

Know Your Business Customer obligations for Marketplace Seller Nodes on ONDC Network

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1. Context

In the e-commerce landscape, ensuring the authenticity and legality of products is crucial for maintaining trust and a healthy marketplace environment. To support this goal, e-commerce marketplaces conduct a Know-Your-Business-Customer (KYBC) process for the sellers they onboard. This proactive approach helps ensure that only legitimate sellers with traceable identities can list their products or services, fostering a safer and more reliable shopping experience for consumers. The KYBC practice helps e-commerce marketplaces to significantly reduce the risk of fraud and scams, and enable a more robust and reliable consumer grievance redressal mechanism. In addition, the practice uphold legal and quality standards but also strengthen the overall trust and integrity of the ecosystem.

To enhance the trust of all stakeholders participating in the Network, there was a need to codify this industry practice of conducting due diligence of merchants/sellers onboarded by Marketplace Sellers Nodes (MSNs) operating in the retail domain (Food & Beverage, Grocery, Home & Decor, Electronics, Fashion, Beauty & Personal Care, Gift Cards) on the Network.

Furthermore, in the 6th User Council meeting held on 9th August 2024, ONDC received assent¹ to introduce this obligation to Chapter 2 Business Rules, Network Policy.

Accordingly, ONDC is issuing this notification.

2. Notification

ONDC is amending Chapter 2 Business Rules², Network Policy by inserting the following clause 2.5.7

“2.5.7 All Marketplace Seller Nodes (MSNs) that are operational in the retail domain shall conduct due diligence on all sellers and merchants they onboard. This due diligence must include collecting and maintaining the following information:

¹ Summary of proceedings, 6th User Council meeting held on 9th August 2024

² Chapter 2 Business Rules, ONDC Network Policy,

https://ondc-static-website-media.s3.ap-south-1.amazonaws.com/res/daea2fs3n/image/upload/ondc-website/files/chapter_2_business_rules_v2.1.pdf

- *The name, address, telephone number, and email address of the merchant or its grievance redressal officer.*
- *Identity proof that validates the identity of the merchant.*
- *Where a merchant is a registered or incorporated business, its registration number or an equivalent means of identification.*
- *A self-certification by the merchant committing to only offer products or services that comply with the applicable laws.”*

3. Guidance

To effectively comply with the KYBC obligations, MSNs must make reasonable efforts to verify the authenticity of the information provided by sellers on-boarded by them. This due diligence process may be conducted using existing official online databases, such as the Goods and Service Tax Network, or by requesting reliable supporting documents from the merchants, such as identity documents, certified bank statements, company registration certificates etc.

4. Queries/Concerns

For any queries, concerns, or requests related to this notification, you may write to
network.policies@ondc.org