

## ICANN Seeks Public Comment: Supporting the DNS Industry in Underserved Regions

14 May 2014

ICANN is exploring ideas and strategies to help promote the DNS industry in regions that have typically been underserved. In particular, ICANN is looking at existing barriers to Registrar Accreditation and operation and considering ways that these challenges might be mitigated. Public comments on this report will be used to determine next steps to support the DNS industry in underserved regions.

As of 16 April 2014, there were 1,010 ICANN-accredited Registrars. Of those, seven are located in Africa. Fourteen are located in the Middle East.

Barriers to participation in DNS-related business in regions such as Africa and the Middle East are complex and some cannot be addressed by ICANN without coordination with the greater community. Many of these issues have been recognized and discussed for some time. ICANN staff is therefore seeking input to determine how best to transform this discussion into concrete results.

To encourage participation of developing countries to date, ICANN has, for example, created a fellowship program, participated in many regional meetings and increased the availability of translated materials and interpretation services, engendering participation within ICANN.

Additionally, in August 2012, ICANN announced a new approach to Africa, with the support of AFRINIC, including a new initiative aimed at increasing African participation and influence within ICANN.<sup>1</sup> A working group was created and endorsed by the African community members meeting in Prague. The working group included key players in Internet governance from different regions in Africa to contribute to the development of the new strategy. The working group selected Nii Quaynor of Ghana, a well-respected Internet leader in Africa, to lead its efforts. The working group published its report, Enhanced Registry Registrar Relationships, on 13 July 2013 (see Annex at the end of this report).

Members of the DNS community in the Middle East community have taken a similar approach. Middle East community members created a working group in early 2013 to develop an ICANN engagement strategy for the Middle East. The Middle East strategy identified DNS industry development as one area where more work needs to be done. ICANN has since co-sponsored a number of DNS Forum events in the Middle East, Africa, and Asia.<sup>2</sup>

ICANN recently held a session on this topic at the March 2014 ICANN meeting in Singapore.<sup>3</sup> At the session, ICANN solicited considerable input from attendees about the challenges facing the DNS industry in underserved regions and began discussions to explore potential solutions.

The following table summarizes input that ICANN has received to date regarding the challenges that face the DNS industry in underserved regions. ICANN welcomes input on any

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<sup>1</sup> See <http://www.icann.org/en/news/announcements/announcement-10aug12-en.htm>

<sup>2</sup> <http://blog.icann.org/2014/02/first-middle-east-dns-forum-overwhelmingly-successful/> ;  
<http://www.internetsociety.org/news/africa-domain-name-system-forum-be-held-durban-south-africa-12-13-july-2013>

<sup>3</sup> <http://singapore49.icann.org/en/schedule/wed-dns-underserved>

issue that poses a barrier to DNS industry growth and participation in underserved regions (whether reflected in the table below or not). In addition to identifying the relevant issue, the table notes where the requirement lies (e.g., in relevant policies or contracts or in the marketplace), lists solutions that have been proposed and explores how such solutions might be implemented.

The ultimate goal of this endeavor is to create an actionable road map that will allow ICANN and the greater ICANN community to begin addressing these challenges in the marketplace. The public comment period will remain open for 21 days followed by a 21-day reply period. Public comments will be considered by ICANN staff in planning next steps.

Issue	Community-Proposed Solutions	Possible Implementation Paths	Relevant Parties
<p><b>1) Registry-Registrar Agreements</b> The legal framework underpinning the shared registration system is complicated.</p> <p>Each registry may have a unique Registry-Registrar Agreement (RRA). Understanding and entering into these agreements can be challenging for registrars with limited legal resources, particularly if the registrar's primary language is not that of the registry.</p>	<p>A) ICANN could create a clearinghouse to facilitate registry/registrar contracting.</p> <p>B) ICANN could help by creating proposed standard language for RRAs.</p>	<p>A) ICANN is in the final stages of launching the Automated Registrar Onboarding System (AROS). AROS will provide a central mechanism for Registrars to interact with Registries and sign onto Registry-Registrar Agreements.</p> <p>B) The New gTLD Program Guidebook does not specify a uniform RRA and, in fact, allows each registry to create its own RRA to serve its unique circumstances. Registries could convene a working group to explore potential solutions in this area (beyond use of AROS).</p>	<p>Registries Registrars ICANN</p>

