



### **ABSTRACT**

The Consumer Protection (Direct Selling) Rules, 2021 under the provisions of the Consumer Protection Act, 2019 (Central Act 35 of 2019) – Under section 11, Monitoring mechanism framed – Direct selling entities and Direct sellers – Orders issued.

### **Co-operation, Food and Consumer Protection (H2) Department**

G.O.(Ms) No.160

Dated 08.12.2023.

சோபகிருது வருடம்,

கார்த்திகை- 22,

திருவள்ளூர் ஆண்டு-2054

Read :

1. Tamilnadu Government Gazette Notification No.32 under Part III – section 1(a) dated 10.08.2022.
2. The Commissioner of Civil Supplies and Consumer Protection Department letter No.CA1/12432/2021, dated 03.01.2023 and 18.11.2023.

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### **ORDER:**

In the letter 2<sup>nd</sup> read above, Commissioner of Civil Supplies and Consumer Protection has requested the Government to frame monitoring mechanism as mandated under rule 11 of the Consumer Protection (Direct Selling) Rules, 2021, and to notify in the **Tamil Nadu Government Gazette**.

2. After careful consideration, the Government have decided to accept the proposal of Commissioner of Civil Supplies and Consumer Protection and to frame the said Rules and orders accordingly.

3.The appended Notification will be published in the **Tamil Nadu Government Gazette**.

4. The Works Manager, Government Central Press is requested to send the 100 copies of the said Notification to the Additional Chief Secretary to Government, Cooperation, Food and Consumer Protection Department, Chennai - 600 009.

**(BY ORDER OF THE GOVERNOR)**

**K. GOPAL,  
ADDITIONAL CHIEF SECRETARY TO GOVERNMENT.**

To  
The Works Manager,  
Government Central Press, Chennai- 600 079.(w.e)  
(for Publication in the Tamil Nadu Government  
Gazette)  
The Principal Secretary /Commissioner of Civil Supplies and  
Consumer Protection, Chennai – 600 005.  
The Registrar of Cooperative Societies, Chennai – 600 010.  
The Managing Director,  
Tamil Nadu Civil Supplies Corporation, Chennai - 600 010  
The Additional Director General of Police, Civil Supplies CID, Chennai-35  
All District Collectors.  
The Tamil Development, Culture and Religious Endowments (Translation)  
Department, Chennai – 9.  
The Secretary to Government of India,  
Ministry of Consumer Affairs, Food and Public Distribution,  
Department of Consumer Affairs, New Delhi – 110 001.  
The Personal Assistant to Hon'ble Minister for Food and Civil Supplies,  
Chennai-600 009.  
The Industries / Law Departments, Chennai – 600 009.  
All Sections in Cooperation,  
Food and Consumer Protection Department, Chennai – 600 009.  
Stock File / Spare Copies.

**// Forwarded by order //**

**SECTION OFFICER.**

62.1  
08/12/2023

8/12/23

## **APPENDIX**

### **NOTIFICATION**

WHEREAS, section 94 of the Consumer Protection Act, 2019 (Central Act 35 of 2019) provides that for the purpose of preventing unfair trade practices in e-commerce, direct selling and also to protect the interest and rights of consumers, the Central Government may take such measures in the manner as may be prescribed.

WHEREAS, in exercise of the powers conferred by clause (zg) of sub – section (2) of section 101 read with the said section 94 of the said Act, the Central Government have made the Consumer Protection (Direct Selling) Rules, 2021;

WHEREAS, rule 11 of the said Consumer Protection (Direct Selling) Rules, 2021 provides that for ensuring compliance of these rules by direct selling entity and direct sellers, every State Government shall set up a mechanism to monitor or supervise the activities of direct sellers and direct selling entity.

NOW, THEREFORE, under the said rule 11 of the Consumer Protection (Direct Selling) Rules, 2021, the Governor of Tamil Nadu hereby set up the following mechanism :-

#### **MONITORING MECHANISM TO MONITOR OR SUPERVISE THE ACTIVITIES OF DIRECT SELLING ENTITY AND DIRECT SELLERS, 2023**

These are guiding principles/mechanism for the Monitoring Authority set up by the State Government for supervising or monitoring the activities of direct sellers and direct selling entities as stipulated in the Consumer Protection (Direct Selling) Rules, 2021 and to strengthen the existing regulatory mechanism on direct selling, for preventing fraud and protecting the legitimate rights and interests of consumers. The Nodal Department to deal with the issues related to direct selling will be the Department of Consumer Affairs in the State.

