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PART I

Punjab Government Notifications and Orders

GOVERNMENT OF PUNJAB

DEPARTMENT OF FOOD, CIVIL SUPPLIES AND CONSUMER AFFAIRS

ANAAJ BHAWAN, SECTOR 39/C, CHANDIGARH

NOTIFICATION

The 21st October, 2020

No. STN/ADFS(2020)/113.-In pursuance of the Guidelines issued by the Government of India, Ministry of Consumer Affairs, Food and Public Distribution, Department of Consumer Affairs vide G.S.R. 1013 (E), New Delhi, dated 26th October 2016, the Governor of Punjab is pleased to issue the following Guidelines for regulation of the business of 'Direct Selling' and Multi-Level Marketing (MLM) to strengthen the existing regulatory mechanism of Direct Selling and Multi-Level Marketing (MLM), in the State of Punjab to prevent frauds and protect the legitimate rights and interests of consumers:

Short title, extent and commencement: -

- (1) These guidelines may be called the "The Direct Selling Guidelines of Punjab, 2020".
- (2) These shall extend to the whole of the State of Punjab.
- (3) These shall come into force with immediate effect.
- (4) These shall be governed by Consumer Protection Act, 2019 and Legal Metrology Act, 2009.

Clause 1:

Definitions: — in these Guidelines unless and otherwise required —

1. "Act" means the Consumer Protection Act, 2019.
2. "State" means the State of Punjab.
3. "Consumer" shall have the same meaning as provided under the Consumer Protection Act, 2019.
4. "Nodal Department", means the Department of Food, Civil Supplies and Consumer Affairs, Government of Punjab.
5. "Secretary", means Administrative Secretary of Department of Food, Civil Supplies and Consumer Affairs, Government of Punjab.

6. **“Director”**, means Director of Department of Food, Civil Supplies and Consumer Affairs of the State of Punjab.
7. **“Deputy Director”**, means Deputy Director Department of Food, Civil Supplies and Consumer Affairs of the State of Punjab.
8. **“District Controller”**, means District Food and Supply Controller Department of Food, Civil Supplies and Consumer Affairs of the State of Punjab.
9. **“Food Supply Officer”**, means Food and Supply Officer of Department of Food, Civil Supplies and Consumer Affairs of the State of Punjab.
10. **“Assistant Food Supply Officer”**, means Assistant Food and Supply Officer of Department of Food, Civil Supplies and Consumer Affairs of the State of Punjab.
11. **“Inspector”** means Inspector (Food & Supply) under Department of Food, Civil Supplies and Consumer Affairs of the State of Punjab.
12. The Officials of the Department as defined at 1.5 to 1.11 will draw their power from Consumer Protection Act, 2019 and Legal Metrology Act, 2009.
13. DFSC and Director will be called the “Designated Officer” for District and Headquarter, respectively.
14. **“Prospect”** means a person to whom an offer or a proposal is made by the Direct Seller to join a Direct Selling opportunity.
15. **“Direct Seller”**, means persons 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.
16. **“Network of Direct Selling”** means a network of direct sellers at different levels of distribution, who may recruit or introduce or sponsor further levels of direct sellers, who they then support.

Explanation. — “network of direct selling” shall mean any system of distribution or marketing adopted by a direct selling entity to undertake direct selling business and shall include the multi- level marketing method of distribution.
17. **“Direct Selling”**, means marketing, distribution and sale of goods or providing of services as a part of network of Direct Selling other than under a pyramid scheme.

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 services at a particular place.
18. **“Direct Selling Entity”**, means an entity, not being engaged in a pyramid scheme, which sells or offers to sell goods or services through Direct Seller.

Provided that “Direct Selling Entity” does not include any entity or business notified otherwise by the government for the said purpose from time to time.
19. **“Goods”**, means goods as defined in the Sale of Goods Act, 1930 and “Service” means service as defined in the Consumer Protection Act, 2019.
20. **“Saleable”** shall mean, with respect to goods and/ or services, unused and marketable, which has not expired, and which are not seasonal, discontinued, or special promotion goods and/ or services.
21. **“Cooling-off Period”**, means the duration of time counted from the date when the direct seller and the

direct selling entity enter into an agreement under Clause 4 and ending with date on which the contract is to be performed and within which the direct seller may repudiate the agreement without being subject to penalty for breach of contract.

22. **“Pyramid Scheme”**, means

A multi layered network of subscribers to a scheme formed by subscribers enrolling one or more subscribers in order to receive any benefit, directly or indirectly, as a result of enrolment, action or performance of additional subscribers to the scheme. The subscribers enrolling further subscriber(s) occupy higher position and the enrolled subscriber(s) lower position, thus, with successive enrolments, they form multi-layered network of subscribers.

Provided that the above definition of a “Pyramid Scheme” shall not apply to a multi layered network of subscribers to a scheme formed by a Direct Selling Entity, which consists of subscribers enrolling one or more subscribers in order to receive any benefit, directly or indirectly, where the benefit is as a result of sale of goods or services by subscribers and the scheme/financial arrangement complies with all of the following:

- a) It has no provision that a Direct Seller will receive remuneration or incentives for the recruitment/enrolment of new participants.
- b) It does not require a participant to purchase goods or services:
 - i. for an amount that exceeds an amount for which such goods or services can be expected to be sold or resold to consumers.
 - 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.
- 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.
- d) It provides a participant with a written contract describing the “material terms” of participation.
- 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.
- 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.
- g) It establishes a grievance redressal mechanism for consumers, more particularly described in Clause 7 herein.

