



Administering a gTLD Organization in the Financial Services Industry

REVISED JULY 2011

Disclaimer:

This whitepaper has been prepared as an overview for prospective generic top-level domain (gTLD) consortia in the financial services industry. This industry has been selected as an example, but many of the matters discussed would apply equally to other prospective gTLD consortia.

Without knowing specific details regarding a specific financial services gTLD, Alliances Management has had to make several assumptions—and present correspondingly generic recommendations. Any client-specific proposals would be customized for its gTLD requirements. This is not to be construed as an offer of services or pricing guarantee.

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INTRODUCTION

For years, the Internet Corporation for Assigned Names and Numbers (ICANN) has been working on an initiative to open up generic top-level domains (gTLDs). As initially conceived, its program would allow for applicants to apply for new gTLDs as a private brand (i.e. .Coke)¹, a geography (i.e. .California), a community (i.e. .lawyers), or a generic concept (i.e. .love). With the latter three categories, ICANN has indicated that it would likely award the gTLD to consortia that have been formed to represent broad swaths of a particular community.

In June 2011, ICANN released its Final Application Guidebook, which provides a roadmap to the evaluation and launch of new gTLDs. The “Communication Period” was established as the second half of 2011, with the intention being to educate companies and communities about new gTLDs. During the first three-and-a-half months of 2012, ICANN will accept applications for organizations wishing to apply for a new gTLD. Following a review period, ICANN is expected to announce the first set of new gTLDs in November 2011, and these new gTLDs are expected to actually go live in late 2012. Those interested in more specifics about ICANN’s gTLD process should visit [ICANN’s website](#).

As an association management company that specializes in governance and administration for consortia, Alliances Management is particularly interested in the way that ICANN’s rules will lead to the formation of new communities to act as stewards for a particular new gTLD. The purpose of this paper is to discuss, in general terms, some of the issues that communities will face if they hope to submit an application to ICANN for a new gTLD. In order to provide adequate context and details, this paper speaks to a prospective association in the financial services industry. It should be noted, however, that communities in different industries would face parallel questions—and, thus, this paper should provide insight for any organization considering a new gTLD application.

While our recommendations would certainly change for a specific gTLD application, this document provides a general framework. It should be noted, however, that this is not intended to serve as an offer of services or pricing guarantee.

WHY FORM A FINANCIAL SERVICES gTLD CONSORTIUM?

The gTLD opportunity is fundamentally a different value proposition for the financial services industry as a whole. To understand why, it is important to first understand the motivations of other potential gTLD applicants—and then to contrast other financial services opportunities.

Consider first that there will be for-profit entities that wish to register geographic (.California) or generic (.love) gTLDs. Successful geographic gTLDs will be driven by a desire to differentiate regional players. In a market with continually decreasing second-level domain availability, owning a particular name within a gTLD—pizza, books, cars, rent, etc.—will be highly desirable. Successful generic gTLDs will

¹ All referenced trademarks in this document are examples only and remain the property of their respective owners.

have a variety of business models, with much of the demand coming from a desire to capitalize on the immediate emotional connection to a particular term—“love,” “green,” or “world,” to name a few.

While the financial services industry no doubt has many of these same motives, there will be an added layer of concern: a desire to protect individual brand equity or ensure the integrity of the overall market.

Individual brands, such as Visa or Bank of America, may wish to register their corporate names. Some will do so to merely as a defensive action (to prevent another organization from acquiring the domain) while others will leverage the new domain for new initiatives, such as internal email or managing security and distributor relationships.

These examples contrast sharply to the incentives of major players within the financial services industry to protect the terms associated with the industry overall—.finance, .payments, .bank, .credit, .insurance, and .investment to name a few. If for no other reason than defense, the financial services industry would be wise to consider the potential negative fallout if a rogue group were to obtain control of key terminology. However, as strong as this defensive incentive is, it should not be overshadowed by the opportunity that this gTLD process affords to the financial services industry.

The greatest benefit of the gTLD expansion is the opportunity for industries and consortia to differentiate industry players and extend legitimacy to member organizations. Today’s .com world, open as it is, fails to provide the general public with information regarding an organization’s legitimacy. A financial services consortium could, merely by screening domain applicants to ensure that they are legitimate players, establish its new gTLD as the industry leader in the eyes of financial services stakeholders. In an industry focused on security and authentication, a clearinghouse that distinguishes between legitimate and illegitimate actors would be powerful indeed.

