

## CHAPTER [9]: Governance and Disciplinary Policy

### Version History

Version	Date	Description
0.3	16th May 2024	Released to NPs for feedback
1.0	21st August 2024	Final Policy incorporate feedback

## Scope:

ONDC's effective and proportionate enforcement of its Network Policy plays an important role in the pursuit of its overall objective of maintaining fairness and openness in the ONDC Network to promote effective competition and enhance the integrity of the ONDC Network.

This chapter details the procedures for addressing non-compliance of the Network Participant Agreement or the ONDC Network Policy by Network Participants. The Disciplinary Process is initiated in response to violations, and the subsequent actions are detailed herein. The Applicability of this Policy is limited to ONDC Network Participants.

### 9.1. Guiding Principles of Governance and Disciplinary Policy

- 9.1.1. The strength of ONDC's Disciplinary Policy relies heavily on maintaining an open and cooperative relationship with Network Participants.
- 9.1.2. ONDC is committed to undertaking Disciplinary Action transparently, proportionately, and responsively that is based on the actual or expected impact on the complainant, ONDC Network and End Users.
- 9.1.3. ONDC prioritizes fair treatment in the exercise of its disciplinary powers, ensuring equity and impartiality.
- 9.1.4. ONDC's enforcement aims to influence the behavior of the parties involved, deterring future non-compliance, and, where appropriate, addressing any harm caused by the non-compliance.
- 9.1.5. Disputes arising out of the following are not within the scope of this Policy:
  - 9.1.5.1. Disputes arising from contractual relationships/transaction level contract between Parties and/or their End Users; or
  - 9.1.5.2. Any request received from law enforcement agencies by ONDC will be handled in accordance with ONDC's obligations under the applicable law.

### 9.2. Complaints and first-level resolutions

- 9.2.1. ONDC may use a combination of human and automated evaluation to review a Network Participant's behaviour on the ONDC Network to detect and assess practices that may potentially be in violation of the ONDC Network Policy or the Network Participant Agreement. Such detection may be also made through additional methods, including, but not limited to, complaints by (a) Network Participants or Ecosystem Participants, (b) End Users, and (c) any other person.
- 9.2.2. Once detected, the alleged policy-violating practices will be flagged to the concerned Network Participant. Wherever possible, the Network Participant is encouraged to collaborate with ONDC or the complainant, as the case may be, to resolve the issue provided in the allegations, within the prescribed timelines.
- 9.2.3. If the concerned Network Participant fails to undertake remedial action within the prescribed timelines, the issue will be flagged to the ONDC's Committee for Disciplinary Action (**ONDC Disciplinary Committee / Committee**) for investigating and determining Disciplinary Action. The Committee may direct the Network Participant to make available to it requisite documents, logs, data, or other such records/information as may be required to perform its functions.

- 9.2.4. If the ONDC Disciplinary Committee determines that a Network Participant's conduct has violated any of ONDC Network Policies or the Network Participant Agreement, ONDC will take appropriate action as outlined in this Chapter (**Disciplinary Action**). ONDC will communicate the relevant information about the action ONDC has taken through e-mail and or any other relevant medium along with instructions on how to appeal or submit for review if the participant disagrees with the Disciplinary Action taken ("**Disciplinary Communication**").

### 9.3. ONDC Disciplinary Committee

- 9.3.1. The ONDC Disciplinary Committee ("**Committee**") will be appointed by the CEO of ONDC, and will be presided over by the President, Network Governance, or any other member appointed by the CEO from time to time.
- 9.3.2. The presiding officer may request additional ONDC officials, for support, as and when required.
- 9.3.3. The Committee retains the authority to set criteria to evaluate complaints, and can reject complaints if it fails to meet the criteria. These criteria, subject to potential evolution over time, may encompass essential details such as the requisite information/documentation for a complaint's consideration and the pertinence of the raised concerns. The Committee will exercise its discretionary power to establish these criteria judiciously, aligning with the principles of fairness, transparency, and procedural regularity. Network Participants will be informed of the criteria and any updates to ensure clarity and understanding.
- 9.3.4. The decision taken by the Committee will be communicated to the defaulting Network Participant via e-mail or any other suitable medium.
- 9.3.5. The Disciplinary Communication, among other things, will detail action taken by the Committee, rationale or reasons for the action, a mechanism to submit a review of the Committee's decision, and the effect of non-compliance.
- 9.3.6. Unless otherwise provided, the Committee's decisions other than those related to suspension or termination or monetary penalty below INR 2 lakhs will not be appealable.

