



ICANN Must Address Domain Tasting Ripple Effects

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A registrar who also engages in [domain tasting](#) can inadvertently create ripple effects throughout the domain name industry. Thus, domain name owners must exert pressure on ICANN to reduce this risk.

We are now experiencing ripple effects from the subprime market and its repercussions on related markets. However, there are situations where a problem in one market causes problems in seemingly unrelated markets. For example, the crisis that started in July 1997 with the collapse of the Thai baht led to sinking equity markets across Asia and ended up involving Brazil as well. It reached across hemispheres simply because Asian banks, when forced by the crisis to reduce their debt, couldn't find takers for their Asian assets and instead had to unload others, such as their Brazilian holdings.

Similarly, there can be a problem when registrar functions and domain tasting are conducted by the same entity. Unmonitored coupling of seemingly unrelated markets can be devastating to our industry. For example, if a domain passes the tasting test but its revenue unexpectedly drops, the tasting entity may not be able to absorb the loss and may have to declare bankruptcy. In such a case, the customers who registered domain names through this entity will temporarily be unable to receive service. Nevertheless, tasting companies that use debt to finance their tasting transactions are even more vulnerable to unexpected drops in domain name revenue.

Of course, tasting will continue even after elimination of the [five-day grace period](#). But it will become more risky and, thus, increase the chances of ripple effects.

There are three plausible, proactive solutions involving ICANN. The group can set debt reserve requirements, prohibit registrars from engaging in domain tasting, or put in place plans for mitigating such risk, for example by having someone temporarily take over the management responsibility of the defaulting entity's domain names.

Thus, domain owners should put pressure on ICANN to investigate the likelihood and magnitude of the ripple effect and get intimately involved in the solution. ■