Finally, if it wished to do so, a financial services gTLD could build out its new gTLD brand beyond the domain business. With the legitimacy of a properly administered organization, the new gTLD consortium could expand into the certification, standardization, or other markets.

Because protecting the integrity of the financial services industry is paramount, Alliances Management believes that forming consortia to address financial services concerns is the correct way to ensure that the financial services industry maintains ownership of associated terminology.

FORMING THE CONSORTIUM

Alliances Management recommends that international and/or U.S.-based consortia incorporate in the U.S. State of Delaware. This is because of the legal and legislative benefits afforded to organizations as part of the State’s three-tiered statutory framework that protects Directors and Officers—regardless of where the organization actually conducts business. If the consortium that forms does not wish to operate in the United States, a different venue may be more appropriate.

Incorporating, however, requires considerably more than selecting a country. Wise consortium Founders recognize that the long-term stability of an alliance is directly proportional to the thought and effort put

in upfront. The Company bylaws and the organizational structure should be written in such a way as to both provide Founders with rights and to allow the organization to evolve fairly over time. It is critical to anticipate voting rights and requirements, the process for admission of new membership, how organizational disputes will be resolved, and what activities are considered in and out of scope. Furthermore, because the motives of a financial services gTLD may be other than profit, it is necessary to predetermine the organization's anticipated and fallback financial sustainability models.

With these considerations in mind, the high-level checklist below comprises many of the items that must be considered and completed in the process of forming a financial services gTLD consortium:

- Selection of law firm with experience incorporating financial services consortia
- Selection of association management firm with experience administering financial services consortia
- Identifying Founding Membership, as well as upfront financial commitment and ongoing management responsibilities
- Defining the organizational structure, including Membership classes, working groups, committees, and the process to join
- Establishing voting rights
- Defining processes and procedures for ongoing operational and financial success
- Defining and/or limiting organizational scope, including a statement of purpose geared toward winning an ICANN bid
- Drafting and filing incorporation papers
- Drafting and filing organizational bylaws
- Establishing bank accounts, place of business, and first-line of communications

It is important to reiterate that the above list focuses on the recommended steps to form a gTLD consortium. The next section provides recommended steps for governing, administering, and managing a gTLD consortium.

GOVERNING, ADMINISTERING, & MANAGING THE CONSORTIUM

The concept of forming a consortium for the purposes of administering a gTLD is relatively new. However, association management is not. There are core considerations to creating and managing a consortium that balances the needs of companies in the financial services industry.

It is important to note that consortia in the financial services industry can differ from those in other industries because of antitrust/anticompetitive concerns, typical preference for a consensus decision-making, and a need to allow for inclusion of future membership. With these in mind, Alliances Management suggests that a financial services gTLD consortium implement its policies with a focus on ensuring that founding members maintain an initial controlling interest within a structure that is designed to evolve to a more democratic membership system.

The high-level checklist below comprises many of the items that must be considered and completed to ensure effective and efficient governance, administration, and management of a gTLD consortium in the financial services industry:

- Election of a Board of Directors, per the defined process established in the bylaws
- Establishment of working groups, along with the process for defining Chairs and other representatives
- Identify key owner of ICANN relationship and processes for ICANN interaction
- Identify and establish a relationship with a chosen registry service
- Identify key service providers beyond the chosen legal and association management firms— auditor, PR firm, marketing service providers, technical writers, and other
- Creation of gTLD domain application, standards, and review process
- Creation of gTLD domain customer service processes
- Creation of Board and working group meeting calendar
- Defining support requirements for Board and working groups
- Formal meeting minutes and action item follow-up
- Establishment of clear financial control processes, with oversight provided at the Board level
- Meeting, conference, and event planning services
- Website & IT infrastructure build-out
- Legal management
- Marketing support & management
- General administrative needs

It is important to note that each consortium has different needs but that gTLD consortia in the financial services industry should place higher emphasis on the financial control processes, security, and confirming eligibility for member and/or domain ownership eligibility.