**1. Objectives of the Monitoring Authority.-** The Monitoring Authority will function with the following objectives:-

- (i) To regulate the business of direct selling as per the Consumer Protection (Direct Selling) Rules, 2021 to prevent fraud and to protect the legitimate rights and interests of consumers;
- (ii) To prohibit all forms of Pyramid Scheme or enroll/participate any person to such scheme or participate in such arrangement in any manner whatsoever in the garb of doing direct selling business;
- (iii) To prohibit all forms of money circulation scheme or enroll/participate any person to such scheme in the garb of doing direct selling business;
- (iv) To prohibit all forms of unfair trade practices across all models of direct selling;
- (v) To monitor or supervise the activities of Direct Sellers, Direct Selling Entities regarding compliance of the Consumer Protection Act, 2019 (Central Act 35 of 2019) and the Consumer Protection (Direct Selling) Rules, 2021.

**2. Composition of Monitoring Authority.-** The Monitoring Authority shall consist of the following members, namely :-

|    |                                                                                                                                                                       |                            |
|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| 1  | The Additional Chief Secretary/Principal Secretary/ Secretary to Government – Department of Cooperation, Food and Consumer Protection.                                | Chairman                   |
| 2  | The Principal Secretary and Commissioner / Special Commissioner or Commissioner, Civil Supplies and Consumer Protection Department.                                   | Nodal Officer and Convener |
| 3  | The Secretary to Government, Finance Department or any other Officer nominated by him not below the rank of Deputy Secretary to Government.                           | Member                     |
| 4  | The Secretary to Government, Law Department or any other Officer nominated by him not below the rank of Deputy Secretary to Government.                               | Member                     |
| 5  | The Secretary to Government, Commercial Taxes and Registration Department or any other Officer nominated by him not below the rank of Deputy Secretary to Government. | Member                     |
| 6  | The Controller of Legal Metrology or any other Officer nominated by him not below the rank of Deputy Controller.                                                      | Member                     |
| 7  | The Food Safety Commissioner or any other Officer nominated by him not below the rank of Deputy Commissioner.                                                         | Member                     |
| 8  | The Commissioner, Central Goods and Services Tax Department, Tamil Nadu or any other Officer not below the rank of Joint Commissioner.                                | Member                     |
| 9  | The Commissioner, State Goods and Services Tax Department, Tamil Nadu or any other Officer not below the rank of Joint Commissioner.                                  | Member                     |
| 10 | An officer from the Police Department in the rank of Additional Director General of Police dealing with Economic offences                                             | Member                     |
| 11 | One subject expert duly nominated by the State Government.                                                                                                            | Member                     |

**3. Responsibilities of the Monitoring Authority.-** The Monitoring Authority shall,-

- (i) provide facilities for the enrolment of Direct Selling Entities for carrying out their direct selling business in the State of Tamil Nadu;
- (ii) provide appropriate platform for receiving complaints from the Consumers/Direct Sellers including general public against the violation of Consumer Protection (Direct Selling) Rules, 2021 by the Direct Selling Entities;
- (iii) inform respective enforcement authorities regarding the unethical and unlawful practice, if any, carried out by direct selling entities/direct sellers including non-compliance of monitoring mechanism/evasion of tax laws, noticed by the Monitoring Authority;
- (iv) provide Policy inputs to the Central Government for appropriate modifications in the Consumer Protection (Direct Selling) Rules, 2021, if warranted, from time to time;

- (v) provide 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" through Training Institutes or any such institute recognized for the purpose by the Government of Tamil Nadu.

**4. Enrolment formalities for carrying out the direct selling business in the State of Tamil Nadu.-** (1) No Direct Selling Entity or such other person shall engage in a direct selling business in the State of Tamil Nadu unless such Entity has enrolled with the Monitoring Authority by filing an application online in the format given in the Annexure. The Profile of the Promoters/Directors/Partners of the applicant Direct Selling Entity and the required permits/licenses/general and tax particulars along with the self-declaration shall be furnished in Part A of the application and the Notary attested affidavit shall be furnished in the prescribed format given in Part B of the application, along with the enclosures stated in the said prescribed application form.

(2) Upon receipt of the application in the prescribed format with the required particulars, certificates and documents, the Monitoring Authority shall, –

- (i) enroll the applicant entity in the Register maintained by it and publish the same in the website of Civil Supplies and Consumer Protection Department, Tamil Nadu, or
- (ii) refuse to grant enrolment if any violation of the Consumer Protection (Direct selling) Rules, 2021 is noted prima-facie or for the non-furnishing / non-filing of required particulars, certificates and documents :

Provided that at any time after receiving an application and before it is disposed of, the Monitoring Authority may issue notice, in writing, demanding the applicant entity to provide additional information or documents. Where the corrected 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.