### 9.4. Appellate Committee

- 9.4.1. ONDC shall establish an independent Appellate Committee, with approval from the ONDC Board of Directors, to hear appeals related to suspensions and/or termination and/or monetary penalty above INR 2 Lakhs. The decision of the Appellate Committee shall be binding on ONDC and the concerned Network Participants.
- 9.4.2. Any Seller against whom action has been taken under clause 9.5.1.5 can also file an appeal before the Appellate Committee.
- 9.4.3. The Appellate Committee may direct the Network Participant and/or ONDC and/or seller as the case maybe to make available to it certain documents, logs, data, or other such records/information as may be required to perform its functions. The Appellate Committee may also take statements from witnesses and experts as may be required to perform its functions.
- 9.4.4. The Appellate Committee may be composed of five (5) members, with expertise in e-commerce, taxation, finance, law, information technology or any other relevant field, and one representative of ONDC. The ONDC Board of Directors may increase or decrease the number of members in the Appellate Committee.

- 9.4.5. The names of individuals to be appointed to the Appellate Committee will be presented to the User Council for feedback. The feedback provided by the User Council will not be binding on ONDC
- 9.4.6. ONDC shall create governing rules for the Appellate Committee and amend them from time to time, as required. The governing rules, among other things, shall provide for the following:
- a. Eligibility criteria to be appointed as a member of the Appellate Committee
  - b. Term of office for each member
  - c. Removal from the office
  - d. Decision-making by the Disciplinary Committee
  - e. Rules governing the proceedings (such as quorum, timelines etc).
- 9.4.7. The Appellate Committee shall meet as often as it deems necessary.

## **9.5. Disciplinary Action**

- 9.5.1. Unless otherwise provided in the Disciplinary Communication, the action taken by ONDC may be any or a combination of the following as provided in this clause in accordance with the principles laid out in clause 9.6.2. Please note that, unless provided to the contrary, the Disciplinary Actions will remain in effect unless an appeal is granted.

### **9.5.1.1. *Warning plus cure time***

- (a) This warning serves as a notice to the Network Participant, informing them of their non-compliance and the specific issues that need to be addressed to come into compliance.
- (b) The Network Participant will be given a specified period of time referred to as "cure time" during which they are expected to take corrective actions to remedy the identified violations. The duration of this cure time will be provided in the Disciplinary Communication.
- (c) During this cure time, the Network Participant is expected to rectify the issues, implement necessary changes, or take any corrective measures as specified in the warning. The Participant may request for additional time to undertake corrective actions.
- (d) The specific actions required for compliance will be outlined in the warning, and it is the responsibility of the Network Participant to follow these instructions within the given timeframe.
- (e) The Disciplinary Communication will specify Disciplinary Action that will be triggered in the event of failure to remedy violations within the cure time.

### **9.5.1.2. *Monetary Penalty***

- (a) ONDC may levy a monetary penalty of up to INR 5,00,000 (Five lakh Indian Rupees) per violation on participants for violating ONDC Network Policy or the Network Participant Agreement.
- (b) The payment method and timelines will be communicated to the participant in default.
- (c) Non-payment of penalties may attract further disciplinary actions.

### **9.5.1.3. *Suspension***

- (a) In case of suspension, defaulting Network Participant will be temporarily unsubscribed from the ONDC Registry, and thus the Network Participant and its

End Users will not be discoverable to other Participants in the Network or discover other Participants in the Network. *To clarify*, the defaulting Network Participant will be unsubscribed for a specific product/service domain or all domains, as may be determined in the Disciplinary Communication.