In the next section, we construct three scenarios for a prospective financial services gTLD and discuss the ramifications, cost considerations, and options for each.

SCENARIOS & IMPORTANT CONSIDERATIONS

The previous sections have provided a generic overview of the considerations that a financial services gTLD consortium will face. This general framework, however, fails to provide context regarding the relative complexity that a particular gTLD consortium chooses to implement. While associate management companies understand the broad range of services and considerations required to operate a consortium, the precise level of support will vary based upon the needs of a particular organization.

The following three scenarios seek to provide examples of what a gTLD organization will face as a result of its organizational scope and objectives. It is important to note that, under all of the scenarios below, a consortium will face similar upfront expenses to form the organization. Regardless of the size and complexity of the consortium, it is responsible to assume that legal reviews, production of bylaws and articles of incorporation, and structuring the organization and voting rights will require a reasonably consistent amount of time and investment.

SCENARIO #1: SIMPLE gTLD GOVERNANCE

Let us first consider a reasonably simple gTLD alliance in the financial services industry: Ten organizations that come together to form a consortium to apply for—and win—the .investment gTLD. In this example, the founding membership wishes to keep the scope of the .investment gTLD organization simple. As such, only the ten founding members will be allowed to leverage .investment URLs. This means that there will be little to no need for ongoing processing of applications for new domains. Furthermore, the founding membership does not want to get into the business of detailed security reviews. Accordingly, the Board of Directors decides that members seeking to use a .investment URL will need only to provide a third-party security certificate to the Board.

With this simple business model in place, all that would be left for this organization to do on an ongoing basis would be to review members' internal applications and to discuss new ways to market and position the value proposition so that consumers come to appreciate the value of a .investment URL. The time and money to manage the organization will be minimal compared to more complex gTLD consortia. Let us make the following assumptions about this simplified .investment gTLD consortium:

- Core membership of 10 founding organizations
- No expectation of ongoing, expanded membership
- Board of Directors manages all decisions—with an Association Management Company executing on the Board's primary directives
- No working groups or task forces are required for specific aspects of the business
- Rubber-stamp gTLD application process for internal members upon confirmation of third party certificate
- Two face-to-face meetings annually
- 2-4 Board conference calls annually
- Public-facing but simple and informative website, with no internal website for private access
- Simple financial and budget management
- Occasional legal interface and management of legal tasks
- Semi-annual publication of newsletter and "best practices" press release

In this scenario, the .investment gTLD consortium would still require day-to-day assistance. There would be a need to process the applications, interface with chosen vendors, execute Board actions, process financials, update the website, plan meetings, and take care of general administrative functions. But, the organizational chart and costs would be simpler and lower, respectively.

Estimated Startup Costs: \$40,000 - \$75,000²

Estimated Annual Management: \$100,000-\$150,000

² All startup and annual management estimates throughout this document pertain only to association management expenses. These figures do not include the ICANN application fee, registry impounds, annual registry services (payable to a company such as Verisign), and others as required by ICANN. Alliances Management can provide a more complete estimate of these fees—based on the company's understanding of the new gTLD landscape—under NDA.

SCENARIO #2: THE COMPLEX gTLD ORGANIZATION

Next, let us consider what would happen if the .investment gTLD consortium were to be founded with a different set of requirements and objectives. For this scenario, assume that membership is expected to fluctuate, the composition of the Board of Directors is expected to change over time, a more detailed gTLD application process is required, multiple layers of membership are required, specific working groups will be required to issue business and technical recommendations, and there will be considerably more meetings and calls.

This type of financial services gTLD consortium would be expected in an established industry with a large potential group of players. Under this scenario, we must assume that there is a need to evolve and that the organization's mission will inevitably change as it discovers more about what the .investment gTLD means to the industry. The purpose of multiple membership tiers (along with accompanying differences in voting rights) is to allow large financial institutions with large resources and organizational scope to shoulder more of the costs and, accordingly, have more of a say in the organization's direction. Furthermore, establishing the working groups ensures that the decisions made by the organization will be reached.

