

## CHAPTER [3]: Commercial Model

### Version History

Version	Date	Description
0.3	14th June 2022	Released to NPs
1.0	15th September 2022	<ul style="list-style-type: none"> <li>- Changed the Chapter Number from '9' to '3'. Changed numbering of all clauses and sub-clauses accordingly</li> <li>- Removed the 3% cap on Buyer Finder Fee</li> <li>- Changed the base of calculation of the Buyer Finder Fee from Declared Price to Total Order Value</li> <li>- Added minimum advance notice period which ONDC will provide before levying any fees/charges</li> <li>- Added a functional definition of Logistics Service Provider</li> <li>- Added enabling clause for allowing ONDC to cap Gateway fees, if necessary</li> <li>- Removed the clause on calculation of the Seller's Consideration</li> <li>- Amended definition of Purchase Order to reflect that the terms are executed through the ONDC Protocol</li> </ul>
2.0	15th February, 2024	Simplified and Rationalised Chapter released to NPs

## PURPOSE OF THIS CHAPTER

The aim of this chapter is to ensure that the various commercial terms of a transaction between Network Participants are in line with ONDC's commitment to transparency, fairness and consumer protection. That includes (among other things) commissions/ fees/ charges, pricing of a product/service, minimum standards for disclosure of details of various fees & charges to the buyer, and the overarching rules governing settlement of payments between Network Participants.

### 3.1. Commercial Components

3.1.1. Participants involved in a transaction through the ONDC Network include the Buyer, Buyer App, Seller App, Seller/supplier, Gateway and Logistics Service Provider, as applicable.

3.1.2. Any Order facilitated by the ONDC Network shall involve the following commercial components (**Transaction Fees**):

- (i) **Declared Price** (per item/service): The Declared Price [inclusive of Goods and Services Tax (GST) and/or other applicable taxes] is the final price declared by the Seller/supplier listed on the Seller/service provider App, subject to the following terms:
  - (a) The Declared Price will be the price displayed to the Buyer and shall not exceed the maximum retail price of the specific product, as applicable.
  - (b) The Declared Price will be the maximum price payable by the Buyer for the products purchased or services availed and other charges (as applicable) will be charged separately.
- (ii) **Buyer App Fee** – The Buyer App may charge a finder fee as a percentage of the Total Order Value or a fixed amount per Successful Order from the Seller/service provider App, subject to the following terms:
  - (a) The Buyer App may propose a finder fee on a dynamic and real time basis through the ONDC Protocol, in the form of a percentage of the Total Order Value or a flat amount in monetary terms<sup>1</sup>; and
  - (b) The Buyer App fee will be negotiated with the Seller App on a real time basis before the order completion stage. A transaction can only be completed when the Seller App agrees to the Buyer App Fee. If the Seller App disagrees with the proposed Buyer App Fee, Buyer App may refuse to complete the transaction.

3.1.3. For clarity, the final price of a transaction on the ONDC Network payable by the Buyer will be the net cumulative price of (**Buyer Price**):

- (i) Declared Price for individual items;
- (ii) discounts (if any) provided by the Seller;
- (iii) other charges and fees such as packing fees and convenience fees (if not included in the Declared Price);
- (iv) price for logistics services, as applicable (if not included in the Declared Price); and/or
- (v) markup/ discounts provided by the Buyer App.

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<sup>1</sup> As provided in the Definitions chapter, Total Order Value include logistics and other service charges that the Seller or Seller App levies, whether such charges are included in the Declared Price or indicated separately

- 3.1.4. For clarity, the Network Participant offering a discount will bear the cost of such discount. For example, if the Buyer App offers a discount of 5% on the Total Order Value, such cost will be the responsibility of the Buyer App alone.
- 3.1.5. The Buyer App must ensure that all components of the Buyer Price will be displayed as separate line items for every Order.
- 3.1.6. Logistics services may be procured by the Buyer App or Seller App and will be settled with the Logistics Service Provider accordingly.
- 3.1.7. All commercial or contractual or transaction terms are between the Seller, Seller Side App, Buyer Side App, Logistics Service Provider, and the Buyer. The commercial or contractual terms may include, but are not limited to, price, shipping costs, payment methods and terms, date, period, and mode of delivery, and warranties and after-sales services related to products and services. ONDC does not determine, advise, have any control over, or in any way involve itself in the offering or acceptance of commercial or contractual or transaction terms between the Buyer Side App, End Users and other Network Participants.
- 3.1.8. Buyer App and Seller App involved in each Order will digitally sign the Transaction Level Contract using their respective private key which will contain the commercial or contractual or transaction terms governing their relationship.

