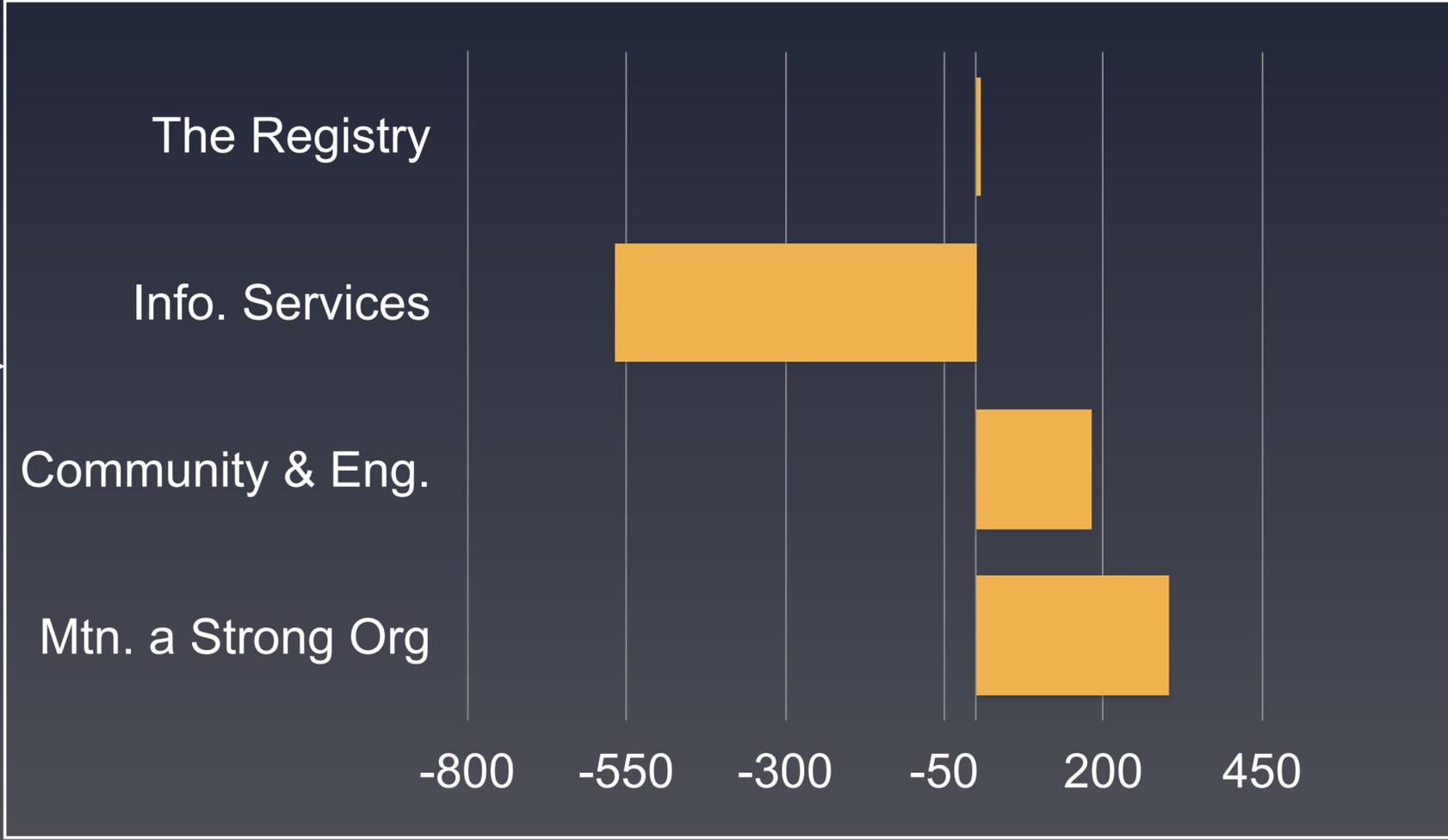
- Total expenditure was EUR 23.8 million (13% under budget)
- Payroll and Personnel expenses were EUR 14.0 million (3% under budget)
  - 161.1 FTEs (165.3) against budgeted 170 FTEs
- Other Operating Expenses (OPEX) were EUR 8.6 million (26% under budget)
- Depreciations and bad debts were EUR 1.2 million (9% under budget)