Explanation 1 – For the purposes of this proviso the term “material terms” shall means buy-back or repurchase policy, cooling-off period, warranty and refund policy.

23. **“Money Circulation Scheme”**, has the same meaning as defined under Prize Chits and Money Circulation Schemes (Banning) Act, 1978, Which reads as:

- a) "conventional chit" means a transaction whether called chit, chit fund, or by any other name by or under which a person responsible for the conduct of the chit enters into an agreement with a specified number of persons that every one of them shall subscribe a certain sum of money (or certain quantity of grain instead) by way of periodical instalments for a definite period and that each such subscriber shall, in his turn, as determined by lot or by auction or by tender or in such other manner as may be provided for in the chit agreement, be entitled to a prize amount.

Explanation. - In this clause "prize amount" shall mean the amount, by whatever name called, arrived at by deducting from out of the total amount paid or payable at each instalment by all the subscribers,

- i. the commission charged as service charges as a promoter or foreman or an agent.
 - ii. any sum which a subscriber agrees to forego, from out of the total subscriptions of each instalment, in consideration of the balance being paid to him.
- b) "Money Circulation Scheme" means any scheme, by whatever name called, for the making quick or easy money, or for the receipt of any money or valuable thing as the consideration for a promise to pay money, on any event or contingency relative or applicable to the enrolment of members into the scheme, whether or not such money or thing is derived from the entrance money of the members of such scheme or periodical subscriptions.
- c) "Prize Chit" includes any transaction or arrangement by whatever name called under which a person collects whether as a promoter, foreman, agent or in any other capacity, monies in one lump sum or in instalments by way of contributions or subscriptions or by sale of units, certificates or other instruments or in any other manner or as membership fees or admission fees or service charges to or in respect of any savings, mutual benefit, thrift, or any other scheme or arrangement by whatever name called, and utilizes the monies so collected or any part thereof or the income accruing from investment or other use of such monies for all or any of the following purposes, namely:-
- i. Giving or awarding periodically or otherwise to a specified number of subscribers as determined by lot, draw or in any other manner, prizes or gifts in cash or in kind, whether or not the recipient of the prize or gift is under a liability to make any further payment in respect of such scheme or arrangement.
 - d. Refunding to the subscribers or if some of them have not won any prize or gift, the whole or part of the subscriptions, contributions or other monies collected, with or without any bonus, premium, interest or other advantage by whatever name called, on the termination of the scheme or arrangement, or on or after the expiry of the period stipulated therein, but does not include a conventional chit.
24. **"Remuneration System"** means the system followed by the direct selling entity to compensate the direct seller which illustrates the mode of sharing of incentives, profits and commission including financial and non-financial benefits, paid by the direct selling entity to the direct sellers, on a monthly or periodic or yearly basis or both, as the case may be. This system, for every Direct Selling entity, shall—
- a) Have no provision that a direct seller will receive remuneration from the recruitment to participate in such direct selling.
 - b) Ensure that direct sellers shall receive remuneration derived from the sale of goods or services.
 - c) Clearly disclose the method of calculation of remuneration.
25. **"Screening Committee"** means the committee constituted by the Director for initial Screening/Scrutiny when entity submits its registration/ enrollment application.
26. **"Registration /Enrolment fee"** means the minimum fee prescribed in the guidelines for the registration/ enrollment by any Direct selling entity having its operations in the State of Punjab. The prescribed fee can be revised from time to time.

Clause 2:

Conditions for the setting up of Direct Selling business.—Every Direct selling entity intending to carry out direct selling business subsequent to the publication of the notification in the Gazette, shall within 90 days comply with the following set of conditions for the conduct of direct selling business:

1. It shall be a registered legal entity under the laws of India.
2. It shall provide a mandatory orientation session to all prospective direct sellers providing fair and accurate information on all aspects of the direct selling operation, the Direct Selling Guidelines of Punjab, 2020, Consumer Protection Act, 2019 and the Legal Metrology Act, 2009 including but not only limited to the remuneration system and expected remuneration for newly recruited direct sellers.
3. It shall provide accurate and complete information to prospective and existing direct sellers concerning the reasonable amount of remuneration opportunity, and related rights and obligations.
4. It shall pay all dues and make withholdings from direct sellers in a commercially reasonable manner.
5. It shall notify and provide a full refund or buy-back guarantee to every direct seller on reasonable commercial terms which can be exercised within a period of 30 days, from the date of the distribution of the goods or services to the direct seller.
6. It shall notify and provide to every direct seller a cooling-off period which entitles such direct seller to return any goods/services purchased by the direct seller during the cooling-off period.
7. The promoter or key management personnel, including Corporate Managers working for the Entity should not have been convicted for any criminal offence punishable with imprisonment in last 5 years by any Court of competent jurisdiction.
8. Direct Selling Entity should not be facing a litigation in any legal forum or court of law.
9. 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.

