

Government of India
Ministry of Commerce & Industry
Department of Industrial Policy & Promotion

Response to comments reported in the media on Press Note 2 (2018)

1. **On stakeholder Consultation:** FDI policy on e-commerce, first pronounced through Press Note 2 of 2000, permitted 100% FDI in B2B e-commerce activities. With a view to clarify the already existing policy framework, after extensive stakeholder consultations, Press Note 3 was issued by DIPP in 2016. B2C e-commerce, that is multi-brand retail through inventory based model, has all along remained prohibited for FDI. Through the latest Press Note (2/2018), Government has only reiterated the policy provisions to ensure better implementation of the policy in letter and spirit.
2. **Need for this Intervention:** As FDI is allowed only in B2B e-commerce, it was provided in Press Note 3/2016 that an e-commerce entity providing marketplace will not, directly or indirectly, influence the sale price of goods or services, which also renders such business as an inventory based model. However, Government continued to receive complaints that certain marketplace platforms were violating the policy by influencing the price of products and indirectly engaging in inventory based model. An e-commerce platform operating an inventory based model does not only violate the FDI policy on e-commerce but also circumvents the FDI policy restrictions on multi-brand retail trading. Therefore, latest Press Note on FDI policy on e-commerce sector was needed to ensure that the rules are not circumvented.
3. **E-commerce policy and multi-brand retail:** Certain averments suggest that Press Note 3/2016 had covertly allowed multi-brand retail trading. Such a view is completely contrary to the specific provisions of Press Note 3/2016, which unambiguously provided that FDI is not permitted in inventory based model of e-commerce which amounts to multi-brand retail.

4. **Safeguarding Consumer Interest:** It has been commented by a few that the latest Press Note is against the interest of consumers. There are different views on how best consumer interests are protected and promoted. It is felt that fair, competitive and transparent business practices which are in compliance with law will better protect consumers in both short as well as medium and long term.
5. **Sale of private labels:** Concerns have been raised that Press Note 2/2018 prohibits sale of private label products through the marketplace. It is clarified that present policy does not impose any restriction on the nature of products which can be sold on the marketplace.
6. **Press Note 2/2018 vis-à-vis other policy provisions:** Press Note 2/2018 is applicable only to entities which operate a marketplace for e-commerce. FDI in other sectors continue to be governed by the specific provisions pertaining to them. For instance, there is no change in the FDI policy on food product retail trading, which permits 100% FDI under approval route, including through e-commerce, in respect of food products manufactured and/or produced in India.