# Budget Variance (2021 October YTD)



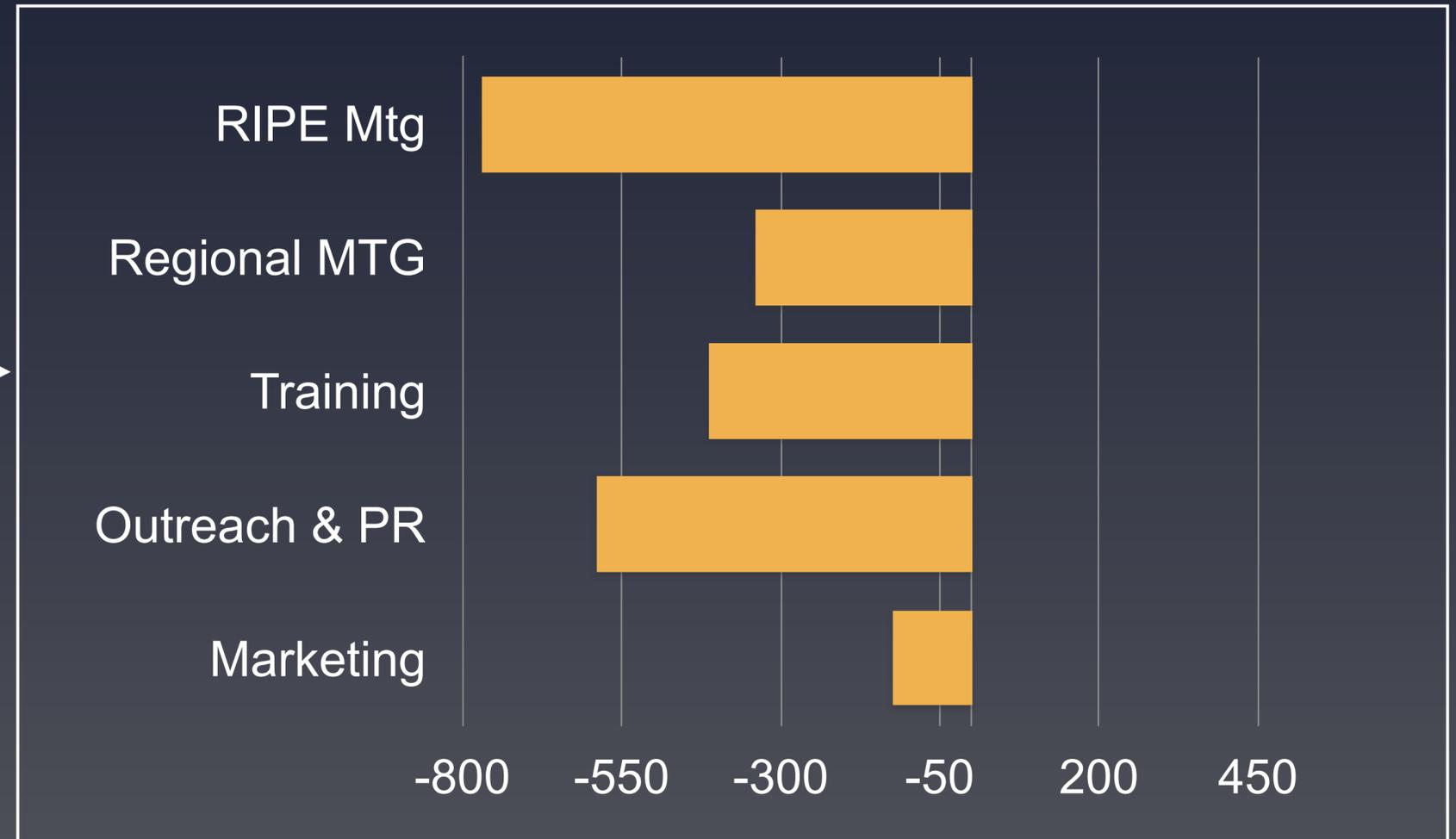