Clause 3:

Conditions for conduct of Direct Selling Business. — Every Direct Selling entity shall comply with the following conditions: —

1. It shall be the owner, holder, licensee of a trademark, service mark or any other identification mark which identifies the entity with goods to be sold or supplied or services to be rendered.
2. It shall issue proper identity documents(s) to its Direct Sellers.
3. It shall maintain proper records either manual or electronic of their business dealings with complete details of their goods, services, terms of contract price, income plan, details of direct sellers, including but not limited to enrolment, termination, active status earning etc.—
 - a. Every Direct Selling entity shall maintain a “Register of Direct Sellers” wherein relevant details of each enrolled Direct Seller shall be updated and maintained.
 - b. The details of Direct Sellers shall include prescribed documents/ proofs in addition to a verified proof of address, proof of identity and PAN.
4. It shall maintain proper and updated website with all relevant details of the entity, contact information of its management, products, product information, product quality certificate, price, complete income plan, terms of contract with direct seller and complaint redressal mechanism for direct sellers and consumers. The website should have space for registering consumer complaints and should ensure that grievances are addressed within 30 days of making such complaints.
5. It shall provide to all direct sellers their periodic account/information concerning as applicable, sales, purchases, details of earnings, commission, bonus, and other relevant data, in accordance with agreement with the direct sellers. All financial dues shall be paid, and any withholding made in a commercially reasonable manner.

6. It shall monitor the value of the purchases of all its Direct Sellers/ Distributors on a monthly basis and once the purchase value crosses the GST/VAT threshold, it must intimate its Direct Sellers/ Distributors to pay the GST/VAT accordingly.
7. The Direct Selling entities should not deal with following products or services:
 - a. Monetary Deposits, Investments, Trading in Commodities, Live Stocks.
 - b. Life Insurance Policies (Which are not regulated by IRDA).
 - c. Discount Coupons/ Vouchers.
 - d. Virtual Currencies (like Bit Coin, Crypto currency).
 - e. Selling of Websites, Web space, online Education, Online Training.
 - f. Get Paid for Clicking, Filling Online Surveys, Online Advertisements.
 - g. Online Schemes of Gifting, Helping, Donations.
 - h. Tricky Products like Yantras and Tantras should be banned completely.
8. A Direct Selling entity shall not.-
 - a. Use misleading, deceptive, or unfair recruiting practices, including misrepresentation of actual or potential sales of earnings, in their interaction with prospective or existing direct sellers.
 - b. Make any factual representation to a prospective direct seller that cannot be verified or make any promise that cannot be fulfilled.
 - c. Present any advantages of direct selling to any prospective direct seller in a false or deceptive manner.
 - d. Make or cause, or permit, any representation relating to its direct selling business, including remuneration system and agreement, between itself and the direct seller, or to the goods or services being sold by itself or by the direct seller which is false or misleading.
 - e. Engage in, or cause or permit, any conduct that is misleading or likely to mislead with regard to any material particulars relating to its direct selling business, including remuneration system and agreement between itself and the direct seller, or to the goods or services being sold by itself or by the direct seller.
 - f. Use, or cause or permit to be used, fraud, coercion, harassment, or unconscionable or unlawful means in promoting its direct selling practice including remuneration system and agreement between itself and the direct seller, or to the goods or services being sold by itself or by the direct seller.
 - g. Require its direct sellers to provide any benefit, including entry fees and renewal fees or to purchase any sales demonstration equipment or material to participate in its direct selling operation.
 - h. Provide any benefit to any person for the introduction or recruitment of one or more persons as direct sellers.
 - i. Require the direct sellers to pay any money by way of minimum monthly subscription or renewal charges.
9. 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.

Clause 4:

Conditions for Direct Selling contract between Direct Seller/ Distributor and Direct Selling Entity.

1. Every Direct Selling entity shall execute a contract agreement whether directly or indirectly, with Direct Sellers before enrolment.-
 - a. The Agreement shall be provided in a manner consistent with Section 10 of the Indian Contract Act, 1872.
 - b. In addition to the rights and obligations of parties to this agreement under these guidelines or any other law in force, parties shall have rights and obligations that are coextensive with rights and obligations of parties under the Indian Contract Act, 1872.
2. The agreement shall be made in writing, describing the material terms of participation and shall:
 - a. Not compel or induce the direct seller to purchase goods or services in an amount that exceeds an amount that can be expected to be sold to consumers within a reasonable period.
 - b. Allow or provide the direct seller a reasonable cooling-off period in which to cancel participation and receive a refund for goods or services purchased.
 - 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.
 - d. Allow or provide for a buy-back or repurchase policy for currently marketable goods or services sold to the direct seller at the said direct seller's request at reasonable terms.

Clause 5:

Certain obligations of Direct Sellers.-

1. Direct Seller engaged in direct selling should carry their identity card and not visit the customer's premises without prior appointment/ approval.
2. At the initiation of a sales representation without request truthfully and clearly identify themselves, the identity of the direct selling entity, the nature of the goods or services sold and the purpose of the solicitation to the prospective consumer.
3. Offer a prospective consumer accurate and complete explanations and demonstrations of goods and services, prices, credit terms, terms of payment, return policies, terms of guarantee, after-sales service.
4. Provide the following information to the Prospects/ Consumers at the time of sale, namely:
 - a. Name, address, registration number or enrolment number, identity proof and telephone number of the direct seller and details of direct selling entity.
 - b. A description of the goods or services to be supplied.
 - c. Explain to the consumer about the goods return policy of the company in the details before the transaction.
 - d. The Order date, the total amount to be paid by the consumer along with the Bill and Receipt.
 - e. Time and place for inspection of the sample and delivery of good.
 - f. Information of his/ her rights to cancel the order and/ or to return the product in saleable condition and avail full refund on sums paid.
 - g. Details regarding the complaint redressal mechanism.

