

Goals of the RIPE NCC Clearing House Reserve

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Introduction

The RIPE NCC is a not-for-profit organisation. Nevertheless, a positive or negative result can be achieved in a particular year. In principle, this would be subject to Corporate Income Tax.

However, in cooperation with the Dutch tax authorities, a special arrangement was set up to allow any surplus or deficit to accumulate in a reserve. This reserve, known as the Clearing House Reserve, gives the RIPE NCC a stable financial position to operate continuously.

The Clearing House Reserve structure was approved by the Dutch tax authorities in 1998 and began that financial year. It was amended in 2003, 2014, 2020 and in 2024.

This document outlines the goals of this Clearing House Reserve.

Goals of the RIPE NCC Clearing House Reserve

The goals of the RIPE NCC Clearing House Reserve are to:

1. Ensure short-term and long-term stability for the association by providing:
 - a. Financial flexibility
 - b. Adaptability
 - c. Confidence from stakeholders in the long-term continued operation of the association (going concern)
2. Enable the association to cope with changing circumstances in relation to economic, political, social, technological, legal and environmental circumstances.
3. Ensure that the crucial function of the RIPE NCC can be continued in a worst-case scenario.
4. Allow the RIPE NCC to be ready for a wide range of worst-case scenarios, including unforeseen ones.



This is while acknowledging that there are risks associated with holding too-high reserves.

Translating these goals into the RIPE NCC's financial target

The RIPE NCC aims to keep its Clearing House Reserve to at least 60% to 100% of the budgeted operational expenses of the current financial year.

Example: Based on the Activity Plan and Budget 2026

Total Budget Operational Expenses: 41.1M EUR

Minimum:	60%	24.7M EUR
Benchmark:	80%	32.9M EUR
Maximum:	100%	41.1M EUR

If the reserves fall below the minimum requirement of 60% or over the maximum of 100% based on the most recent audited financial report, the RIPE NCC and its Executive Board are obliged to publish a plan to ensure the reserves can either be replenished to at least the required minimum or reduced by refunding/redistributing to the membership.

Appendix:

This appendix details the RIPE NCC's reasoning behind the reserve goals and the financial target for the Clearing House Reserve.

- A. History
- B. Current status of RIPE NCC Clearing House Reserve, based on Activity Plan and Budget 2026
- C. Generic goals for financial reserves
- D. Analysis of generic reserves goals for the RIPE NCC
- E. Limiting factors for reserves

A. History

1997

RIPE Document ripe-165 "RIPE NCC Tax Position For 1998 And Beyond" was published.

In ripe-165, the overall goals of the Clearing House and Personnel Fund were:

- Stability of the RIPE NCC and stability of the European Internet
- Ability to make a loss if needed
- Ensure staff felt secure and could operate in a stable environment
- Reduce tax obligations as much as possible



2004

RIPE Document ripe-322 “RIPE NCC Clearing House Procedure” was published.

The procedure noted that the “Clearing House may equal a maximum of three times the total amount of RIPE NCC service fees in the relevant financial year as stated in the audited financial report ... the surplus or deficit that results from the audited financial statements of the financial year will be transferred to the Clearing House.”

2011

RIPE Document ripe-539 “RIPE NCC Clearing House Procedure” was published. This was an update to the previously-published ripe-322 document.

The procedure noted that “the Dutch tax authorities have set a maximum to this reserve. To avoid any taxation or payout from the Clearing House, the RIPE NCC Board and the RIPE NCC Management aim to stay within this set boundary.” Three times income at the time was +- 60 million EUR.

2014

The Clearing House Reserve agreement with the Tax Authorities was reached.

The agreement with the Tax Authorities was updated. This meant that:

- A surplus achieved in a financial year could be redistributed to the RIPE NCC’s members to ensure a break-even result, meaning a no-corporate-tax-payable position (pending a General Meeting vote)
- If the RIPE NCC adds a surplus to its reserves, this is seen as a taxable result and taxed accordingly
- Any gains or financial result achieved on the Clearing House Reserve is excluded from corporate income tax

Overall, the agreement is beneficial for the RIPE NCC as the organisation can break even without a tax payable position. Any result on our reserve is excluded from corporate income tax.

This agreement has been re-confirmed several times since 2014 and is valid up to, and including, the financial year 2028.

Overall Goals of the Clearing House Reserve based on history:

- Stability for the RIPE NCC membership association
- Ability to cope with a financial loss
- Stability for the Internet in the RIPE NCC service region
- Critical functions can be executed



- Maximum Clearing House reserves are not limited to an amount
- The RIPE NCC can add the surplus of a financial year to the reserve, but this addition is subject to corporate income tax
- Redistribution vote at the General Meeting
- A financial result achieved on the Clearing House Reserve can be added, free of corporate income tax, to our reserves, i.e. interest and return on investments

B. Current status of RIPE NCC Clearing House Reserve, based on Activity Plan and Budget 2026

Clearing House Reserve as per 31 December 2025:

- 33,663 kEUR (33,041 kEUR + 622 kEUR)
- 41,125 kEUR 2026 expense budget
- 82% of the 2026 expenses are covered by the current Clearing House Reserve
- 9.8 months (82% * 12 months) of expenses can be covered by the current Clearing House Reserve

The 9.8 months can be further extended due to:

- Limited likelihood of a worst-case scenario in which the RIPE NCC would not be able to collect 100% of all membership fees
- A worst-case scenario would need to take place in either the first two months of the year (before we have collected our income) or the last two months of the year (after we have used most of our budget) in order to have an impact requiring use of the reserves

In a worst-case scenario, non-essential spendings would be immediately stopped. Therefore, conservatively, we can add an additional four to six months to the 9.8 months.