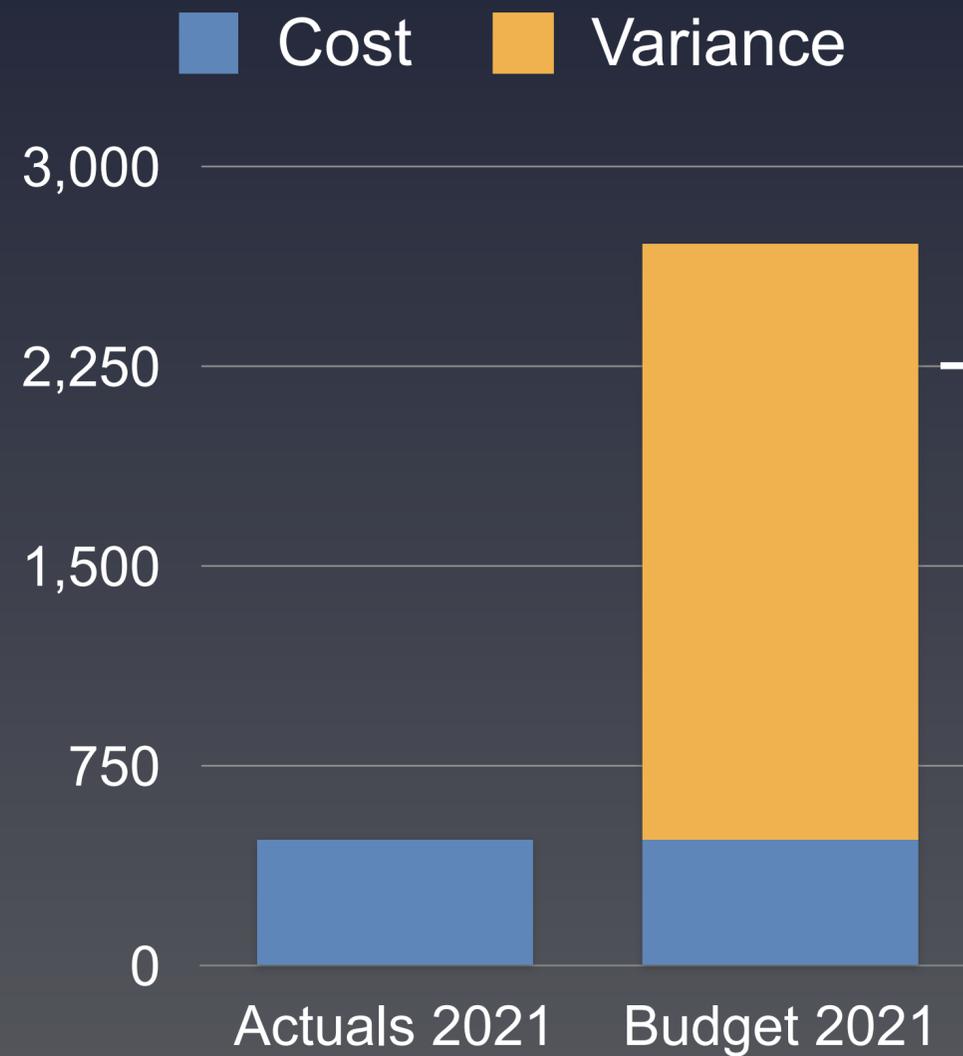
Total Variance: 3.6 million