- (b) The production keys of the Suspended Network Participant will be deprecated/disabled thereby preventing the said Network Participant from using the ONDC Registry for various registry operations including performing a lookup, key validation.

*Production Keys refers to cryptographic access credentials enabling them to authenticate, transact and ascertain their identity on the ONDC Network*

- (c) Any use of the production keys by the Suspended Network Participant for any other purposes such as conducting peer to peer transactions will not be recognised by ONDC
- (d) Suspended Network Participant will not be allowed to access the ONDC Network, except to fulfil orders or complete transactions entered into before the commencement of the suspension.
- (e) Suspended Network Participant will not be allowed to use ONDC Branding until the suspension is lifted. ONDC reserves the right to remove the Suspended Network Participant's Mark from the list of live NPs maintained or displayed by ONDC on its website or any other material.
- (f) The Participant's discoverability and ability to discover other Network Participants through the ONDC Registry will be restored if the defaulting Network Participant meets the following criteria:
  - (i) the Suspended Network Participant has complied with ONDC's directions regarding the corrective action to be taken by the Network Participant
  - (ii) the Suspended Network Participant has satisfactorily submitted a Quality Assurance test report as per the requirements defined under [pramaan.ondc.org](http://pramaan.ondc.org), as applicable.
- (g) Suspensions count as strikes against the good standing of the Network Participant's position in the ONDC Network. Multiple strikes, as provided in Annexure -1, can result in the termination of the Network Participant, depending on the nature and severity of violations.
- (h) The suspended Network Participant may file an appeal against the suspension notice within 30 days of receiving the Disciplinary Communication. The suspended Network Participant may file an appeal against the suspension notice within 60 working days in case of an unavoidable delay, along with an application seeking the condonation of delay, explaining the reasons for such delay

#### **9.5.1.4. Termination**

- (a) Termination means that the Network Participant in question will be permanently unsubscribed from the ONDC Registry. Furthermore, termination will mean that the Network Participant Agreement between the ONDC and the NP stands terminated.
- (b) As provided above, multiple suspensions deemed appropriate by the Committee or suspensions for egregious policy violations may result in termination.
- (c) The terminated Network Participant will not be able to use the ONDC Registry.

- (d) End users of the terminated Network Participant will not be visible to users of live Network Participants.
- (e) In case a Network Participant - who has been terminated for a breach of the ONDC Network Policy or Network Participant Agreement - desires to rejoin the ONDC Network, it will have to undergo the onboarding process outlined in Chapter 1 of the ONDC Network Policy afresh, after a cooling-off period of one (1) year from the date of termination.
- (f) Within 10 days of being served with the termination notice, the Network Participant may prefer an appeal to the Appellate Committee. For the duration of the appeal proceedings before the Appellate Committee, the Network Participant's termination shall be in abeyance, but the Network Participant shall remain suspended.

#### 9.5.1.5. Other actions

- (a) In accordance with the Network Participant Agreement, ONDC reserves the right to initiate any other Action not specified in this clause in the event the Network Participant fails to comply with directions issued by ONDC.
- (b) ONDC can direct Network Participants to not deal with or provide services to or delist Sellers that engage in fraudulent or unlawful activity Network or whose actions threaten or compromise the integrity of the Network.
- (c) To enhance trust in the Network, ONDC, with the assistance of Network Participants, will maintain a record of Sellers who have previously been debarred. No Participant in the Network should onboard such debarred Sellers.

### 9.6. Principles for determining Disciplinary Action

9.6.1. As a network operator with limited resources, ONDC prioritises its resources in the areas which pose the greatest threat to ONDC Network and its Network Participants.