5. A direct seller shall keep proper book of accounts stating the details of the products, price, tax and the quantity and such other details in respect of the goods sold by him/ her, in such form as per applicable law.
6. Any Direct Selling Entity conducting direct selling activities shall submit an undertaking to the "Director", stating that it is in compliance with these guidelines and shall also provide such details of its incorporation and other business details as may be notified from time to time.
7. A direct seller shall not, —
 - a. Use misleading, deceptive and/or unfair trade practices.
 - b. Use misleading, false, deceptive, and/ or unfair recruiting practices including misrepresentation of actual or potential sales or earnings and advantages of Direct Selling to any prospective direct seller in their interaction with prospective direct sellers.
 - c. Make any factual representation to a prospective direct seller that cannot be verified or make any promise that cannot be fulfilled.
 - d. Present any advantages of Direct Selling to any prospective direct seller in a false and / or a deceptive manner.
 - e. Knowingly make, omit, engage, or cause, or permit to be made any representation relating to the Direct Selling operation, including remuneration system and agreement between the Direct Selling entity and the direct seller, or the goods and/ or services being sold by such direct seller which is false and / or misleading.
 - f. Require or encourage direct sellers recruited by the first mentioned direct seller to purchase goods and/ or services in unreasonably large amounts.
 - g. Provide any literature and/ or training material not restricted to collateral issued by the Direct Selling entity, to a prospective and /or existing direct sellers both within and outside the parent Direct Selling entity which has not been approved by the parent Direct Selling entity.
 - h. Require prospective or existing direct sellers to purchase any literature or training materials or sales demonstration equipment.

Clause 6:

Relationship between Direct Selling Entity and Direct Seller.-

- 1.1. The relationship between Direct Selling Entity and Direct Seller shall be determined as per the written agreement between the parties which shall contain the rights and obligations that are expressly provided as conditions for the conduct of Direct Selling business as well as provide for the obligation of the Direct Selling Entity and the Direct Seller in terms of these guidelines.
- 1.2. All other rights and obligations shall be determined as per the express terms of written agreement between a Direct Selling Entity and Direct Seller.
2. The Direct Selling entity will be liable for grievances arising out of sale of products, services, or business opportunity by its Direct Sellers.
3. It will be the responsibility of the Direct Selling entity to monitor and control the practices/ methods adopted by the Direct Sellers.

Clause 7:

Conduct for the Protection of Consumer.-

1. Direct Sellers and Direct Selling Entity shall take appropriate steps to ensure the protection of all private information provided by the consumer.
2. Direct Sellers and Direct Selling Entity shall be guided by the provision of the Consumer Protection Act, 2019 & the Legal Metrology Act, 2009.
3. All complaints received over phone, email, website, pose and walk-in should have a complaint number for tracing and tracking the complaint and record time taken for redressal.
4. Every Direct Selling Company shall constitute a Grievance Redressal Committee whose composition, nature of responsibilities shall include but not limited to:
 - a. The Grievance Redressal Committee shall consist of at least three representatives of the Direct Selling Entity.
 - b. The Grievance Redressal Committee shall address Complaints and inform complainants of any action taken.
 - c. Complaints may be made by any member of the public against a Direct Seller of the company, an employee, or any other representative of the entity.
 - d. All such grievances will be resolved directly by the Direct Selling Entity.
5. The direct seller shall provide information to the consumer upon purchase which shall contain.
 - a. The name of the purchaser and seller.
 - b. The delivery date of goods or services.
 - c. Procedures for returning the goods; and
 - d. Warranty of the goods and exchange/ replacement of goods in case of defect provided that no Direct Seller shall, in pursuance of a sale, make any claim that is not consistent with claims authorized by the Direct Selling Entity.
6. Any person who sells or offers for sale, including on an e-commerce platform/ marketplace, any product or service of a Direct Selling Entity must have prior written consent from the respective Direct Selling Entity in order to undertake or solicit such sale or offer.

Clause 8:

Prohibition of Pyramid Scheme & Money Circulation Scheme. —

1. No person or entity shall promote a Pyramid Scheme, as defined in Clause 1(22), or enroll any person to such scheme or participate in such arrangement in any manner whatsoever in the garb of doing Direct Selling business.
2. No person or entity will participate in Money Circulation Scheme, as defined in Clause 1(23) in the garb of Direct Selling of Business Opportunities.

Clause 9:

Obligation/ Duties for Registration by Directed Selling Entity.-

1. Direct Selling Entity should have its registered local office address and the same address should be mentioned in all correspondence.
2. Direct Selling Entity should be registered in India. In case of Foreign Company, it should have proper permission/ registration of the Competent Authority in India.

3. Direct Selling Entity should submit its Balance Sheets, at least for previous 3 years to the Competent Authority while getting registered for Direct Selling Business. New Direct Selling Entities i.e. entities old less than 3 years, should submit affidavit about financial condition of their business at the time of registration.
4. Direct Selling Entity should comply with all the norms pertaining to the laws and rules made under Companies Act, Income Tax Act, Goods and Services Tax, Provident Fund, payment of prescribed Enrollment/Registration fee as per these Guidelines etc.
5. Direct Seller must be an Indian Citizen, not below the age of 18 Years.
6. Direct sellers should inform the Department regarding any change/substitution in the constitution of the company/firm, its address, contents of Its website, its shareholding within 30 days of its occurrence/happening.