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<p><b>2) Insurance</b> In order to become accredited, applicants must procure Commercial General Liability (CGL) insurance (or something substantially similar) with a liability limit of at least US\$500,000.<sup>4</sup> Many registries also require registrars to maintain CGL insurance in at least that amount, and in some cases, a greater amount. This type of insurance is sometimes not widely available in a registrar's country or insurers might not be inclined to provide insurance because they don't understand the business or industry well.</p>	<p>A) ICANN could revisit requirement and determine whether it still serves the intended purposes.</p> <p>B) ICANN could create variable insurance requirement depending on eligibility criteria, such as the number of anticipated customers or degree of apparent risk, after surveying the environment in underserved regions.</p> <p>C) ICANN should engage in dialog with insurance carriers so that policies can be purchased at reasonable rates. ICANN could invite insurance companies from underserved regions to attend ICANN meetings or otherwise encourage their participation in the registrar insurance marketplace.</p> <p>D) Insurance companies could become accredited by ICANN and registrars could choose from accredited providers. Or ICANN could publish a list of insurance companies who are known to serve existing registrar businesses.</p>	<p>A) Some flexibility already exists with regard to the ICANN insurance requirement in the Statement of Registrar Accreditation Policy (see footnote 4), but the RAA itself incorporates an explicit requirement to maintain US\$500,000 in CGL coverage. This could be addressed through an amendment to the RAA or the granting of waivers to individual registrars.</p> <p>B) Informal conversations have been started with some registries who have indicated varying degrees of potential flexibility on this requirement. Registries could convene a working group to explore and consider alternatives to this requirement that would still meet their needs.</p>	<p>ICANN Registrars Registries Insurance Companies</p>

<sup>4</sup> The Statement of Registrar Accreditation Policy provides:

*To qualify for accreditation as a registrar, the applicant will be required to:*

[ \* \* \* ] 3. Offer to agree to have, and demonstrate an ability to obtain, commercial general liability insurance in effect during the accreditation period in an amount sufficient, given the registration volume reasonably projected by applicant, to provide domain-name holders reasonable compensation for losses caused by the applicant's wrongful covered acts. A policy limit in the amount of US\$500,000 or more will be deemed sufficient, although a lesser limit will be accepted upon a showing that it provides for reasonable compensation in the circumstances. [ \* \* \* ] <http://www.icann.org/en/resources/registrars/accreditation/policy-statement#IIA3>

Issue	Community-Proposed Solutions	Possible Implementation Paths	Relevant Parties
	E) Registries could be encouraged to adopt more flexible requirements.		

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<p><b>3) Registry Account Funding</b>  Many registries require registrars to deposit funds with the registry in advance of registration activity.</p> <p>With the launch of new gTLDs, even small deposit requirements can quickly become burdensome for registrars who don't necessarily anticipate large registration numbers in every gTLD.</p> <p>But Registrars might feel the need to offer as many TLDs as possible to be competitive.</p>	<p>A) ICANN could act as a payment clearinghouse or enable banks to act as clearinghouses in which a single deposit could be made and applied to against transactions at multiple registries.</p> <p>B) Registries could be encouraged to adopt a sliding deposit schedule.</p>	<p>A) This issue could be posed to the Registry Stakeholder Group for feedback.</p> <p>B) The marketplace may resolve many of these issues. In fact, some registries are reportedly not currently requiring advance deposits.</p>	<p>Registries  Registrars  ICANN</p>

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<p><b>4) Costs of Accreditation</b>            ICANN-accredited registrars must pay accreditation fees and are directly responsible for compliance with accreditation agreements and consensus policies, yet the registration growth rate in some regions makes it difficult to offset those costs. This may make it difficult for Registrars to compete with resellers who might have lower costs, or at least, lower fixed costs. Additionally, applicants for registrar accreditation must demonstrate sufficient capitalization, typically by demonstrating access to US\$70,000 in liquid capital. This might be a difficult threshold due to local monetary conditions.</p>	<p>A) Registrars' ICANN fees could be reduced and scaled (e.g., reduced in the first year).</p> <p>B) The \$70,000 liquid working capital requirement could be changed to a variable requirement depending on location or expected transaction volume.</p> <p>C) ICANN should create a program like the new gTLDs Joint Applicant Support program to help interested and otherwise qualified companies from underserved regions.</p>	<p>A) While the annual registrar accreditation fee is fixed, there is a provision for partial forgiveness of the variable fee for smaller registrars. Additional revisions to the fee schedule would have to be made through ICANN's annual budgeting process.</p> <p>B) The liquid working capital requirement already has some flexibility.<sup>5</sup> This gives staff discretion to consider whether a registrar is sufficiently capitalized independent of the liquid working capital requirement. ICANN could identify alternative measures of sufficient capitalization (in lieu of the \$70,000 requirement).</p> <p>C) ICANN could explore establishing a financial registrar support program (in addition to the fee subsidies discussed above).</p>	<p>Registrars            ICANN (Board)</p>