9.6.2. In cases of non-compliance with the ONDC Network Policy or Network Participant Agreement, ONDC will consider various factors to determine the appropriate Disciplinary Action. These factors include but are not limited to:

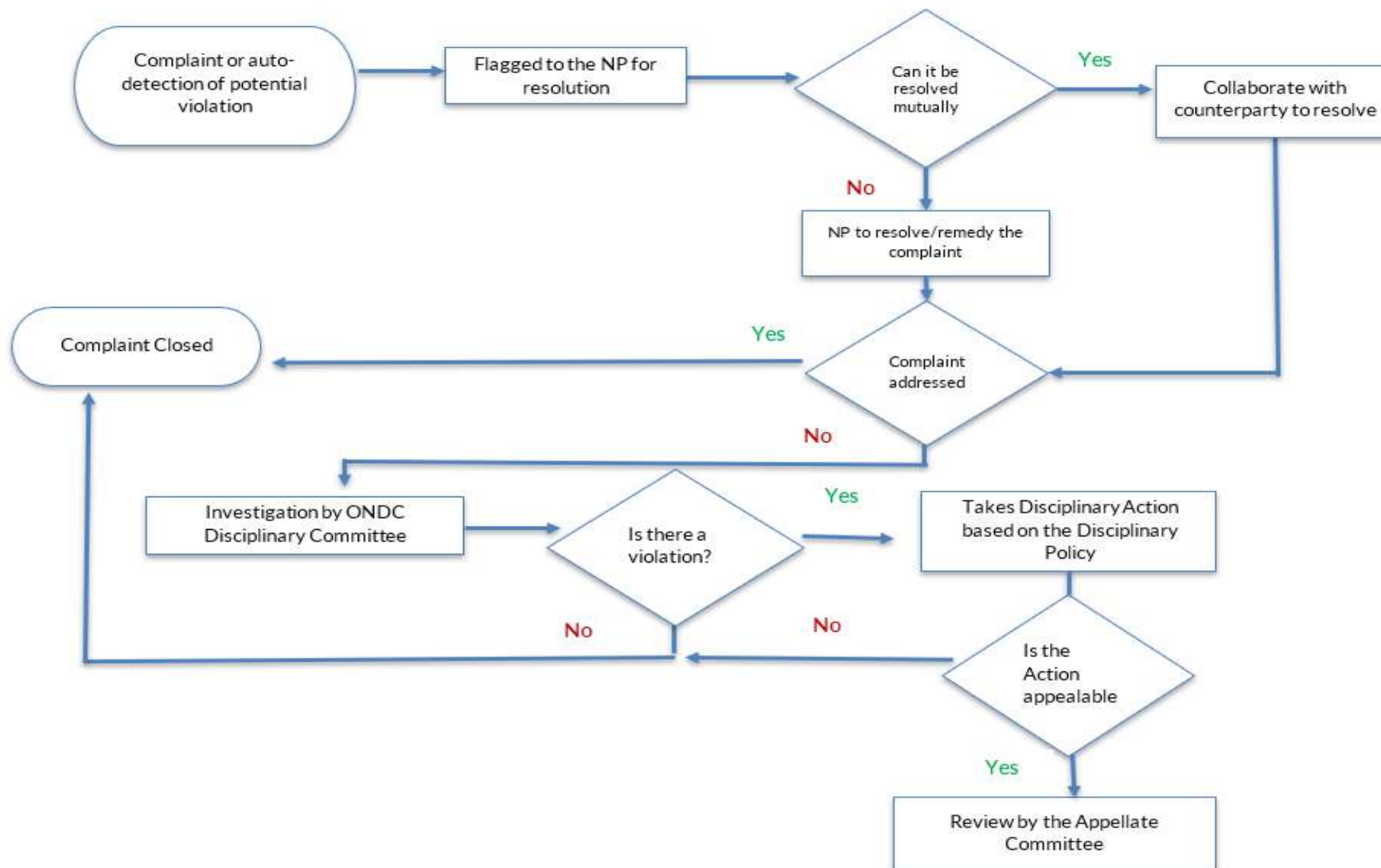
- a. ***Willful or Reckless Violation***: Examining whether the violation was intentional or carried out with disregard for ONDC Network Policy and Network Participant Agreement.
- b. ***Concealment***: Investigating any attempts to hide or obscure conduct to mislead ONDC, End Users, or other Network Participant(s) regarding a violation.
- c. ***Pattern of Misconduct***: Evaluating whether the violation is part of a repeated pattern or an isolated incident.
- d. ***Prior Notice***: Considering whether the Network Participant was aware or reasonably should have been aware that the conduct constituted a violation or non-compliance with the ONDC Network Policy or Network Participant Agreement.
- e. ***Management Involvement***: Assessing the organisational level at which willful or reckless conduct occurred and whether supervisory or managerial (Key Managerial Personnel) staff were aware or should have been aware of it.
- f. ***Non-financial Impact***: Analysing whether the impact of the violation is limited to the defaulting participant or if it extends to adversely affect other Network