(3) Enrolment of a direct selling entity with the Monitoring Authority would be made purely on the basis of the particulars furnished by the Applicant in the application which do not confer any legal right on the enrolled entity to represent themselves as Government approved agencies. The purpose of such enrolment is to enable the Monitoring Authority to carry out its objectives in an effective manner.

**5. Powers of Monitoring Authority .-** The Monitoring Authority shall be vested with the following powers:

- (i) to grant enrolment to the Direct Selling Entities upon the receipt of application in the prescribed format along with required documents and enclosures;
- (ii) to take appropriate action against the violation or non-compliance or partial compliance of the directives of Monitoring Mechanism by any Direct Selling Entities/ Direct Sellers either suo motu or on the basis of any complaint received in this regard, from any stakeholders;
- (iii) to engage one or more persons from any of the enforcement departments within this Monitoring Authority to make an inquiry in relation to the alleged complaints and affairs of any Direct Selling Entity;
- (iv) to call upon the books of accounts, registers, audited statement of Accounts, Income Tax and Good and Service Tax monthly/annual returns, certified copies of mandatory registration certificates as per the Consumer Protection

- (Direct selling) Rules, 2021 and such other documents necessary for scrutiny and verification.
- (v) to cancel such enrolment or black list those Direct Selling Entities violating the regulations of the monitoring mechanism repeatedly even after show cause notices and warnings from the Monitoring Authority;
  - (vi) to issue show cause notice to stop the business of such non-compliances with immediate effect;
  - (vii) to refer the contravention or violation of the Consumer Protection (Direct Selling) Rules, 2021, to the Central Consumer Protection Authority or such other Authorities as envisaged in Sections 17 to 23 of the Consumer Protection Act, 2019. (Central Act 35 of 2019);
  - (viii) to refer the contravention or violation of other laws and rules to the law Enforcement Authorities concerned under the provisions of such Acts and Rules;

**6. Mandatory maintenance of records.-** Every direct selling entity shall maintain at its registered office, either manually or electronically, all such documents as are required under any law for the time being in force, including the following documents or records, as may be applicable, as per rule 4 of the Consumer Protection (Direct selling) Rules, 2021, namely:-

- (i) Certificate of Incorporation;
- (ii) Memorandum of Association and Articles of Association;
- (iii) Permanent Account Number and Tax Deduction and Collection Account Number;
- (iv) Goods and Services Tax registration and Goods and Services Tax Returns;
- (v) Income Tax Returns;
- (vi) Balance Sheet, Audit Report and such other relevant reports;
- (vii) Register of direct sellers;
- (viii) Certificate of Importer-Exporter code (in case of imported goods)
- (ix) License issued under the Food Safety and Standards Act, 2006 (Central Act 34 of 2006) for the purposes of manufacture or sale of food items.
- (x) Certificate of Registration of Trademark;
- (xi) Licence and Registration Certificate issued under the Drugs and Cosmetics Act, 1940 (Central Act 23 of 1940) for the purposes of manufacturer or sale of drugs, including Ayurvedic, Siddha and Unani drugs and Homoeopathic medicines.

**7. Mandatory maintenance of Website.-** As per clause (d) of sub-rule (1) of rule 5 of the Consumer Protection (Direct selling) Rules, 2021, every direct selling entity shall maintain proper and updated website with all relevant details of that entity, including the documents or records specified in rule 4 of the said Rules, the self-declaration, contact information which is current and updated, details of its nodal officer, grievance redressal officer, its management, products, product information, price and grievance redressal mechanism for consumers. As per clause (g) of sub-rule (1) of rule 5, every information provided by the direct selling entity on its website shall be duly certified by a Company Secretary. As per sub-rule (16) of the said rule 5, every direct selling entity shall maintain a record of relevant information allowing for the identification of all direct sellers who have been delisted by the entity and such list shall be publicly shared on its website. Similarly, as per sub-rule (2) of the said rule 5, every direct selling entity shall provide the following information on its

website or Platform in a clear and accessible manner, which shall be displayed prominently to its users, namely:-