Clause 10;

Enrolment/Screening formalities for carrying out the Direct Selling/ Multi-Level Marketing business in the State of Punjab.

- a. No Direct Selling Entity or such other person shall engage in a Direct Selling/ Multi-Level Marketing business in the State of Punjab unless such entity or other person has enrolled with the Department by filing an application in the format given at annexure within 30 days from the date of start of operation.
- b. An Enrollment/Registration fee of ₹ 5000/- will be levied for the said purpose. Online Receipt/ Challan for the said amount would be submitted along with other mandatory documents.
- c. The application for such enrollment shall contain/ supported by the following particulars/ enclosures:-
 - i. Copy of the Undertaking/ Declaration (Part A, B & C) filed by the Entity with the Department of Consumer Affairs, Government of Punjab along with the following documents.
 1. Certificate of Registration/ Byelaws/ Memorandum of Association.
 2. List of Board of Directors and key Management Personnel including Corporate Managers with contact details.
 3. Brief details of direct selling scheme and compensation plan.
 4. Sample of contract with direct sellers/ distributors.
 - ii. Place of office within the State of Punjab for ensuring easy access to the Direct Sellers/ Consumers.
 - iii. Authorized contact person and details within the State of Punjab.
 - iv. Total number of direct sellers within the State of Punjab.
 - v. Copy of GSTIN PAN and TAN or such other registrations necessary for the lawful conduct of the business undertaken by the Direct Selling Entity.
 - vi. A copy of the VAT/ GST/ Service Tax/ Central Excise Returns including TDS returns for the last two assessment years prior to the enrollment in the State as applicable.
 - vii. A copy of the Trademark Certificate/ Application along with its receipt, FSSAI (FOSCOS) Central License or Registration, as the case may be, where-ever applicable.
 - viii. Other information or documents, if any, as may be specified for the purposes of determining the applicant's suitability.
- d. Upon receipt of the application in the prescribed format with the required Enclosures/ Annexures, the Department through their designated officer may—
 - i. Enroll the applicant entity in the register maintained by it and publish the same on the website of Department of Food, Civil Supplies and Consumer Affairs, Punjab, or

- ii. Refuse to grant enrollment if any violation of the State Guidelines is noted prima facie or for the non-filing of required Enclosures/ Annexures:

Provided at any time after receiving an application and before it is disposed of the Department may issue notice, in writing, demanding the applicant entity to provide additional information or documents. If the amended application or any additional information or document required is not provided within the time specified in the said notice or any extension thereof granted by the Monitoring Authority, the application shall be rejected.

Clause 11:

Appointment of Monitoring Authority. —

1. The Nodal department to deal with issues related to Direct Selling will be the Department of Consumer Affairs at the Union and in the State of Punjab will be under Department of Food and Civil Supply and Consumer Affairs.
2. In State of Punjab the Department of Food and Civil Supply and Consumer Affairs will set up a mechanism to monitor/ screen/ supervise the activities of Direct Sellers, Direct Selling Entity regarding compliance of the Guidelines for Direct Selling.
3. In State of Punjab the Department of Food, Civil Supplies and Consumer Affairs will take punitive action against Direct Selling Entities and their Direct Sellers for violation of these guidelines with respect to provisions related to Consumer Protection Act and/ or Legal Metrology Act, 2009 and rules framed thereunder. Apart from these violations, respective authorities mentioned in the Monitoring Mechanism of the State Government.
4. Objectives of the Monitoring Authority
The Monitoring Authority will function with the following objectives:
 - a. To regulate the business of Direct Selling/ Multi-level marketing as per the State Guidelines to prevent fraud and protect the legitimate rights and interests of consumers.
 - b. To monitor/ supervise the activities of Direct Sellers, Direct Selling Entity regarding compliance of the State Guidelines.
 - c. To implement the guidelines.
5. Composition of Monitoring Authority
 - a. The Monitoring Authority shall consist of: —
 - i. Secretary of Department of Food, Civil and Consumer Affairs as the “Chairman”.
 - ii. Director of Food, Civil Supplies and Consumer Affairs or any officer nominated by him not below the rank of Joint Director as the “Nodal Officer” and “Convener” of the following members.
 - iii. The Secretary to Government, Finance Dept. or any other Officer nominated by him not below the rank of Deputy Secretary.
 - iv. Financial Commissioner, Taxations or Taxation Commissioner, GST.
 - v. ADGP rank officer from the Police Department dealing with Economic Offences.
 - vi. One Subject Expert duly nominated by the Government.
 - b. The Monitoring Authority shall meet in every three months in a year.

6. Responsibilities of the Monitoring Authority

- a. Provide facilities for the enrollment of Direct Selling Entities for carrying out their Direct Selling/ Multi-level marketing business in the State of Punjab.
- b. Provide appropriate platform for receiving complaints from the Consumers/ Direct Sellers including general public against the violation of State Guidelines by the Direct Selling Entities.
- c. Inform respective enforcement authorities regarding the unethical and unlawful practice, if any, carried out by direct selling entities/ direct sellers including non-compliance/ evasion of tax laws, noticed by the Monitoring Authority.
- d. Provide Policy inputs to the Central Government for appropriate modifications in the State Guidelines, if warranted, from time to time.
- e. Provide Confidence Building Measures through awareness among law enforcement authorities, consumers, direct sellers and the general public and impart education and training regarding the “Do’s and Don’ts of Direct Selling/ Multi-Level Marketing” by the Department of Food, Civil Supplies and Consumer Affairs or any such Institute recognized for the purpose by State Government.