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<sup>5</sup> ICANN's statement of Registrar Accreditation Policy states, "For applicants seeking initial accreditation, demonstration of the ability to procure liquid capital immediately available in the applicant's name at the commencement of the accreditation period in an amount of US\$70,000 or more will be deemed adequate, although a lesser amount will be accepted upon a showing that in the circumstances it will provide adequate working capital," <http://www.icann.org/en/resources/registrars/accreditation/policy-statement>.

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<p><b>5) Operator Expertise</b>            Innovation will help fuel marketplace growth. But in underserved regions, people with expertise might be harder to find. Participants in underserved markets could use help in implementing best security and marketing practices.</p>	<p>A) ICANN should increase educational outreach in underserved regions.</p> <p>B) ICANN should create special training programs to train more DNS experts in underserved regions.</p> <p>C) ICANN should facilitate a mentor program where experienced DNS businesses can help businesses in underserved regions.</p>	<p>A) Staff has begun efforts to conduct greater regional training opportunities (such as the 2013 RAA training sessions held in Los Angeles, Berlin, Xiamen, and Buenos Aires in 2013). Additional opportunities for training of newly contracted parties could be offered.</p> <p>B) Some significant efforts have been made to encourage innovation and entrepreneurship in the DNS space. As an example, the National Telecommunication Regulatory Authority of Egypt and ICANN are working on a project to establish a DNS Entrepreneurship Center to foster DNS sector growth in Africa and the Middle East. Other such centers could follow, using the same model.</p> <p>C) ICANN could encourage the development of residency programs where individuals interested in starting a registrar business could visit experienced DNS businesses and learn how it works. Experienced DNS businesses could also sign up to mentor new and existing DNS industry businesses in underserved regions.</p>	<p>ICANN            Registrars            Registries            Governments            Community</p>



Issue	Community-Proposed Solutions	Possible Implementation Paths	Relevant Parties
<p><b>6) Participation in Policy-Making</b> Policy-making at ICANN and in other venues affects smaller, growing businesses in underserved regions as much as larger businesses, but participation in policy-making work might be harder for these smaller businesses.</p>	<p>A) ICANN should continue the Fellowship program and give more seats to small businesses from underserved regions.</p> <p>B) ICANN should increase the amount of translated materials for registrar use.</p>	<p>A) ICANN could revisit the criteria for fellowships</p> <p>B) ICANN could provide additional resources to stakeholder groups for translation of documents and real time interpretation during meetings and calls.</p>	<p>Registrars ICANN Community</p>
<p><b>7) Consumer Awareness</b> Regions that don't have strong domain name marketplaces may have consumers who require more education because there is a lack of trust in a system that is not well known.</p>	<p>A) ICANN should partner with other Internet structures (RIRs, ISOC, etc) to launch awareness campaigns in underserved regions, participate in local Internet events to explain the DNS business; convene more DNS forum events.</p> <p>B) ICANN should work with regional bureaus and ALAC structures of underserved regions and help establish more of same.</p>	<p>A) Registries are naturally incented to perform marketing in their regions, particularly with newly available strings and IDNs. ICANN could explore whether additional marketing efforts (by ICANN) would be worthwhile. This effort might require consideration during ICANN's budgeting process.</p> <p>B) ICANN should continue participating in local Internet events and convene more DNS forum events.</p>	<p>Registries Registrars ICANN Community</p>

## Annex: 13 July 2013 Report: Enhanced Registry Registrar Relationships

### Enhanced Registry Registrar Relationships

By

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13 July 2013

#### Introduction

A public community process was initiated in July 2012 to develop an Africa in ICANN strategy. The recommendations of the Africa Strategy working group was unveiled at ICANN meeting in Toronto in October.

Among the recommendations was the need to promote the development of the domain name business industry in Africa. Following these the Vice President, Stakeholder Engagement Africa convened a stakeholder meeting in Addis Ababa in March 2013 to discuss the Africa strategy and to contribute to concrete actionable proposals for implementation.