### **3.2. Other Charges**

- 3.2.1. **ONDC Fee:** ONDC may charge a nominal fee to Network Participants for every Successful Transaction. A notification shall be issued at least 30 days prior to the date from which such fees will be levied.  
*Explanation:* ONDC - being a non-profit company registered under Section 8 of the Companies Act, 2013 - will endeavour to charge the minimal feasible amount required to sustain its operations.
- 3.2.2. In addition to the fees defined in Clause 3.2.1, ONDC may levy a one-time or recurring registration fee on all Network Participants.
- 3.2.3. ONDC will provide all Network Participants with a prior notice of at least 30 days before the levy of any charge(s) specified under Clause 3.2.1 and 3.2.2.
- 3.2.4. **Gateway fees:** Gateways may charge a fee from the Buyer App or Seller App or both, as per the agreement with the respective Buyer or Seller App, subject to the following:
  - (a) ONDC will not be involved or responsible for any arrangement between the Gateway and other Network Participants.  
*Provided that* ONDC reserves the right to prescribe the maximum fees a Gateway may charge to Network Participants, if ONDC deems such a prescription to be necessary.
  - (b) The Gateway Fees will not be included in the Buyer Price and will be separately paid by the Buyer Apps and/or Seller Apps.

### **3.3. Payment and Settlement Process Flow for transactions and refunds on the ONDC Network**

- 3.3.1. For an Order on the ONDC Network, Network Participants shall ensure that settlements with each other are in accordance with the Reconciliation and Settlement Framework (RSF), as amended from time to time.
- 3.3.2. ONDC reserves the right to grant exemptions to Network Participants from the obligation under 3.3.1.

## Definitions

**Buyer App Fee** shall mean the finder fee a Buyer App charges as a percentage of the Total Order Value or a fixed amount per Successful Order from the Seller App.

**Buyer Price** shall mean the cumulative net price payable by the Buyer of the Declared Price and/or the price for logistics services and/or any mark up or discount offered by the Buyer App.

**Declared Price** shall mean the final price declared by the Seller listed on the Seller App.

**COD** shall mean cash-on-delivery payments.

**COD Order** shall mean an Order for which the Buyer makes payment through COD

**Gateway Fee** shall have the meaning ascribed to it in Clause 3.2.1 (ii)

**Logistic Service Providers** are Seller Apps providing any one or more types of carriage services, which includes rail/road/sea/air transportation, or any other such services, engaged by the Network Participant for the purpose of delivery and fulfilment of orders placed through the ONDC Network.

**ONDC Fee** shall mean the per transaction fee charged by ONDC.

**ONDC Registration Fee** shall have the meaning ascribed to it in Clause 3.2.1 (i)

**Order** shall mean all purchases made by the Buyer on the ONDC Network through the Buyer App, Seller App and Seller, Gateway and Logistics Service Provider, as applicable.

**Prepaid Order** shall mean an Order for which the Buyer makes payment before the shipment of the Order.

**Return Window** will be the number of calendar days from delivery or shipment or collection (as applicable), after which Withholding Amount will have to be settled, in case of no returns.

**Seller App Fee** shall mean the fee charged by the Seller App as a percentage of the Total Order Value or a fixed amount per Successful Order from the Sellers for listing their catalogue items.

**Settlement Window** shall mean the specified number of working days from the date of collection, shipment or delivery or end of the Return Window, within which the Network Participants will settle the amounts owed to each other and other participants such as the Buyer, Seller or ONDC, as applicable.

**Successful Order** shall mean all Orders that are completed or delivered to the Buyer.

**Total Order Value:** The Total Order Value will be the Buyer Price not including the mark-ups/discounts offered by the Buyer App. *For clarity*, the Total Order Value shall include logistics and other service charges that the Seller or Seller App levies, whether such charges are included in the Declared Price or indicated separately.

**Transaction Fees** shall have the meaning ascribed in Clause 3.1.2.

**Transaction Level Contract** means the terms and conditions, digitally executed through the ONDC Protocol, after obtaining explicit confirmation for the Order from the Buyer and Seller.

**Withholding Amount** shall be a fixed percentage of the Total Order Value or a fixed percentage of the cumulative sum of the Declared Price of all products shipped or delivered on a particular day or a definite period *vis-à-vis* a particular Seller App withheld by the entity collecting the Buyer Price until the closure of the Return Window.