7. If any violation committed by a Direct Selling Entity falls under the jurisdiction of the Center Government/ other State Government, action will be governed by such Acts/ Rules applicable under the said jurisdiction by their designated authorities. The Monitoring Authority in such case shall inform Center/ other State Government in such cases.

8. Action against violations of the State Guidelines

The Monitoring Authority, may, either *Suo-motu* or on the report filed by the designated officers under clause 7, take action against Direct Selling Entities violating the State Guidelines. The Monitoring Authority, may:-

- a. Issue show cause notice to those companies violating the State Guidelines, and to companies which failed to enroll with the Monitoring Authority.
- b. Call for information from Direct Selling Entities when it is expedient to do so.
- c. Engage one or more persons to conduct an inquiry in relation to the affairs of any Direct Selling Entity.
- d. Call upon the books of accounts, registers, certified copies of mandatory registration certificates as per the State Guidelines or other documents for necessary verification and examination in such circumstances as required by the Monitoring Authority.
- e. Direct the Direct Selling Entity to take corrective steps if violation of State Guidelines is committed by entity itself or by their duly appointed Direct Sellers.
- f. Cancel the enrollment or blacklist those Direct Selling Entities violating the State Guidelines repeatedly even after show cause notices and warnings by the Monitoring Authority.
- g. Other responsibilities as may be specified by the State/ Central Government in accordance with the State Guidelines.

9. Filing of Periodical Reports before the Monitoring Authority

Every Direct Selling Entity must furnish reports with the following information and submit to the Monitoring Authority within 20/45 days from the end of each such quarter/financial year respectively.

i. Yearly basis:

- a. Details of training imparted to the Direct Sellers as per clause 2.2 of the State Guidelines.

- b. Individual wise, particulars maintained by the Direct Selling Entity in respect of their direct sellers including but not limited to enrollment, termination, active status, purchase value, remuneration paid in the last financial year.
 - c. Copy of GST returns, Income Tax returns including TDS returns of the last year.
 - d. Details of the change/ substitution in the constitution of the Direct Selling Entity, its address, its details related to website, and/ or its shareholding.
 - e. Details of any change in the business plan of the Direct Selling Entity.
 - f. Any other particulars if found necessary by the Monitoring Authority.
- ii. Quarterly basis:
 - a. Total number of complaints received from customers within the State and the total numbers redressed and pending status in the last quarter.
 - b. Total number of complaints received from Direct Sellers within the State and the total numbers redressed and pending status in the last quarter.
 - c. Any other particulars if required by the Monitoring Authority.
10. Procedure for disposal of complaints
- a. Department shall designate officers at district level to receive complaints.
 - b. A direct seller or consumer or any member of the general public whose grievance has not been resolved within 30 days of its receipt by the grievance redressal committee of the Direct Selling Entity may file complaint in writing along with necessary details before the designated officer.
 - c. Every complaint against the compensation plan which conflicts with any of the provisions of the guideline must be submitted along with a valid document published by the Direct Selling Entity and clear mentioning of the relevant provisions.
 - d. The designated officer may entertain complaints only after the expiry of 30 days of its original complaint received by the grievance redressal committee of the Direct Selling Entity and only if such grievance redressal committee fails to take redressal action on it.
 - e. The designated officer who receives such a complaint shall forward the same to the Direct Selling Entity with a direction to redress the complaint within 10 days of its receipt and to intimate the complaint redressal report to the designated officer for receipt of such reports immediately. If the designated officer does not receive the complaint redressal report within 15 days of its receipt by the Direct Selling Entity, he shall file non-compliance report before the Monitoring Authority.
 - f. Where the contents of the non-compliance report received from the designated officer against Direct Selling Entity or a Direct Seller or any other person who is part of the network of Direct Selling/ Multi-level Marketing, is found to be genuine and true, the Monitoring Authority may take such action as it deems appropriate as mentioned in Clause 5 above including due intimation to the enforcement authorities for their appropriate action as per the applicable provisions of the relevant Acts as provided in Clause 9 below.
 - g. Monitoring Authority shall give a reasonable opportunity of being heard to the Direct Selling Entity before taking action, if any against such entity.

11. Application of other law

The provision contained in Clause 5 shall be in addition to and not in derogation of provisions contained in other laws. The Direct Selling Entities and the Direct Sellers have to follow the State Guidelines

meticulously. The violation of the State Guidelines shall be dealt appropriately by the Monitoring Authority. Any direct selling activity in violation of the State Guidelines shall be dealt appropriately by the Law Enforcement Authorities under the provisions of the appropriate Acts and rules, which may include the following:-

- a. Violation relating to products /services to be filed before the appropriate Consumer Forum, having the jurisdiction under the Consumer Protection Act, 2019.
- b. Violation relating to any activity leading to money circulation or pyramid/ponzy schemes to be dealt with under Prize Chits and Money Circulation Scheme (Banning) Act, 1978, including criminal case under Indian Penal Code.
- c. Violation relating to taxation laws to be dealt with by the respective Taxation Authorities under the respective Taxation Statutes.
- d. Violation relating to the Legal Metrology Act, 2009.
- e. Violation relating to the Consumer Protection Act, 2019.
- f. Violation relating to Economic Offences mention in various relevant Acts.
- g. Violation under any other applicable laws is to be dealt with by the respective Authorities under such respective Statutes.
- h. Civil remedies for breach of contract.