One of the key outcomes was a challenge by the President of ICANN for Africa to build 20 Registrars in the shortest possible time. The African Registrars and technical service providers present in Addis constituted themselves into a working group to develop some concrete proposals for ICANN's consideration. The working group took into consideration the opportunities and challenges that would come with the introduction of new gTLDs.

This report presents the work of the group. The report is organized in three parts. The first part enumerates the barriers to growth of Registrars in Africa. The second part suggests solutions that can alleviate the problems and the third part provides recommendations.

#### Barriers

In discussions we identified problems that hinder growth in four areas namely: contract agreements, insurance, payment for domains and how to reach critical mass of registrations. See Figure 1

The working group analyzed these in the context of significantly increased Registries and in face of competition from resellers of more established international Registrars.

1. Contract Agreements - normally the Registrar signs an agreement with ICANN that authorizes it to sign additional agreements with each of Registries they intend to

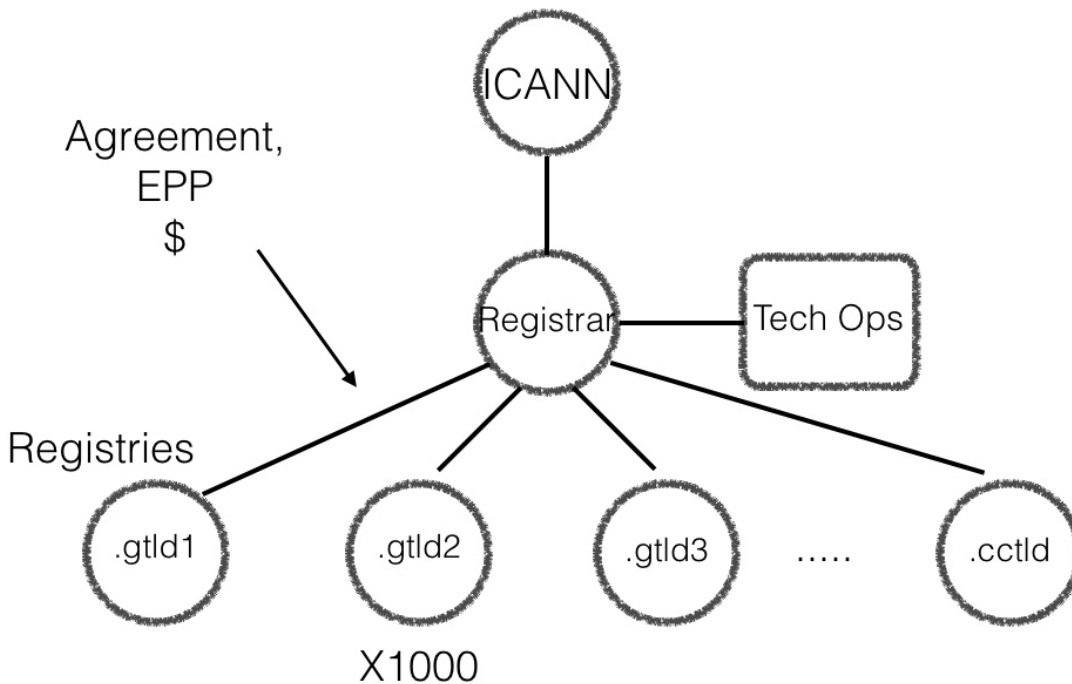
register names in. Thus, the Registrar has to sign  $N+1$  agreements where  $N$  is the number of Registries. With the increased number of Registries potentially more than 1000, it is difficult to require an African Registrar to sign 1000 agreements. Each agreement is different and may involve legal assistance for better understanding. All these generate huge administration for a small Registrar startup.

2. Insurance - it is required for Registrars to have insurance cover of at least \$500,000 and this insurance requirement may vary from ICANN to Registry. This has been cited as a challenge to Registrars who often can't find insurance companies in their countries to underwrite for various reasons. In some cases the insurance companies do not sufficiently understand the domain name business to provide the insurance and in other cases the charges are exorbitant. Some Registrars have resorted to using US companies to provide the insurance creating more foreign currency pressures for the Registrar.

3. Payment for domains - Registrars would deposit funds with each Registry they want to register names in. The Registry allows registrations as long as there is enough money to pay for the price of the domain name. Hence the Registrar must deposit funds in each of the Registries and keep replenishing as needed. Thus as the number of Registries increase more funds of the Registrar would be locked unused in different Registries. The tied capital will be significantly increased as the number of Registries increased leading to Registrars not able to offer many of the domains.