- (i) registered name of the direct selling entity;
- (ii) registered address of the direct selling entity and of its branches;
- (iii) contact details, including e-mail address, fax, land line and mobile numbers of its customer care and Grievance Redressal Officers;
- (iv) a ticket number for each complaint lodged through which the complainant can track the status of the complaint;
- (v) information relating to return, refund, exchange, warranty and guarantee, delivery and shipment, modes of payment, grievance redressal mechanism and such other information which may be required by the consumers to make informed decisions;
- (vi) information on available payment methods, the security of those payment methods, the fees or charges payable by users, the procedure to cancel regular payments under those methods, charge-back options, if any, and the contact information of the relevant payment service provider;
- (vii) all mandatory licences as applicable to the Entity as well as for its products and services;
- (viii) total price of any goods or service in single figure, along with its break-up price showing all compulsory and voluntary charges, including delivery charges, postage and handling charges, conveyance charges and the applicable tax;
- (ix) provide correct and complete information at pre-purchase stage to enable buyers to make informed purchase decisions, and such information shall, in addition to the mandatory declarations to be provided under the Legal Metrology (Packaged Commodities) Rules, 2011, contain the following information, namely:-
  - (a) the name of purchaser and seller;
  - (b) description of goods or services;
  - (c) quantity of goods or services;
  - (d) the estimated delivery date of goods or services;
  - (e) the process of refund;
  - (f) guarantees or warranties applicable to such goods or services;
  - (g) exchange or replacement of goods in case of it being defective; and
  - (h) all contractual information required to be disclosed by or under any law for the time being in force.

**8. Scope of Direct Selling, mode of marketing, disbursement of profits or commissions or incentives and Product Restrictions.-** As per clause (13) of section 2 of the Consumer Protection Act, 2019 (Central Act 35 of 2019) "direct selling means marketing, distribution and sale of goods or provision of services through a network of sellers, other than through a permanent retail location and as per clause (b) of sub-rule (1) of rule 2 of the Consumer Protection (Direct Selling) Rules, 2021, the said rules shall be applicable to all models of direct selling and the main objective of framing these mechanism is to prevent fraud and protect the legitimate rights and the interests of the consumers. Similarly, as per clause (7) of section 2 of the Consumer Protection Act, 2019, a "consumer" means any person who buys any goods or avails any services for a consideration and it includes offline or online transactions through electronic means or by teleshopping or direct selling or multi-level marketing. Therefore, the Direct Selling Entities can adopt Multi-level Marketing (MLM) techniques and practices for the marketing, distribution and sale of

its goods and services through its Direct Sellers and they can disburse share of profits or commissions or incentives or bonus to all such direct sellers in the network formed by them. However, such disbursements shall be strictly on the basis of the sales or turn-over achieved by the Direct Sellers at different levels and not on the basis of mere recruitments.

However, for the better understanding of direct selling operations, a combined reading of the relevant provisions of the Consumer Protection Act, 2019 and rules explained above are warranted which envisages that the direct selling is the marketing, distribution and sale of goods or services through 'network of sellers' under any models of direct selling or marketing which includes multi-level marketing also.

Further, mere multi-level marketing companies are not direct selling companies as per clause (e) of sub-rule (1) of rule 5 of the Consumer Protection (Direct Selling) Rules, 2021 which stipulates that every direct selling entity shall own, hold or be the licensee of a trademark, service mark or any other identification mark which identifies that entity with goods or services, to be sold or supplied but shall not give commissions, bonus or incentives on sale of goods or services of which it is not the owner, holder or licensee of trademark, service mark or other identification marks.

In addition to this, as per rule 9 of the Consumer Protection (Direct Selling) Rules 2021, every direct selling entity using e-commerce platforms for sale shall comply with the requirements of the Consumer Protection (e-Commerce) Rules, 2020 also in addition to Consumer Protection (Direct Selling) Rules, 2021. However, the companies or entities indulges in pyramid scheme, money circulation scheme and unfair trade practices or mis-selling of goods and services in the garb of doing Direct Selling business across all models of direct selling are strictly prohibited from the scope of direct selling as stipulated in clauses (a) and (b) of rule 10 read with clauses (f), (g) and (i) of rule 3 of the Consumer Protection (Direct Selling) Rules, 2021.

**9. Filing of periodical reports before the Monitoring Authority after enrolment.-** Every direct selling entity, after enrolment, shall furnish reports with the following information and submit to the Monitoring Authority within twenty or forty five days from the end of each such quarter or financial year respectively, as the case may be.

**(A) Yearly Basis:**

- (i) Individual wise particulars maintained by the direct selling entity in respect of their direct sellers including but not limited to enrolment, termination, active status, purchase value, remuneration plan in the last financial year;
- (ii) Copy of GST returns, Income Tax returns including TDS returns of the last year;
- (iii) Any other particulars as and when found necessary by the Monitoring Authority

**(B) Quarterly Basis:**

- (i) Total number of complaints received from customers within the State and the total numbers redressed and pending status in the last quarter;

- (ii) Total number of complaints received from direct sellers within the State and the total numbers redressed and pending status in the last quarter;
- (iii) Any other particulars as and when required by the Monitoring Authority;

**10. Procedure of disposal of Complaints.-** (1) The complaints received from a direct seller or a consumer or any member of the general public will be entertained only if such complaint is not resolved in the grievance redressal mechanism of the Direct Selling Entity in the manner as envisaged in sub-rule (7) of rule 5 of the Consumer Protection (Direct Selling) Rules, 2021. In order to resolve such complaints or grievances, the Government shall designate officers at district level to receive such unresolved complaints. The designated officer who received such a complaint shall forward the same to the direct selling entity with a direction to redress the complaint within ten days of its receipt and to intimate the complaint redressal report to the designated officer immediately. If the designated officers do not receive the complaint redressal report within fifteen days of its receipt by the direct selling entity, he shall file non-compliance report before the Monitoring Authority.