Clause 12 :

Maintenance of Records

The Direct Selling Entities shall maintain the following documents/ records (READY INFORMATION FILE) either manually or electronically at the registered office of the Entity including office of operation within the State:-

- a. Certificate issued by Registrar of Companies, Memorandum of Association (MoA), Articles of Association (AoA).
- b. Copies of Taxpayer Identification Number (TIN), Director Identification Number (DIN) of Directors, Tax Deduction Account Number (TAN) and Permanent Account Number (PAN).
- c. Copies of Licenses/ Permits required for the trading of goods/ services issued by the local authority or any other authority as the case may be.
- d. Certificate of Sales Tax, Service Tax and CST Registrations (Earlier years).
- e. Sales Tax/ VAT Returns filed with the authorities; (Earlier years)
- f. Service Tax Returns filed with the authorities (Earlier years).
- g. GST Returns filed with the authorities (Current Year).
- h. IT Returns of the company filed with the authorities.
- i. Tax Deducted at Source (TDS) Statements of Distributors and respective challans paid.
- j. Copy of the latest balance sheet, profit and loss account and reports of the auditors or directors of the applicant.
- k. Records of Know Your Customer (KYC) and Know Your Direct Sellers (KYDS), the formats of which should be available on the company website; (Password protected).

- l. Register of Direct Sellers.
- m. Grievance Redressal Register.
- n. Copies of Product/ Services marketing Brochure.
- o. Copies of Enrollment Application for new members/ Direct Sellers along with the Agreement.
- p. Copy of duly filled Undertaking in the prescribed format filed with the Department along with copy of acknowledgment of receipt of application by the Department.

Clause 13:

Power of Entry and Search into Premises of Direct Selling Entity/Direct Seller, if any violation of guidelines takes place.-

The Enforcement Officer not below the rank of Food Supply Officer in State of Punjab may with the view of securing compliance with these Guidelines or to satisfy himself that the Guidelines have been complied with:

- a. Inspect or cause to be inspect.
- b. Require any person to give any information in his possession about the goods/ services of the Direct Selling Entity/ Direct Seller.
- c. Stop and search forthwith, with such aid or assistance as may be necessary.
- d. Enter and search, with such aid or assistance as may be necessary.
- e. The Food and Supply Officer shall submit the enquiry report before the District Controller of Food, Civil Supplies and Consumer Affairs of the concerned district.
- f. The Food and Supply Officer shall exercise power of inspection, seizure etc. for violation of these guidelines with respect to provision related to Consumer Protection Act, 2019 and Legal Metrology Act, 2009 and rules framed there under.
- g. The provision of the Code of Criminal Procedure, 1973 (Central Act 2 of 1974) relating to such search shall so far as be, apply to searches under the Guidelines.

Clause 14:

Appeal.-

Any person aggrieved by any action taken or order passed by Food & Supply Officer, may prefer an appeal before the District Controller within 30 days of the receipt by him/ her of such order.

Explanation: Receipt of order shall be deemed on delivering or transmitting a copy thereof to such aggrieved person or his agent by ordinary/ speed post, courier services, fax messages, electronic mail services or any other prevailing mode of service.

Clause 15:

Revision.-

Any person aggrieved by an order passed by the District Controller may prefer revision application before the Director within 30 days from the date of communication to him/ her of such order.

Explanation: Receipt of order shall be deemed on delivering or transmitting a copy thereof to such aggrieved person or his agent by ordinary/ speed post, courier services, fax messages, electronic mail services or any other prevailing mode of service.

1. There is no any provision for revision against the order of District Controller; however, the person aggrieved

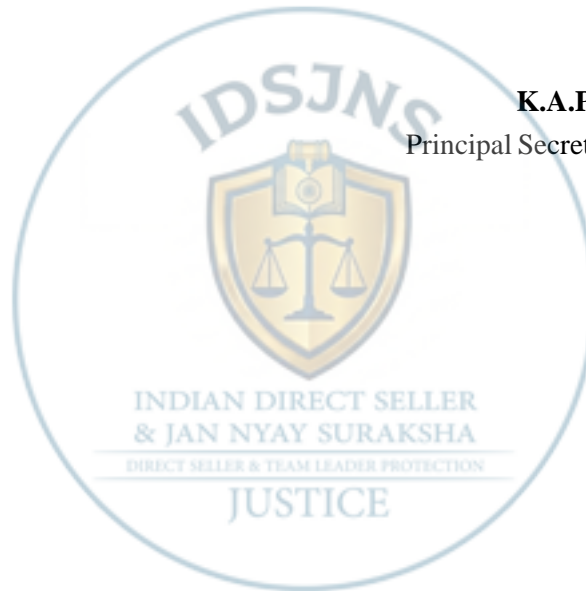
by such order may prefer revision application to the Director Food, Civil Supplies and Consumer Affairs, State Government within 30 days from the date of communication to him/ her of such order.

2. Pending disposal of the revision petition, the State Government may direct that the order under revision shall not have effect until the same is disposed off.