4. Critical mass of registrations - the Registrar business is a high volume low price business and thus there is a minimum number of registrations the Registrar needs in order to be sustainable. This minimum varies with the suite of domain names on offer but almost always is several thousands of names. All the African Registrars registrations are below this critical mass making it difficult for the Registrars to compete. This is worsened by the increased number of Resellers operating in the region.

Figure 1: Registrar Relationships



### Proposed Solutions

These solutions have been proposed. See illustration in Figure 2.

1. Contract Agreement - the variation in agreements to be signed between Registrar and ICANN and Registrar and other Registries ought to be reduced. Ideally there would be only one agreement and the variable portion of strings and prices would be addendum to the agreement.

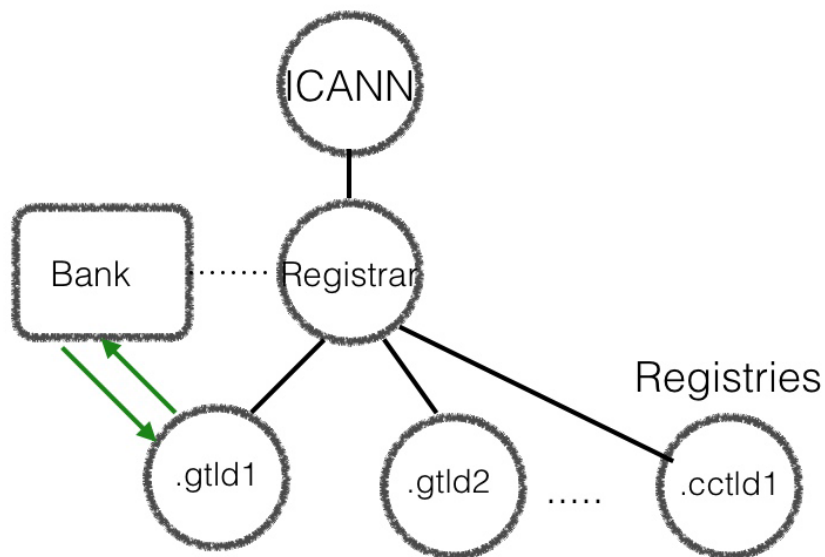
2. Insurance - it is proposed that insurance companies become accredited members of ICANN and Registrars would select one of these insurance companies to provide insurance cover. This would make insurance uniform and remove it as a barrier for new Registrars. It would also make it possible for ICANN to underwrite a portion of insurance cost if so desired. This further will grow the ICANN community with new type of constituency.

3. Payment for domains - it is proposed that banks become accredited members of ICANN and Registrars designate one of the banks as payment instrument. In this formulation each Registrar ID is associated with a Bank ID. The Registrar consolidates its deposits to the bank with corresponding Bank ID not at each Registry. A protocol for Registries to query banks with Registrar ID for balances and

to commit payments for domains. This approach is efficient from point of view of use of Registrar deposits as funds are consolidated and not fragmented or locked up. This approach also brings in new accredited members into the ICANN community.

4. Critical mass of registrations - the RIRs have a precedence in which new RIRs are supported with resources. It is proposed that similar spirit of cooperation in expanding the domain name market be adopted in solving the challenge of building critical mass of African Registrars. In such a program global Registrars may transfer their African registrations to African Registrars. Two implementation options were identified. The first was a one time bulk transfer of registrations to African Registrars in equal amounts. The second approach is to make it easy for African registrants to transfer to African Registrars. An implementation might be that global Registrars inform expiring African registrants of the African Registrars and permit the registrants to transfer readily.

Figure 2: Example with Bank in Structure



### Conclusion

Institutional Support to African Registrars to become more structured and included in the global Registrar Ecosystem is discussed. The relevant communities, constituencies and SOs need to further discuss the recommendations herein and make programs and policies that address the issues.

Recommendations include training sessions for Registrars on business issues such as Legal Issues, Complaints Process, Compliance processes.

Build stronger Registry-Registrars Relationship.

Incubators for Young Entrepreneurs who want to invest in Domain Name Industry to create more Jobs, more opportunities for Young People in Africa.

Incubators and mentoring to develop the DNS industry in Africa.

Trust Insurance and Banks to address the issue to be the Guarantee and the Funding to support the industry.