It is impossible to know or completely understand all potential business models that may be represented by new gTLD applicants. That fact is an obstacle to finding consensus on policy that defines clear, bright line rules for allowing vertical integration and a compliance framework to support it while ensuring that such policy is practical and beneficial in the public interest.

However, it is recognized that certain new gTLDs likely to be applied for in the first round that will be negatively impacted by restrictions on cross-ownership or control between registrar and registry.   In order to preserve a level playing field and to increase competition and innovation, any restrictions on cross-ownership or control must be counterbalanced by an exceptions process for those negatively affected by these restrictions.

This proposal presents a default policy while allowing for applicants to request exceptions and be considered on a case by case basis. Exceptions would be granted when the applicant can establish a reasonable case that the new gTLD will be at a competitive disadvantage vis-à-vis non-integrated registry/registrar combinations because of these restrictions.

1. The default policy:

a. [TBD]

b. This policy will apply to all applicants except those requesting evaluation under and successfully passing the exception criteria. In cases where the facts of competitive disadvantage cannot be established until after operations are begun (e.g., "orphan" registries), the exception may be requested and granted, but only exercised when circumstances warrant.

2. Exception Criteria:

a. Where the registry cannot find unaffiliated registrars to offer its gTLD to the public. In order to prevent "greenmail" efforts by registrars who will pretend to offer the gTLD and then demand cash or other favors to promote it effectively, at least three registrars, unaffiliated with each other, must apply to the registry to distribute the gTLD (and distribute it in fact, in a timely manner) or the exception may be granted.

b. Where the gTLD caters primarily to a specific language group, and where the registry cannot find unaffiliated registrars who will offer its gTLD in an order process in that language.

c. The applicant may define criteria reasonably related to the purpose of its gTLD as conditions for Accredited Registrar participation, but may not otherwise discriminate or restrict Accredited Registrar access.

There should be no additional cost to the applicant for requesting the exception or for being evaluated for it. The evaluation will take place at an appropriate point following the Initial Evaluation. If the request is denied, the applicant may withdraw and receive the appropriate pro-rated refund.