Participants in the Network, including End Users of other Network Participants, or on ONDC.

- g. **Financial Impact:** Assessing whether non-compliance resulted in a financial impact on other Network Participants or on End Users of any Network Participant, or on ONDC.
- h. **Time Sensitivity:** Evaluating whether a delay in undertaking remedial action may significantly affect Network Participants in the ONDC Network, End Users, or ONDC.

9.6.3. It's important to note that these factors are non-exhaustive, and ONDC may consider additional relevant aspects when determining the appropriate disciplinary measures. Any factors that aggravate the risk to the ONDC Network will attract greater penalties and/or shorter cure times, and any mitigating factors will lead to leniency in the disciplinary action.

## Process under Governance and Disciplinary Policy





### Annexure 1: Guidance on Risk Assessment Matrix for determining Disciplinary Action

Parameter	Scenario-wise severity			
	Low Severity	Moderate Severity	High Severity	Critical Severity
Pattern of Conduct (in the past 3 months)	First non-compliance	2-5 non-compliance	5-10 instances of non-compliance	More than 10 instances of non-compliances
Types of parties potentially or actually affected by the Violation	Only the responsible NP affected	Affected parties includes the responsible NP's End User(s)	Affected parties include other NPs and their End Users	Affected parties includes a Gateway and/or ONDC and future operations of network are risk
Number of parties potentially or actually affected by the Violation	Small number of parties affected	Moderate number of parties affected	Large number of parties affected	Very large number of parties affected
Financial impact	Small	Moderate	High	Very High
Involvement of Key Managerial Personnel	No	Yes	Yes	Yes.
Time-sensitivity (whether and how rapidly the impact of the Violation will worsen if not resolved)	Delay in resolution will not significantly worsen the impact	Delay in resolution will significantly worsen the impact, but the scale will be moderate	Delay in resolution will worsen the impact rapidly, but is unlikely to disrupt the entire Network	Delay in resolution could potentially disrupt the entire ONDC Network
Scale of the cost and effort involved in recovery from the impact	Can be resolved unilaterally by the responsible NP, without a large-scale effort	Can be resolved unilaterally by the responsible NP, but will require a large-scale effort	Resolution will require coordination between multiple NPs and/or End Users and/or Ecosystem Participants	Resolution will require coordination between multiple NPs and/or End Users and/or Ecosystem Participants, and large-scale efforts from each



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## Annexure 2: Non-exhaustive list of violations under ONDC Network Policy

