

# DECLARATION BY DIRECT SELLING ENTITIES/COMPANIES

## PROFORMA

### PART – A

<b>1</b>	<p>(i) Name of the Company (As Registered)</p> <p>(ii) CIN No:</p> <p>(iii) Name and address of Directors on Board(Enclose details)</p>	
<b>2</b>	<p><b>DETAILS OF REGISTRATION (WITH JURISDICTION)</b></p> <p>(a) Address of Registered Office (Enclose copy of Registration Certificate):</p> <p>(b) Email :</p> <p>(c) Telephone Nos:</p> <p>(d) Company Website:</p> <p>(e) Details of other registrations (with jurisdiction), if any ( Attach copy of Registration Certificate)</p> <p>(f) Type of Entity (Private, Public, Trust, Ltd. Etc.)</p>	
<b>3</b>	<p><b>HEAD OFFICE</b></p> <p>(a) Address</p> <p>(b) E-mail</p> <p>(c) Details of Key Management Personnel as per registration under the Companies Act:</p> <p>(d) Details of Regional Offices:</p> <p>(e) Nodal Officer for interacting with D/o Consumer Affairs; (Name, designation, Tel No., e-mail, Fax, mobile No.)</p>	
<b>4.</b>	<p>Whether anyone from the Management was convicted by any court in the past within the past 5 years (from the date of application). If so, the details thereof;</p>	<b>NA</b>
<b>5.</b>	<p>Whether direct selling is of Products or services or both?</p>	<b>Products</b>
<b>6.</b>	<p>Details of License(s), Trade Mark or Principal Brand which indentifies the company:</p>	

7.	<p><b>i. Address / Telephone Nos. / e-mails etc. of Customer Care &amp; Grievance Redress Cells(HQ &amp; Branches);</b></p> <p><b>ii. Details of Consumer Grievance Redress Committee as per guidelines:</b></p> <ul style="list-style-type: none"><li><b>a. Member Name, Phone No and email:</b></li><li><b>b. Member Name, Phone No and email:</b></li><li><b>c. Member Name, Phone No and email:</b></li></ul>	
----	---	--

**PART B**

**(Direct Selling Business Details)**

8.	Details of Products / Services offered (Give link of websites)	Yes/No
9	<p><b>Please confirm the following about your direct selling scheme:-</b></p> <p>(a) It has no provision that a Direct Seller will receive remuneration or incentives for the recruitment / enrolment of new participants and provide that direct sellers will receive remuneration derived only from the sale of goods or services.</p> <p>(b) It does not require a participant to purchase goods or services:</p> <p>i. for an amount that exceeds an amount for which such goods or services can be expected to be sold or resold to consumers;</p> <p>ii. for a quantity of goods or services that exceeds an amount that can be expected to be consumed by, or sold or resold to consumers;</p> <p>(c) It does not require a participant to pay any entry/registration fee, cost of sales demonstration equipment and materials or other fees relating to participation;</p> <p>(d) It provides a participant with a written contract describing the “material terms” of participation;</p> <p>(e) It allows or provides for a participant a reasonable cooling-off period to participate or cancel participation in the scheme and receive a refund of any consideration given to participate in the operations;</p> <p>(f) It allows or provides for a buy-back or repurchase policy for “currently marketable” goods or services sold to the participant at the request of the participant at reasonable terms;</p> <p><b>Note: 1. Give details in regard to the above in an enclosure. 2. In case any of the answers in this para is ‘No’, please provide full details with reasons in an enclosure.</b></p>	<p>Yes / No</p> <p>Yes / No</p> <p>Yes / No</p> <p>Yes / No</p> <p>Yes / No</p> <p>Yes / No</p>
10	<p>(a) Whether proper identity document(s) to all the Direct Sellers are issued.</p> <p>(b) Whether you maintain “Register of Direct Sellers” wherein relevant details of each enrolled Direct Seller is updated and maintained with details including verifiable proof of address, proof of identity and PAN as per the Income Tax Act.</p> <p>(c) What is the mechanism for payment of VAT? Give details.</p>	<p>Yes/No</p> <p>Yes / No</p>
11.	<p>(a) The website is proper and updated regularly with all relevant details, contact information, details pertaining to management, products, product information and complaint redress mechanism for direct sellers and consumers.</p> <p>(b) There are arrangements for registering consumer complaints online or otherwise and grievances are resolved within 45 days of date of making such complaints. Details to be provided.</p>	<p>Yes/No</p> <p>Yes/No</p>
12	Notes/Remarks, if any.	

**Part – C**  
**( UNDERTAKING )**

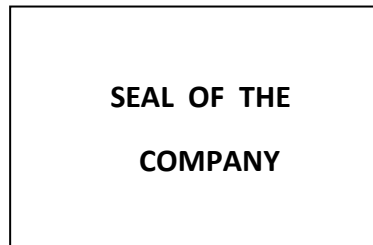
\* \* \*

I / We, ..... in the capacity of ..... of the..... company / firm declare that we are compliant with the following:

- (a) We do not promote a Pyramid Scheme, as defined in Clause 1(11) or enroll any person to such scheme or participate in such arrangement in any manner whatsoever in the garb of doing Direct Selling business.
  
- (b) We do not participate in Money Circulation Scheme, as defined in Clause 1(12) in the garb of Direct Selling of Business Opportunities.
  