(2) 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 is found to be genuine and true, the Monitoring Authority may take such action as the Monitoring Authority deems appropriate as mentioned in paragraph 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 paragraph 12 below.

(3) However, any complaint relating to violation of consumer rights or unfair trade practices or false or misleading advertisements which are prejudicial to the interests of consumers as a class, may be forwarded either in writing or in electronic mode, to any one of the authorities, namely, the District Collector or the Commissioner of Regional Office or the Central Authority as provided in sections 17 to 23 of the Consumer Protection Act, 2019 (Central Act 35 of 2019).

**11. Prohibition of Pyramid Scheme, Money Circulation Schemes and Unfair Trade Practices.-** (a) No direct selling entity or direct seller shall promote or indulge in a Pyramid Scheme or enroll any person to such scheme or participate in such arrangement in any manner whatsoever in the garb of doing direct selling business as per clause (a) of rule 10 read with clause (i) of sub rule (1) of rule 3 of the Consumer Protection (Direct Selling) Rules, 2021. Under Pyramid Scheme, the substantial benefit or income is derived mainly on the basis of such enrolment or recruitment and not on the basis of sale of products or services even if the products or services are bundled in such schemes and packages for the purpose of name sake. Therefore, no direct selling entity or direct seller shall enter into a scheme or package or opportunity or participate in such arrangement in any manner for sharing the benefits by means of enrolment or recruitment of further subscribe to such scheme thereby occupying a higher position for the purpose of earning more benefits or for making quick or easy money out of such higher position and continue with such successive enrolments or recruitments for sharing the income or benefits out of such successive enrolments or recruitments and finally resulting in a multi-layered network of subscribers in the garb of doing direct selling business with a sole intention for sharing the benefits out of such successive enrolments or recruitment irrespective of the sales volume of products or services.

(b) No direct selling entity or direct seller shall participate in a money circulation scheme in any manner whatsoever in the garb of doing direct selling business as per clause (b) of rule 10 read with clause (f) of sub-rule (1) of rule 3 of the Consumer Protection (Direct Selling) Rules, 2021. As per clause (c) of section 2 of the Prize Chits and Money Circulation Schemes (banning) Act, 1978 (Central Act 43 of 1978), "money circulation schemes" means any scheme, by whatever name called, for the making of 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 schemes, whether or not such money or thing is derived from the entrance money of the members of such scheme or periodical subscriptions. Under money circulation scheme, the entire benefit or income is generated or derived out of the amount collected through the successive enrolments or recruitments and finally share the benefit among the subscribers simply on account of participation in such schemes. Therefore, no direct selling entity or direct seller shall participate in a money circulation scheme in any manner for sharing the benefits by means of enrolment or recruitment of further subscribers to such scheme and continue with such successive enrolments or recruitments for sharing the income or benefits out of such successive enrolments or recruitments and finally resulting in a multi-layered network of subscribers in the garb of doing direct selling business with a sole intention for sharing the benefits out of such successive enrolments or recruitments without any sale of products or services.

(c) No direct selling entity or direct seller shall promote or indulge in any misleading, deceptive or unfair trade practices or participate in such arrangement or schemes or trades in any manner whatsoever in the garb of doing direct selling business across all models of direct selling for the purpose of earning more benefits or for making quick or easy money out of such practices or schemes. As per sub rule (3) of rule 5 of the Consumer Protection (Direct selling) Rules, 2021, no direct selling entity shall adopt any unfair trade practice in the course of its business or otherwise, and shall abide by the requirements specified in any law for the time being in force. As per clause (47) of section 2 of the Consumer Protection Act, 2019 (Central Act 35 of 2019) "unfair trade practice" means a trade practice which, for the purpose of promoting the sale, use or supply of any goods or for the provision of any service, adopts any unfair method or unfair or deceptive practice including any of the following practices, namely:-

- (i) making any statement, whether orally or in writing or by visible representation including by means of electronic record which falsely represents that the goods or services are of a particular standard, quality, quantity, grade, composition, style or model;
- (ii) falsely represents any re-built second-hand, renovated, reconditioned old goods as new goods;
- (iii) makes a false or misleading representation concerning the need for, or the usefulness of, any goods or services;
- (iv) gives to the public any warranty or guarantee of the performance, efficacy or length of life of a product or any goods that is not based on an adequate or proper test thereof;
- (v) represents that the seller or the supplier has a sponsorship or approval or affiliation which such seller or supplier does not have etc.