No	Category of Violation	NP Type	Violation	Clause
1.	Discriminatory behavior	Seller App	Seller Apps not responding to search requests, despite the Buyer App meeting the criteria disclosed by the Seller App	2.5.4 read with Notification No. 2023/07/08/04
2.	Discriminatory behavior	Seller App	Seller Apps sending differential terms/features of transaction to other Buyer Apps, and not adhering to the criteria disclosed by the Seller App	2.5.4 read with Notification No. 2023/07/08/04
3.	Discriminatory behavior	Buyer App	Store/catalogue excluded by the Buyer App, despite the seller/catalogue/seller app is meeting the minimum requirements as published by the Buyer App	2.4.2
4.	Discriminatory behavior	Buyer App	Unfairly promoting its own sellers, and not showing the Seller App's sellers	2.4.2
5.	Discriminatory behavior	Buyer App	Ranking sellers low despite performing well based on sorting parameters	2.4.2
6.	Discriminatory behavior	All NPs	Failure to ensure that the content and catalogue on its App are always available to any End User in a non-discriminatory manner	2.5.4
7.	Discriminatory behavior	Gateways	Failure to multicast the search request received from Buyer Side App to all relevant and available Seller Side Apps and vice-versa	2.3.1
8.	Discriminatory behavior	Gateways	Discriminating against or provide any preferential treatment to any Buyer Side App or Seller Side App or their request or responses	2.3.3
9.	Discriminatory behavior	Gateways	Independently filtering, editing, modifying, or selecting any search request or responses	2.3.3
10.	Discriminatory behavior	Gateways	Monetising search level data	2.2.4
11.	Discriminatory behavior	Buyer App	Failure to disclose information on parameters and logic for sorting, and/or minimum criteria for qualifying to be listed	2.4.2

No	Category of Violation	NP Type	Violation	Clause
12.	Discriminatory behavior	Buyer App	Failure to disclose information about differential treatment given to any seller apps, sellers or products (e.g.: sponsored / featured / boosted results)	2.4.3
13.	Discriminatory behavior	Buyer App	Not sending search requests to Gateway, when running a search on own sellers	2.4.2
14.	Discriminatory behavior	Buyer App	Unfair sorting/listing/display algorithm	2.4.2
15.	Data Practice	Seller App	Using, sharing, or disclosing the personal data of a Buyer, without taking the Buyer's consent, for purposes other than - (a) payment collection, (b) order delivery, and (c) providing post-order confirmation services such as customer support etc	7.1.5
16.	Data Practice	All NPs	Not publishing a Privacy Policy	7.1.6
17.	Data Practice	All NPs	Failure to notify any unauthorised access of any personal data after becoming aware	7.1.8
18.	Data Practice	All NPs	Breaching end user confidentiality or not protecting end user information (such as passwords, PII etc)	8.1.1
19.	Data Practice	All NPs	NP or its service provider not complying with Applicable Laws related to privacy and personal data protection	Chapter 7
20.	Info Security	All NPs	Failure to implement reasonable security practice	8.2
21.	Info Security	All NPs	Introducing malware, trojans or viruses into the network	8.1.1
22.	Info Security	All NPs	Withholding crucial information related to a security incident from ONDC	8.3.3
23.	Info Security	All NPs	Overriding security of another network participant or ONDC, or gaining unauthorised access to another NP or ONDC's systems, or hacking	8.1.2 and 8.1.3
24.	Issue and Grievance Management	Buyer App/Seller App	Failure to establish adequate grievance redress mechanism	Chapter 6
25.	Issue and Grievance	Buyer	Failure to coordinate with other NPs to resolve grievance	6.2.7



No	Category of Violation	NP Type	Violation	Clause
	Management	App/Seller App		
26.	Unethical and Corrupt Practices	All NPs	Revealing confidential information	4.5
27.	Unethical and Corrupt Practices	All NPs	Engaging in bribery or corrupt practices	4.3
28.	Unethical and Corrupt Practices	All NPs	Failure to maintain transaction data and consent logs	7.1.9
29.	Unethical and Corrupt Practices	All NPs	Misrepresenting its relationship with ONDC	4.2.2
30.	Branding	All NPs	Failure to adhere to ONDC's Branding Guidelines	Chapter 5
31.	Violation of Applicable Laws	All NPs	Failure to comply with Applicable law (such as rules with respect to consumer protection, data protection, information disclosure, illegal content or product etc.)	Across chapters/Action as directed by the Competent Authority