In this scenario, the .investment gTLD consortium would have a more complex organization, which would necessitate more meetings, more application processing, and both internal and public-facing IT systems. Let us make the following assumptions about this more complex gTLD consortium:

- Founding membership of ten organizations
- Two tiers of membership with different associated voting rights
 - Primary Members hold a permanent Board of Directors seat and contribute more financial resources annually
 - Associate Members hold 1/3 voting rights and, amongst themselves, elect one Member to the Board of Directors for every three Associate Members
 - Membership in both categories can expand or contract over time
- 2-6 Working Groups are established—and comprised of both Associate and Primary Members. These groups span all aspects of the .investment gTLD consortium: security, marketing, application processing, new initiatives, specifications, and compliance, and each group has meetings throughout the year
- The Board of Directors makes all ultimate decisions, but a two-thirds majority vote is required for all decisions
- An Association Management Company still executes on the Board's primary directives, but there are increased expectations in the following areas:
 - Managing the ICANN relationship
 - Managing the chosen registry relationship
 - Managing and marshaling a PR firm and associated strategy
- The gTLD application process is opened to both Members and non-Members alike; application review requires a multi-step process of confirming the organization's identity and second-level domain eligibility
- 4-6 face-to-face meetings annually

- Monthly Board of Directors conference calls, with six calls annually for each Working Group
- Public-facing but simple website, plus a requirement for an internal website with private access so as to manage document distribution, meeting planning, approval of minutes, and more
- Monthly financial reporting and budgeting exercises with Board of Directors and Working Groups
- Management of legal matters, including those related to the admission of new membership
- Creation and driving of PR strategy for ongoing evolution of the organization

In this scenario, the .investment gTLD consortium would not only require day-to-day assistance, but also proactive management of the organization's many initiatives and coordination amongst groups. The attention required for processing of gTLD applications and verification would increase, as would the amount of time required for website and action item execution. This organization would require the services of several people with clearly defined skills and expertise.

Estimated Startup Costs: \$50,000 - \$85,000

Estimated Annual Management: \$300,000 - \$400,000

SCENARIO #3: EXPANDING BEYOND THE gTLD

This scenario is an expansion of Scenario #2. We now assume that the .investment gTLD consortium has three requirements that go beyond the scope explained above: active working groups that have project management requirements and client service arrangements within the working group itself, a desire to have public-facing meetings for the entire industry, and the launch of a certification program designed to increase industry acceptance of the .investment gTLD. It should be noted that these activities could increase revenues to the consortium, or the membership could choose to initiate them at a loss for reasons such as industry goodwill. We will discuss each of these in turn.

First, in many consortia, working groups complete their activities with participating membership's work efforts. However, let us assume that the Applications Processing Working Group of the .investment gTLD establishes a formal review process that is onerous enough so as to grow beyond the capabilities of the working group participants themselves. While the working group establishes application requirements and rules on questionable applications, they have a need for additional assistance to review applications, conduct organizational audits, and more. Accordingly, they can either establish sub-task forces (requiring more membership effort) or hire outside contractors. Multiply this need by several working groups, and it is easy to see how the workload could rapidly expand.

Second, it may be that the .investment gTLD consortium wishes to expand its reach beyond the financial services membership that is making the organization's key decisions. Let us assume that the organization were to choose to hold two industry-wide events—three-day meetings that offer discussions of best practices and opportunities to learn about the .investment initiative. This requirement not only layers on the need to plan these events, but also to build out the infrastructure to accept payments, market the initiative, process invoices, and more.

Third, let us assume that the .investment gTLD wishes to launch a certification program for participating organizations. Based on the industry's perceptions, the membership decides that it would be worthwhile to launch a program that allows for users of .investment domains to apply separately for use of one of three certifications—diversified, low fees, and charity-certified. The purpose of these marks would be to signal to consumers that the service they are using has been confirmed to provide diversified investment options, charge fees below the industry average, or donate money to authorized charities, respectively. If a gTLD consortium, such as our fictional .investment gTLD discussed here, were to believe that such a program would help to accomplish goals in the market, there would be reason to launch it. Administering and governing such a program, however, could be time-intensive and expensive.

Thus, in this scenario, the .investment gTLD consortium would require all of the services discussed under Scenario #2, along with new working groups and task forces to address the issues discussed above, additional association management support for event planning and certification assistance, and the use of more contractors to address the specialized skill sets required.

Estimated Startup Costs: \$50,000 - \$95,000

Estimated Annual Management: \$500,000 +