

Members' voting rights

Analysis and discussion of consultation feedback

1. Introduction

A consultation ran from 4 May 2006 to 5 June 2006, concerning the voting rights of Nominet's membership.

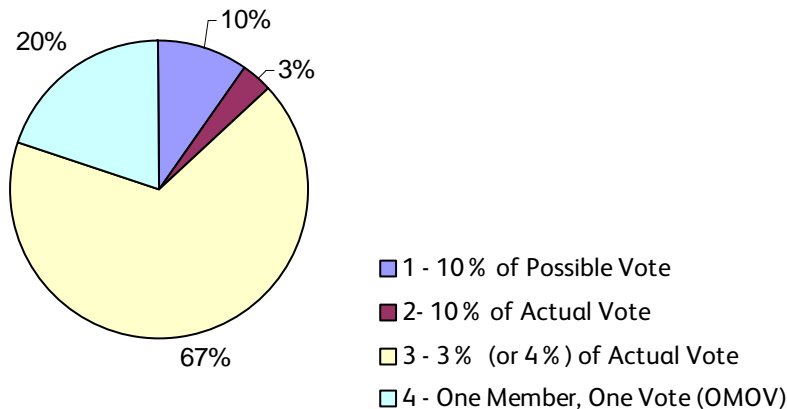
The Board asked the membership to consider 4 options, which can be broadly summarised as:

1. No change (meaning, votes capped at 10 % of *possible* votes)
2. Votes capped at 10 % of *votes cast* (as proposed at the EGM)
3. Votes capped at 3 % of *votes cast*; or
4. 'One-member, one-vote' (which would need a change to the Articles).

2. What the respondents said

2.1 The general outcome

How Many Respondents Favoured Each Option (of 30 responses)
(Option 1 is from 12 o'clock to 1 o'clock with the rest clockwise from there)



The formal responses are analysed above. Two responses favoured Option 1.

There was only one response in favour of Option 2.

Option 3 was the most popular with 20 responses in favour (including 5 responses who wanted Option 3 but with 4%). This option was also the most popular in the views expressed at Nominet events and meetings.

There was some criticism of Option 3, one member in their formal response said that "*none of the other options* [apart from Option 1]" met the requirement of "[Reflecting] *the commercial involvement of the member in the .uk name space.*" Others expressed a view that the reduction in the cap need not apply to all member votes.

Option 4 was also popular, with 7 in support, because it was perceived to protect Nominet from capture and to be fair. It was also supported by one response which favoured Option 3 as a staging post towards the goal of OMOV.

2.2 Non-linear voting

There was some support for non-linear voting, which would most likely be achieved by allocating voting rights in line with the square root of domains registered. This would both mean that, although rights would increase in line with registrations, the number of registrations required to increase rights would themselves become huge.

In reviewing this suggestion, we analysed how voting allocations would be affected. There are two potential areas of concern.

- It is less transparent than Option 3. Without access to the total number of domain registrations per member, it is impossible to work out the equal votes. Options 2 and 3 are written so members could easily calculate their own voting rights, making the process more transparent. There is concern that this proposal would complicate the calculation and promote suspicion rather than increase trust.
- It is more dependent on whether “connected” memberships have been properly linked than the current system, which increases the complexity of operational implementation.

2.3 The largest voters

Due to merger there are now two main ‘large’ voting blocks. We had a response from both.

One supported Option 1 and one supported Option 2. One of these members also asked that consultation responses be weighted in view of the voting power of the member concerned to give a fair result to all members.

2.4 Implications of raising the cap to 4%

A number of other responses suggested raising the cap to 4%. To raise the cap to 4% would lessen the impact of the changes on the largest members slightly, whilst still protecting Nominet from capture by a single party.

3. Conclusion

The majority of responses favoured Option 3. The two largest members wanted a higher cap, and one asked us to weight consultation responses to reflect voting power. A number of other responses suggested raising the cap to 4%. Others suggested the cap need not apply to all member votes.

After considering the consultation responses carefully, the Board has changed the voting rights as follows:

- votes capped at 10% of votes cast for changes to Nominet’s Articles of Association (requiring a 75% majority),
- and votes capped at 3% of votes cast for all other weighted votes, including election of non-executive Directors and changes to Nominet’s Memorandum of Association.

This takes into account the majority wish for a 3% cap on votes cast, yet also responds to the concerns of some of the larger members.

The changes will mean that at least 4 members are required to block a vote requiring a 90% majority (i.e. a vote on changes to the Memorandum of Association) and at least 3 members are required to block a vote requiring a 75% majority (i.e. a vote on changes to the Articles of Association).

The wording of the bylaw has been altered to reflect these changes.

The new voting rights take immediate effect and are published at <http://www.nominet.org.uk/governance/voting/policy>. The new voting rights will be used for the election of non-executive directors at the 2006 Annual General Meeting on 27 September 2006.