Overall, this means the RIPE NCC is expected to be able to maintain its operation for a minimum of 15 months in case of a worst-case scenario with zero income.

Note that this conservative estimate is made based on the above assumptions, which are subject to change.

C. Generic goals for financial reserves

1. To create an internal line of credit to manage cash flow and maintain financial flexibility
2. To enable the organisation to sustain operations through delays in payment of committed funding
3. To cover unexpected costs or future financial obligations (e.g. litigation)
4. To pay for one-time, non-recurring expenses that will build capacity, such as staff development, research and development, or restructure/re-organisation of the entity
5. To ensure a handover/continuation of a function that is essential for society or a wider community



6. To demonstrate stability and longevity to stakeholders
7. To cover a wide variety of worst-case scenarios

D. Analysis of generic reserve goals for the RIPE NCC

RIPE NCC financial risk appetite

The RIPE NCC has assumed a low-risk appetite (as stated in the Treasury Statute) for financial risk. As the RIPE NCC is a membership association, all funds the RIPE NCC manages are, and should be, used for the benefit of the membership. This is why the RIPE NCC limits the risk it takes with the funds it manages.

To create an internal line of credit to manage cash flow and maintain financial flexibility

The RIPE NCC invoices and collects its annual membership fees early in the financial year, meaning the majority of its budgeted income is collected before the end of Q1 of the financial year.

In practice, this means there is a line of credit and financial flexibility without the need to use the Clearing House Reserve. There could be a potential need for a line of credit in Q1, which the current reserves could provide.

To enable the organisation to sustain operations through delays in payment of committed funding

The RIPE NCC has experienced delays in the collection of committed funding due to sanctions and Dutch banks' classification of Ultra High Risk Countries since the end of 2021.

- From 2022 to 2025, this has delayed the payment of committed funding of 1 to 1.5 million EUR on an annual basis
- The reserves can cover these specific membership delays for 22.4 years (EUR 33.6M reserve EUR 1.5M/year)

This is, however, a clear example that these delays are a real risk the RIPE NCC needs to be able to cope with. In this case, it has been limited to 1.5 million EUR annually. But looking at our large and very diverse service region, we can not rule out that a similar or additional situation could occur in the future. Depending on the region and/or country, this could have a significant impact on the income of the RIPE NCC.

To cover unexpected cost or future financial obligations

The RIPE NCC has held stable reserves over the past few years, indicating that overall the chance of unexpected costs is low. Future financial commitments outside of the approved budget requires additional approval by the RIPE NCC Executive Board.

However, with IP resources being at the heart of the Internet, and the financial interest of a multitude of stakeholders within the RIPE NCC's membership and beyond, litigation



resulting in required payment of damages cannot be ruled out. Please note, a delicate balance needs to be found with the height of the reserves to ensure comfort so operations can continue while ensuring the reserves themselves do not become a target.

To pay for one-time, non-recurring expenses that will build capacity, such as staff development, research and development or restructure/re-organisation of the entity

Due to the ever-changing nature of the service region, the RIPE NCC needs to be able to attract or develop staff with specific knowledge. A clear example is the increased compliance requirements over the past few years. New developments could require investment in staff development, or in an extreme case, a restructure or re-organisation to cope with major changes in our service region and/or compliance requirements.

To ensure a handover/continuation of a function that is essential for society or a wider community

The RIPE NCC's services are essential to the functioning of the Internet. If a worst-case scenario materialised in which the RIPE NCC could no longer, or is not allowed, to execute these functions, then these functions would need to be continued somehow. Sufficient reserves can help ensure that a handover of this core function for the benefit of our members can be financed from the reserves, guaranteeing continued functioning of the Internet.

To demonstrate stability and longevity to stakeholders

With the not-for-profit aim of the RIPE NCC, the reserves help to convey the message of stability and longevity to all its stakeholders, from members to suppliers. This ensures the RIPE NCC is seen as a serious business partner. With no or low reserves there is a risk that stakeholders can start doubting the RIPE NCC as a going concern. This could seriously impact the RIPE NCC's ability to provide the services it does.

To cover a wide variety of worst-case scenarios

There could be several worst-case scenarios that cannot be foreseen or predicted. Other than sufficient financial reserves, there is no way to protect the RIPE NCC from these unknowns.

E. Limiting factors for reserves

Reserves that are too high can impact an association negatively, bringing a risk of complacency, spending getting out of hand, hubris or bad investments.

Reserves that are too high can also increase the risk of litigation - the more money that is available, the more rewarding it could be to litigate and claim damages.