# Consultancy (2021 October YTD)



Total Variance: 75K

# Outreach and PR (2021 October YTD)



Total Variance: 2.2 million

# Procurement (2021 October YTD)



	In EUR	Number of invoices	Average in EUR per invoice	Individual Invoices
<b>Creditors</b> (inc VAT)	10,849,118	1,405	7,722	>100KEUR 20
<b>VAT on creditor invoices</b>	1,214,977	913	1,331	
<b>Capital expenditure (BS)</b>	168,213	44	3,823	>25KEUR 1
	<b>Total Creditors</b>		<b>Average in EUR per Creditor</b>	
<b>Number of creditors</b>	287		37,802	

# Procurement Incl. VAT (1) (2021 October YTD)



<b>Suppliers with turnover above 100 kEUR</b>	<b>Activity</b>	<b>In EUR</b>
1. Staff Pension	Maintaining a Strong Organisation	1,089,835
2. IT-Housing	Information Services	748,625
3. Office Rent	Maintaining a Strong Organisation	594,103
4. Business Licences	The Registry	359,813
5. Cloud and Cloud services	Information Services	324,662
6. Software Licences	The Registry	320,041
7. Training & E-learning	Community and Engagement	307,672
8. Contributions (ICANN & NRO)	Maintaining a Strong Organisation	280,052

# Procurement Incl. VAT (2) (2021 October YTD)



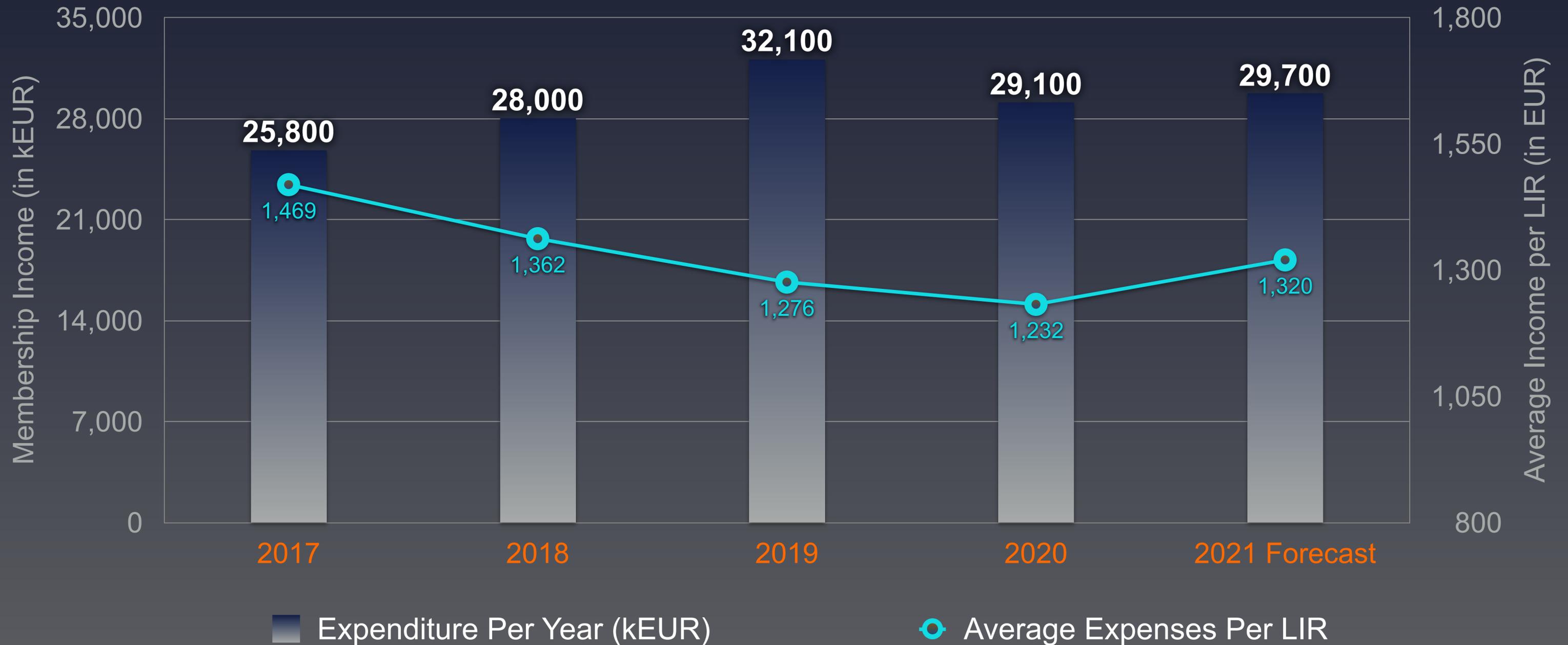
<b>Suppliers with turnover higher then 100 kEUR</b>	<b>Activity</b>	<b>In EUR</b>
9. IT Hardware & Support	Information Services	180,725
10. Laptop & ancillaries	Information Services	172,026
11. Cloud and Cloud Services	Information Services	161,534
12. Cloud and Cloud Services	Information Services	150,190
13. Software Licences	The Registry	138,295
14. Legal Advice	Maintaining a Strong Organisation	124,495
15. Contributions (IETF)	Maintaining a Strong Organisation	100,500