(d) As per sub-rule (2) of rule 7 of the Consumer Protection (Direct Selling) Rules, 2021, a direct selling entity or direct seller shall not.-

- (i) indulge in fraudulent activities or sales and shall take reasonable steps to ensure that participants do not indulge in false or misleading representations or any other form of fraud, coercion, harassment or unconscionable or unlawful means ;
- (ii) 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, or to the goods or services being sold by itself or by the direct seller;
- (iii) *indulge in mis-selling of products or services to consumers ;*
- (iv) use, or cause or permit to be used, any fraudulent, coercive, unconscionable or unlawful means, or cause harassment, for promoting its direct selling business, or for sale of its goods or services ;
- (v) refuse to take back spurious goods or deficient services and refund the consideration paid for goods and services provided ;
- (vi) charge any entry fee or subscription fee.

**12. Action against violations or non-compliance of the directives of Monitoring Mechanism.-** (1) The violations or non-compliance or partial compliance of the directives of Monitoring Mechanism by any Direct Selling Entities or Direct Sellers will be treated seriously. The Monitoring Authority in such cases, either suo-motu or on the basis of any complaint received in this regard from any stake holders, may

- (i) engage one or more persons from any of the enforcement departments within this Monitoring Authority to make an inquiry in relation to the alleged complaints and affairs of any Direct Selling Entity;
- (ii) Call upon the books of accounts, registers, audited statement of Accounts, Income Tax and Goods and Services Tax monthly or annual returns, certified copies of mandatory registration certificates as per the Consumer Protection (Direct Selling) rules, 2021 or such other documents necessary for scrutiny and verification;
- (iii) cancel such enrolment or black list those direct selling entities violating the regulations of the monitoring mechanism repeatedly even after show cause notices and warnings by the Monitoring Authority;
- (iv) issue show cause notice to stop the business of such non-compliances with immediate effect; and
- (v) refer the matter to the Central Consumer Protection Authority or such other Authorities as envisaged in sections 17 to 23 of the Consumer Protection Act, 2019 (Central Act 35 of 2019).

(2) The Monitoring Authority may, before initiating the action proposed in item Nos. (iii) and (iv) above, may issue notice to the Direct Selling Entity and give them an opportunity of being heard for seeking their explanation to the action so proposed.

**13. Action against violation of provisions of Consumer Protection Act, 2019 Consumer Protection (Direct Selling) Rules, 2021 and other Laws applicable to Direct Selling.-** (1) The direct selling entities and the direct sellers have to follow the relevant provisions of the Consumer Protection Act, 2019 (Central Act 35 of 2019) and the Consumer Protection (Direct Selling) Rules, 2021 including other Laws applicable to direct selling meticulously. The compliance of the provisions and rules of these Acts and Rules will be monitored under this Monitoring Mechanism.

(2) Any contravention or violation of the Consumer Protection (Direct Selling) Rules, 2021 shall be dealt with the appropriate provisions of the Consumer Protection Act, 2019 (Central Act 35 of 2019) including product liability under Chapter VI and offences and penalties under Chapter VII of the said Act. However, the violation of other laws and rules shall be appropriately dealt by the law Enforcement Authorities under the provisions of the appropriate Acts & Rules, which may include the following:

- (i) Violation relating to any activity leading to money circulation or pyramid schemes to be dealt with by the Police Authorities under Prize Chits and Money Circulation Scheme (Banning) Act, 1978, (Central Act 43 of 1978) including criminal case under the provisions of Indian Penal Code;
- (ii) Violation relating to any activity leading to tax evasion, to be dealt with by the respective Taxation Authorities under the respective Taxation Statutes.
- (iii) Violation of any other applicable laws to be complied by direct selling entity as provided in the Consumer Protection (Direct Selling) Rules, 2021 shall be dealt with by the respective Authorities under such respective Statutes; and
- (iv) Violation relating to any activity leading to the breach of contract, appropriate civil remedy can be evoked before the Court of Law having appropriate jurisdiction.