Clause 16 :

Miscellaneous.-

- a. **Orientation Session/ Training.**—Every Direct Selling Company/ Multi-Level Marketing Company shall conduct a mandatory Orientation Session for all of its members/ Direct Sellers/ Independent Representatives providing precise and accurate information on all aspects of direct selling operations, including the remuneration system and mode of its disbursements. The Direct Selling Guidelines of Punjab, 2020 and the Legal Metrology Act, 2009, the Consumer Protection Act, 2019 released by the Department of Consumer Affairs, Government of India shall be incorporated in the training curriculum of Orientation Session conducted by all Direct Selling/ Multi-Level Marketing Companies as mandatory Session.



Sd/-

K.A.P. SINHA,

Principal Secretary to Government.

DECLARATION BY DIRECT SELLING ENTITIES/COMPANIES

PROFORMA

PART – A

-
- 1 a) Name of the Company (As Registered)
b) CIN No:
c) Name and address of Directors on Board
(Enclose details)
-
- 2 A) DETAILS OF REGISTRATION (WITH JURISDICTION)
a. Address of Registered Office
(Enclose copy of Registration Certificate)
b. Email:
c. Telephone Nos:
d. Company Website:
e. Details of other registrations (with jurisdiction), if any
(Attach copy of Registration Certificate)
f. Type of Entity (Private, Public, Trust, Ltd. Etc.)
g. A copy of the Trademark Certificate/Application along with its receipt, FSSAI (FOSCOS) Central License or Registration where-ever applicable
h. Proof of online enrollment/ registration fee.
B) TAX PARTICULARS: -
(Enclose copies as applicable)
a. Income Tax Registration No. (PAN)
b. Income Tax TDS Registration No. (TAN)
c. Service Tax Registration No. (Service Tax Code - STC)
d. Central Excise Registration no.
e. VAT Registration No. (TIN)
f. GST Registration No. (GSTIN)
-
- 3 HEAD OFFICE
a) Address
b) E-mail
c) Details of Directors & Key Management Personnel with their Contact Details:
d) Details of Regional Offices:
e) Nodal Officer for interacting with D/o Consumer Affairs.
(Name, designation, Tel No., e-mail, Fax, mobile No.)
-
4. A. Whether anyone from the Management was convicted by any court in the past 5 years (from the date of application). If so, the details thereof.
B. Whether the Direct Selling Entity is not facing a litigation in any legal forum or court of law and if so, details thereof
-
5. Whether direct selling is of Products or Services or both?
-
6. Details of License(s), Trademark or Principal Brand which identifies the company:
-
7. Total number of Direct sellers working within the state
-
8. i. Addres/Telephone Nos./e-mails etc. of Customer Care & Grievance Redress Cells (HQ & Branches).
ii. Details of Consumer Grievance Redress Committee as per guidelines:
a. Member Name, Phone No and email:
b. Member Name, Phone No and email:
c. Member Name, Phone No and email:
-

PART - B

(Direct Selling Business Details)

9.	Details of Products / Services offered (Give link of websites)	Yes/No
10.	Please confirm the following about your direct selling scheme:	
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.	Yes / No
b)	It does not require a participant to purchase goods or services:	Yes / No
i)	for an amount that exceeds an amount for which such goods or services can be expected to be sold or resold to consumers.	Yes / No
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.	Yes / No
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.	Yes / No
d)	It provides a participant with a written contract describing the "material terms" of participation.	Yes / No
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.	Yes / No
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.	Yes / No
Note: 1. Give details regarding 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.		
10	(a) Whether proper identity document(s) to all the Direct Sellers are issued.	Yes/No
	(b) Whether you maintain "Register of Direct Sellers" wherein relevant details of each enrolled Direct Sellers are updated and maintained with details including verifiable proof of address, proof of identity and PAN as per the Income Tax Act.	Yes/No
	(c) What is the mechanism for payment of VAT? Give details.	
11.	(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.	Yes/No
	(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.	Yes/No
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:

1. We do not promote a Pyramid Scheme, as defined in Clause 1.22 or enroll any person to such scheme or participate in such arrangement in any manner whatsoever in the garb of doing Direct Selling business.
2. We do not participate in Money Circulation Scheme, as defined in Clause 1.23 in the garb of Direct Selling of Business Opportunities.
3. We will comply with all the remaining aspects mentioned in the guidelines issued vide F. No. 21/18/2014-IT (Vol-II) dated 9th 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.
4. We will comply with all the provisions mentioned in the Monitoring Mechanism Guidelines of the Government of Punjab as may be notified from time to time.

Place:

(Sd.)

SEAL OF THE
COMPANY

Name.....

Designation.....

Tel. No.

E-mail.....

LIST OF ENCLOSURES

1. Name and Address of the top Executives/ Officials of the Company as furnished in Column No.1 (iv).
2. Copies of Tax Registration Nos. as furnished in Column 2.
3. Details of Product/Services as furnished in Column 5.
4. Details of Licenses/ Trademarks as furnished in Column 6.
5. Copy of VAT/ GST/ IT/ Service Tax/ Central Excise returns including TDS returns for the last two Assessment years prior to the enrollment in the State as applicable.

LIST OF DOCUMENTS TO BE APPENDED

Copy of the Undertaking/ Declaration (Part A, B and C) filed by the Entity with the Department of Consumer Affairs, Government of India along with the following documents: —

Appendix I — Certificate of Registration/ Byelaws/ Memorandum of Association.

Appendix II — List of Board of Directors, with contact details.

Appendix III — Brief details of direct selling scheme and compensation plan.

Appendix IV — Sample of contract with direct sellers/distributors.