# Impact of COVID-19 on Expenses



- Similar to 2020
- Continue to be under budget on FTE and associated costs
- No physical meetings, in-person training courses or staff travel
- EUR 3.6 million under budget

# Expenditure





**Treasury**

# Treasury



- -388 kEUR unrealised negative financial result
  - Investment portfolio of EUR 10.3 million
  - Unrealised revaluation -398 kEUR negative
  - Unrealised interest income 131 kEUR
  - Strong fluctuations in revaluations during year - due to volatile markets
- Cash with Banks EUR 39.4 million
  - We pay +/- 0.5% negative interest on all our cash held with banks
  - -168 kEUR in negative interest accrued ytd
  - 47 kEUR positive exchange rate result
- Result - project to review Treasury Statute



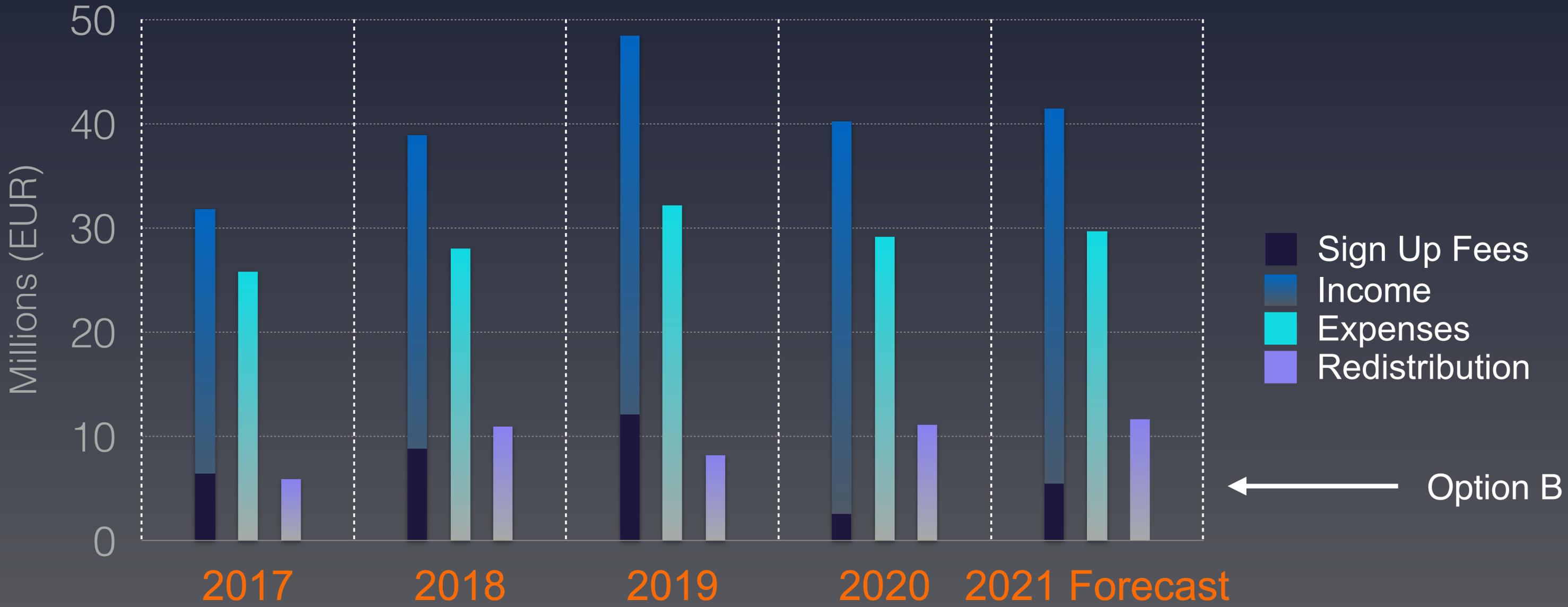
**Surplus**

# 2021 Forecast



	<b>2021</b> FORECAST	<b>Oct 2021</b>	<b>2020</b>
Income (in million EUR)	41.5	34.9	40.1
Expenses (in million EUR)	29.7	23.8	29.1
Redistribution (in million EUR)	-	-	11,0
Surplus (in million EUR)	11.6	10.7	0.2
Average redistribution per LIR (EUR)	515	450	466
Number of LIRs	22,500	23,789	23,569
Average Cost per LIR (EUR)	1,320	1,000	1,234