**K. GOPAL,**  
**ADDITIONAL CHIEF SECRETARY TO GOVERNMENT.**

//True Copy//

92/1817  
Section Officer

61.1a  
08/12/2023

3/12/2023

**ANNEXURE****APPLICATION FOR ENROLMENT***(See para 4)***(To be submitted by the Direct Selling Entities)****Part A**

| Sl. No. | Particulars                                                                                                                                                                                                   | To be filled by Direct Selling Entity |
|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|
|         | <b>COMPANY PROFILE</b>                                                                                                                                                                                        |                                       |
| 1.      | Name of the Direct Selling Entity<br>(As Registered)                                                                                                                                                          |                                       |
| 2.      | CIN No. / Reg. No.                                                                                                                                                                                            |                                       |
| 3.      | Principal place of Business                                                                                                                                                                                   |                                       |
| 4.      | <b>ADDRESS FOR COMMUNICATION</b>                                                                                                                                                                              |                                       |
|         | <b>(i) Head Office:</b><br>(With PIN Code, e-Mail id, mobile phone, Telephone with STD Code and Company Website)                                                                                              |                                       |
|         | <b>(ii) Branch office in Tamil Nadu</b><br>(with PIN Code, e-Mail id, mobile phone, Telephone with STD Code and Company Website)                                                                              |                                       |
| 5.      | <b>TAX PARTICULARS OF COMPANY</b>                                                                                                                                                                             |                                       |
|         | (i) Income Tax Registration No. (PAN)                                                                                                                                                                         |                                       |
|         | (ii) Income Tax TDS Registration. No. (TAN)                                                                                                                                                                   |                                       |
|         | (iii) GST Registration No. (GSTIN)                                                                                                                                                                            |                                       |
| 6.      | <b>Name and Contact details</b>                                                                                                                                                                               |                                       |
|         | (i) Name and contact address of the Directors / partners of the Entity (With PIN code, eMail id, mobile phone No. and Telephone No with STD code)                                                             |                                       |
|         | (ii) Name and contact address of key Management Personnel with their eMail id & Mobile phone No.                                                                                                              |                                       |
|         | (iii) Name and contact address of Nodal Officer responsible for monitoring the compliance of the Consumer Protection Rules, 2021 (With PIN code, e-mail id, mobile phone No., & Telephone No., with STD code) |                                       |
|         | (iv) Name and address of Grievance Redressal Officer responsible for redressing the complaint (With PIN code, e-Mail id, mobile phone No., & Telephone No with STD code)                                      |                                       |

|     |                                                                                                                                                                                                                                                                                                                                                                                                      |  |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| 7.  | Details of Consumer Grievance Redressal mechanism as per the Consumer Protection (Direct Selling) Rules, 2021:                                                                                                                                                                                                                                                                                       |  |
| 8.  | Total number of Direct Sellers working within the State (as on March 31 <sup>st</sup> of the previous financial Year)                                                                                                                                                                                                                                                                                |  |
| 9.  | <b>Details of Products / Services Offered</b><br>(enclose product brochure with price break-up)<br>(i) Details of own products or service with Trademark or Service Mark as the case may be<br>(ii) Details of products or services dealt in the capacity of holder or licensee of a trademark or service mark or other identification marks which identifies the company and its products.          |  |
| 10. | Modes of Direct Selling<br>(i) Marketing plan adopted:<br>(ii) Remuneration plan adopted:<br>(iii) Whether e-commerce platform adopted:                                                                                                                                                                                                                                                              |  |
| 11. | Investment in business and trading particulars as per latest audited accounts available, i.e., on March 31 <sup>st</sup> of previous financial year<br>(i) Capital & Reserves<br>(ii) Current liabilities / payable<br>(iii) Investment in Fixed Assets<br>(iv) Investment in Current Assets<br>(v) Total sales Turnover<br>(vi) Total Purchases Turnover<br>(vii) Gross profit<br>(viii) Net Profit |  |

### VERIFICATION

The contents of the above application are true and correct and nothing material has been concealed by me/us there from.

Verified by me/us at.....on this day of.....

**Applicant**

Name.....

Designation.....

Tel No.....

E-mail:.....

Place & Date

Seal of the Company

**Part-B****(NOTARY ATTESTED AFFIDAVIT/ DECLARATION)**

I / We, ..... in the capacity of ..... of the  
..... company / firm declare that we  
including our duly appointed Direct Sellers, shall compliant with the following:

1. I/We shall be compliant with all the provisions of Consumer Protection (Direct Selling) Rules, 2021 notified by the Department of Consumer Affairs, Ministry of Consumer Affairs, Food and Public Distribution, New Delhi, vide Notification No.GSR 889(E) dated 28th December, 2021.
2. I/We shall be compliant with all the applicable provisions of Consumer Protection  
(E- commerce ) Rules, 2020 and the rules framed there under as provided in rule 9 of Consumer Protection (Direct Selling) Rules, 2021.
3. I/We shall be compliant with all the applicable provisions of the Legal Metrology Act 2009 (Act 1 of 2010) and the rules framed thereunder as provided in sub-rule 4 of rule 5 and clause (v) of sub-rule (1) of rule 7 of Consumer Protection (Direct Selling) Rules, 2021.
4. I/We shall be compliant with all the applicable provisions of the Food Safety and Standards Authority of India Act, 2006 (Central Act 34 of 2006) and the rules framed there under as provided in clause (j) of rule 4 of Consumer Protection (Direct Selling) Rules, 2021.
5. I/We shall be complaint with all the orders, circulars, notifications as may be notified by the Department of Consumer Affairs, Government of India or by the Department of Civil Supplies and Consumer Protection, Government of Tamil Nadu from time to time.
6. I/We shall set up an authorized office declared in Tamil Nadu and shall maintain its office, either manually or electronically, all such documents / registers / books of accounts as are required under any law for the time being in force, as may be applicable for verification of the enforcement authorities under this monitoring mechanism, in addition to its maintenance of such records at its registered office as required as per rule 4 of the Consumer Protection (Direct Selling) Rules, 2021.

7. I/We shall become a Partner in the convergence process of the National Consumer Helpline of the Central Government as provided in sub-rule 17 of rule 5 of the Consumer Protection (Direct Selling) Rules, 2021.
8. I/We shall not promote a Pyramid Scheme or enrol any person to such scheme or participate in such arrangement in any manner whatsoever in the garb of doing direct selling business as provided in sub-rule (a) of rule 10 of the Consumer Protection (Direct Selling) Rules, 2021.
9. I/We not participate in money circulation scheme in the garb of doing direct selling business as provided in sub-rule (b) of rule 10 of the Consumer Protection (Direct Selling) Rules, 2021.
10. I/We shall not promote any misleading, deceptive or unfair trade practices or participate in such arrangement/schemes/trades in any manner whatsoever in the garb of doing direct selling business across all models of direct selling as provide in sub-rule (3) of rule 5 read with clause (d) of sub-rule (1) of rule 2 of the Consumer Protection (Direct selling) Rules, 2021.

Deponent

**DEPONENT VERIFICATION**

The contents of the above Affidavit cum Declaration are true and correct and nothing material has been concealed by me/us there from.

Verified by me/us at \_\_\_\_\_ on this day of \_\_\_\_\_.

Deponent

Name.....

Designation.....

Tel No.....

E-mail.....

Place &amp; Date

Seal of the Company

Notary attestation

### List of Enclosures

1. Certification made by the Company Secretary regarding the veracity and validity of the certificates and documents uploaded in the Website such as certificates, licenses, policies, declarations and other documents required for the proper conduct of Direct Selling business as per the Consumer Protection(Direct Selling) Rules, 2021.
2. Copy of acknowledgment received from the On-line Portal of the Department of Consumer Affairs during the course of previous registration (applicable to previously on-line registered entities).
3. Copy of the latest Audited financial statements (Balance sheet and Profit and Loss A/c with schedules) (Previous financial year)
4. Copy of (i) Certificate of incorporation, (ii) Memorandum of Association (iii) Article of Association of the Entity and (iv) Bye-laws.
5. Copy of Certificate of Registration of Trademark.
6. Certificate of Importer-Exporter code (in case of imported goods)
7. List of Board of Directors / Partners / Owners of the Entity with contact address with their E-mail ids and mobile phone No.
8. List of Key Management Personnel with their contact address with their, E-mail Ids and mobile phone No.
9. Brief details of direct selling scheme and compensation plan.
10. Copy of Product Brochure with price break-up as required under clause (g) of sub-rule (2) of rule 5 of the Consumer Protection (Direct Selling) Rules, 2021.
11. Copy of prior written contract to be executed with direct sellers as required under Rule 6(1) (a) of the Consumer Protection (Direct selling) Rules. 2021.
12. Copy of GSTIN, PAN and TAN or such other registrations necessary for the Direct Selling Entity.
13. Copy of License and Registration Certificate issued under the Drugs and Cosmetics Act, 1940 (If applicable)
14. Copy of license issued under the Food Safety and Standards Act, 2006 (Central Act No. 34 of 2006 (If applicable).
15. Copy of operating License under Bureau of Indian Standards (BIS) Act, 2016 (If applicable)
16. Copy of Mandatory declarations under the Legal Metrology (Packed Commodities) Rules, 2011 (If applicable)
17. Copy of Income Tax and Goods and Services Tax returns for the latest year;
18. Such other information or documents, if any, as may be demanded from time to time.

**K. GOPAL,**  
**ADDITIONAL CHIEF SECRETARY TO GOVERNMENT.**

//True Copy//

Section Officer

61.1.  
08/11/2023

21/2/23