

## **Accreditation by Purchase**

### **Issue:**

Incorporate provisions in the Registrar Accreditation Agreement (RAA) to govern the terms under which a registrar can be sold and continue to retain its ICANN accreditation.

### **Background:**

While ICANN follows specific guidelines, which include requiring applicants to meet certain minimum qualification to become an ICANN accredited gTLD registrar, there are other means by which an entity can acquire accreditation rights. The two primary mechanisms are to apply for an assignment of the accreditation by ICANN from one company to another. The other mechanism is for one entity to acquire the entire assets of a company that holds an ICANN accreditation. The assignment process is similar to the initial application process and receives extensive scrutiny, while the latter can be done without consulting ICANN and without the new owner satisfying the qualification requirements. Parties interested in becoming ICANN accredited without the scrutiny of the application process can avoid this by acquiring an existing registrar.

### **Statement of Problem:**

The process followed to consider an application for accreditation includes requiring that certain qualifications be met and, as part of the application process, ICANN conducts various background investigations into the entity and its principal owners, partners, and managers. When an applicant appears to be poorly suited for accreditation purposes, it is encouraged to withdraw the application or to change the underlying factors until it meets the requisite qualifications. An entity that bypasses this process by purchasing a previously approved entity, can function with the ICANN accreditation and hold itself out in the marketplace as though it had met all of the qualifications. In fact, there are companies that market existing accredited registrars to other entities for this purpose. (RegisterFly acquired its accreditation in this manner.)

Since ICANN approves companies, not individuals, a company with a new owner is still the entity that had been approved; hence additional contractual terms might be required to impose conditions on new owners.

### **Potential Outcomes:**

- Assuring that all entities doing business as ICANN accredited registrars meet the same minimum requirements will promote stability
- Registrants can be assured that a registrar claiming to be ICANN accredited has met the minimum requirements

- Placing conditions on purchases of accredited entities could delay or inhibit otherwise acceptable sales
- Such restrictions could reduce the value of a registrar entity in the marketplace