Vertical Integration cont.

WT2 │ 15 June 2017

Introduction

- While the discussion today will continue the discussion on Vertical Integration, as stated previously by the leadership team, the intention is not to start from scratch. At this stage, returning to a completely vertically separated environment is impractical and not intended to be the focus of our work.

- Because Vertical Integration is now a reality, the leadership team does not believe this PDP should start from scratch on these concepts, but rather work on modifications that allow the realization of the benefits of vertical integration while at the same time mitigating any concerns or issues that have arisen with vertically integrated entities.

Agenda

1 Topics for ICANN59

2 Vertical Integration Recap

3 Continuing the Discussion on VI

4 Answers from Compliance

1. Topics for ICANN59 Johannesburg

⊙ We need to choose topics to continue discussion on in Johannesburg. We have covered all of our topics at least once. At this point, no consensus has been reached on any of these topics. In order to facilitate valuable time at Johannesburg, we will choose 2 topics to continue the discussion on.

⊙ It is the view of this WT2 leadership that the two topics we choose should be ones which we have already engaged in great detail or topics that require more discussion before any kind of framework for consensus can be gathered.

⊙ As a recommendation, we highlight the following topics that could be potential areas for further discussion:
  ⊙ Registry Agreement
  ⊙ Closed Generics
  ⊙ Registrant Protections

1. Topics for ICANN59 Johannesburg cont.

List of WT2 Topics.

Base Registry Agreement
Registrant Protections
Reserved Names
Closed Generics
Applicant Terms and Conditions
Registrar Non Discrimination & Registry / Registrar Separation
Registry / Registrar Standardization
TLD Rollout
Contractual Compliance
Global Public Interest

2. Recap of last call on Vertical Integration

- **Origins of VI (Vertical Integration):** We went over the history of VI, looked at why it was an issue, and why it VI was prohibited.
- **Status Quo in 2007:** We briefly looked at the fact that, aside from the requirement to use an accredited registrar and equal treatment of registrars, GNSO Policy did not address VI. Also, we noted that the cross-ownership for registrars and registries was not the same.
- **Potential Concerns and Benefits of VI:** We reviewed the <u>potential concerns:</u> harmful to competition, inequitable access to registry services or data, more complex compliance, easier to engage in domain tasting, and impact on registrant choice and the <u>potential benefits:</u> help of economy scales, helpful to TLDs (single-user) with limited registrant base, and registry distribution channel.
- **Journey to the current state:** We discussed how a PDP was conducted for VI and, while the PDP did not reach consensus, a previous board decision to not allow VI was overturned to allow for VI with mitigating terms.
- **Registry code of conduct and exceptions:** We looked at how an exemption could be granted to the Code of Conduct, but at the same time Section 2.8 and 2.9 are still a requirement for all registries.

3. Continuing the VI discussion

- ⊙ While there was much discussion in the last call and no consensus has been reached, it was decided that we should look at whether or not there have been cases of the potential concerns raised in regards to VI. To do so, staff reached out to compliance for answers to the following questions.
    1. Has Contractual Compliance received any complaints about and related to vertically integrated entities?
        a. If so, have any been determined to have a foundation?
        b. If so, are there any statistics or other information you might be able to share?
    2. In performing audits of registries and registrars, is vertical integration an element of the reviews?
        a. If so, are there any statistics or other information you might be able to share?

    ※Answers to these questions will be reviewed in a separate document.