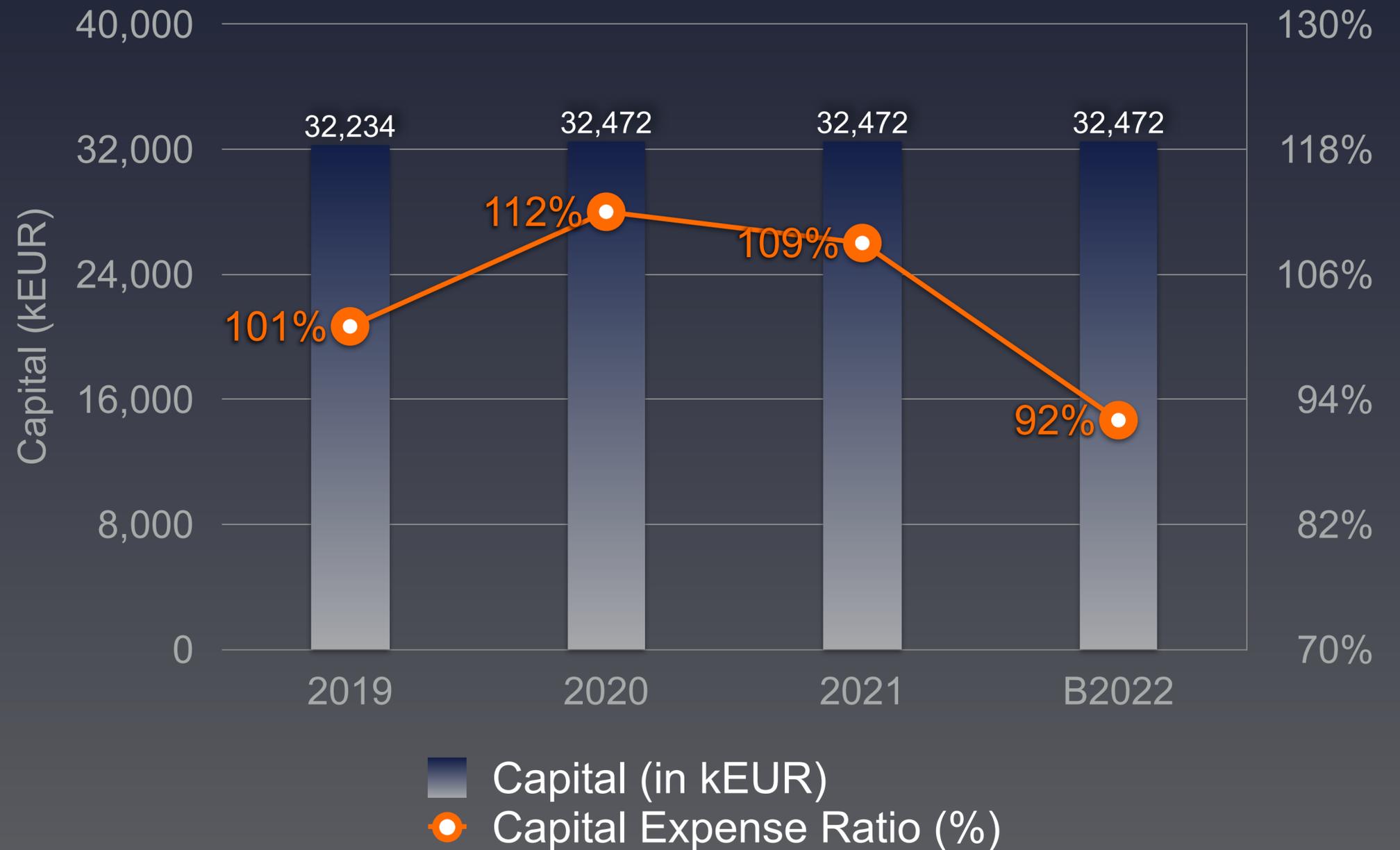
# Income and Expenditure



# Capital and Liquidity



- Balanced and healthy
- Clearing House buffer of EUR 32 million to respond to uncertainties
- We are solvent and in a robust financial position
- Ready for the future
- Redistribution?





# **Redistribution of the RIPE NCC Surplus 2021**

# Redistribution: Four Scenarios 2023-2028



Scenario	Likelihood	Assumption
1. Continuation	Most likely	Slow LIR account decrease to 20,500
2. 10% decline in income	Possible	Negative
3. 10% incline in income	Unlikely	Positive
4. Worst Case	Next to impossible	Zero income in 2023

# Five Scenarios - Assumptions 2022-2028



- Charging Scheme remains as is
- FTE remain on budget 2022 level
- Costs remain on budget 2022 level
  - Included a yearly 2% performance increase on FTE costs
  - Included 1.8% to 1% yearly inflation correction

# Rationale



Redistribution	Scenario 1: Continuation	Scenario 2: 10% Decline in Income	Scenario 3: 10% Incline in Income	Scenario 4: Worst Case
100%			X	
50%	X			
0%		X		X

- Only if we believe income will decrease more than 10% can we argue for a 0% redistribution
- 100% redistribution is possible but should be dependant on a membership and/or fee increase
- Scenario 4 warrants a 0% redistribution to ensure stability of the Internet for as long as possible

# Our Advice to the RIPE NCC Executive Board



- Advise the membership to vote for Option B, redistribute 50% of the 2021 surplus
  - Provides a Capital Expense Ratio of 100% to 110%
  - Provides a stable financial position to operate soundly and continuously, as per the intention of the clearing house
- Very likely that this is the last year that we run a large surplus
  - If nothing changes