- (c) We are compliant with all the remaining aspects mentioned in the guidelines issued vide F. No. 21/18/2014-IT (Vol-II) dated 9<sup>th</sup> September, 2016 by the Department of Consumers, Ministry of Consumer Affairs, Food and Public Distribution and shall also provide such details as may be notified from time to time.

Place:

Date:



Sd/-

Name.....

Designation.....

Tel No.....

E-mail:.....

**List of documents to be provided:**

1. Certificate of Registration/Bye-laws/Memorandum of Association
2. List of Board of Directors, with contact details
3. Brief details of direct selling scheme and compensation plan.
4. Sample of contract with direct sellers / distributors.

# GUIDELINES FOR THE DIRECT SELLING ENTITIES

## FAQs

### 1. Clause 1.4

“Direct Seller” means a person appointed or authorized, directly or indirectly, by a Direct Selling Entity through a legally enforceable written contract to undertake direct selling business on principal to principal basis.” **How shall digital and e-contracts be treated?**

**Answer:** The ‘written contract’ includes e-contracts or digital contracts and the same shall be governed as per the provisions of the Information Technology Act , 2000.

### 2. Clause 1.6 (Proviso)

“Provided that such sale of goods or services occurs otherwise than through a “permanent retail location” to the consumers, generally in their houses or at their workplace or through explanation and demonstration of such goods and services at a particular place”. **Does this Proviso mean that every sale needs to take place away from permanent retail location only?**

**Answer:** Clause 1.6 does not restrict / preclude sales made from permanent retail location. However, direct selling entity will be governed by these guidelines.

### 3. Clause 2.2

“Provide a mandatory orientation session to all prospective direct sellers providing fair and accurate information on all aspects of the direct selling operation, including but not limited to the remuneration system and expected remuneration for newly recruited direct sellers”. **Whether the training/orientation provided by the Direct Seller to other prospective Direct Sellers would be in compliance to this clause?**

**Answer:** Yes, the training / orientation will be provided by the Direct Selling Entity or by a Direct Seller or by any authorized representative of Direct Selling Entity, either in person or through any digital means.

### 4. Clause 2.8

“It shall have an office with identified jurisdiction of its operation in the State to enable the consumers and direct seller to acquaint themselves with price of products, return or replacement of products and efficient delivery of goods and services, and post-sale redressal of grievances” **Whether an office in one State can be designated as focal point for jurisdiction of two or more states?**

**Answer:** An office in one particular State can be designated having jurisdiction over two or more states, subject to the accessibility of the consumers, where Direct Sellers/consumers can interact with the Direct Selling Entity / Authorized representative of Direct Selling Entity.

### 5. Clause 3.3 (b)

“The details of Direct Sellers shall include and not be limited to verified proof of address, proof of identity and PAN”. **Should the Direct Selling Entity take verified proof of address, identity and PAN?**

**Answer.** The requirement of PAN shall be as per the provisions of the Income Tax Act, 1961. Direct Sellers should submit to Direct Selling Entity, any photo ID card as issued by the State or Central government. These ID cards could be from the following-: Aadhaar Card, Driving License, Voter ID Card, Passport and Ration Card or any other identity document issued by the state or central government which can be verified.

## 6. Clause 3.8

“Notwithstanding the distribution system adopted by a direct selling entity, the Direct Selling Entity shall be responsible for compliance of these Guidelines by any member of its network of direct selling, whether such member is appointed directly or indirectly by the Direct Selling Entity”. **How will a Direct Selling Entity ensure compliance of these Guidelines by Direct Sellers?**

**Answer:** To comply to this clause, Direct Selling Entity shall sign an addendum to the current contracts with the existing Direct Sellers. For the Direct Sellers to be appointed herein-after, this clause shall be added in the contract signed by both the parties. The Direct Selling Entity should ensure that it contractually binds its Direct Sellers to comply with these Guidelines and take disciplinary action against reported non-compliance.

## 7. Clause 4.2(c)

“Allow for the termination of contract, with reasonable notice, in such instances and on such terms where a direct seller is found to have made no sales of goods or services for a period of up to two years since the contract was entered into, or since the date of the last sale made by the Direct Seller”. **When can the contract between Direct Selling Entity and Direct Seller be terminated?**

**Answer:** The date of termination shall be provided or governed by the respective conditions of the contract executed between Direct Selling Entity and Direct Seller or by giving notice of reasonable period by either party say one month or as per the provisions of the Indian Contract Act.

## 8. Clause 6.2

The Direct Selling Entity shall be liable for grievances arising out of sale of products and services or business opportunity by the Direct Seller. And

### Clause 6.3

“It will be the responsibility of the Direct Selling entity to monitor and control the practices/methods adopted by the Direct Sellers”.

**Does this mean that only the direct selling entity will be liable for all grievances arising out of sale of products and services or business opportunity by the direct seller?**

**Answer.** It is clarified that the Direct Selling Entity will be responsible for the quality of products and services and it will guide and help the Direct Seller to follow best practices in the interest of consumers. The scope and specific liabilities of the Direct Seller in such cases will be defined in unambiguous terms in the contract signed. By way of providing in the contract, every Direct Selling Entity shall define and develop some mechanism to monitor the practices being adopted by its Direct Sellers.

## 9. Clause 7.5

**Industry:** It appears to be a typographical error in this Clause. As the consumer is buying the products or services from the Direct Sellers, it should be the Direct Seller which will provide various details listed in this sub-clause. **Please clarify.**

**Answer –** Yes, it should be the Direct Seller. Please read Direct Seller in place of Direct Selling entity in this sub-clause.