# Capital and Liquidity



- **Option A**

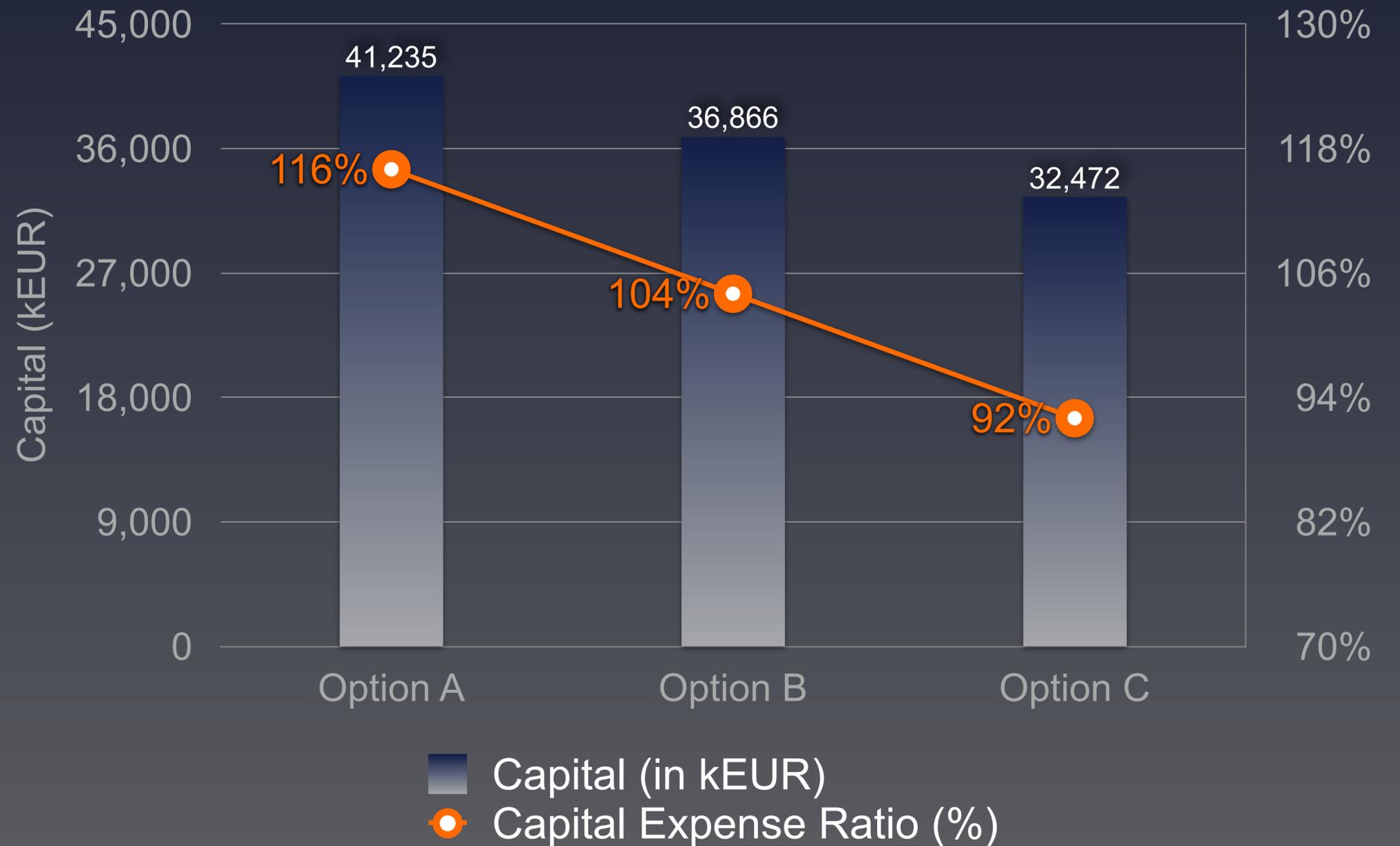
- Add to Clearing House 8,762 kEUR
- Taxes 2,888 kEUR

- **Option B**

- Add to Clearing House 4,393 KEUR
- Taxes 1,432 kEUR

- **Option C**

- Add to Clearing House 0 EUR
- Taxes 0 EUR





# Questions



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