

CONSUMER PROTECTION Guidelines

FOR THE WEB3 AND VIRTUAL DIGITAL ASSETS SECTOR

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BHARAT WEB3 ASSOCIATION

Consumer Protection Guidelines for the Web3 and Virtual Digital Assets Sector

01 Introduction

Ensuring consumer protection is of utmost importance as it empowers users, addresses security concerns, promotes transparency, establishes mechanisms for dispute resolution and provides overall credibility to emerging ecosystems. Regulators worldwide have underscored the criticality of Consumer Protection as a fundamental principle in the **Virtual Digital Assets** sector. Therefore, it is essential to formulate and place Consumer Protection Guidelines at the forefront of the Web3 sector. Introducing comprehensive consumer awareness initiatives can also play a pivotal role as an initial step toward ultimately establishing holistic regulations within this domain.

Similar to other financial services, consumer trust is crucial for the Web3 sector, and any breaches of that trust can have far-reaching consequences for both the sector and consumers as a whole. By implementing the **Consumer Protection Guidelines**, platforms can uphold the highest standards of data privacy, security, transparency, and fairness. Moreover, these guidelines will provide a framework for ensuring accountability and offering recourse to consumers in the event of grievances.

The Guidelines are an evolving document and have been prepared following a risk-based approach, keeping in mind the best practices adopted by India's Financial sector regulators like the Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI), the Association of Mutual Funds in India (AMFI), the insurance sector regulator - Insurance Regulatory and Development Authority (IRDAI), the [Consumer Protection Act](#) and the [Advertising Standards Council of India \(ASCI\) Guidelines](#). Additionally, consumer-focused best practices in the digital assets sector in countries like Hong Kong and the Markets in Crypto-Assets Act (MiCA) of the European Union (EU) have also been assessed.

Guidelines for BWA Members:

The following Consumer Protection Guidelines have been established by BWA to ensure ethical and responsible consumer redressal mechanisms operating within the Web3 ecosystem. These guidelines are intended to safeguard the interests of consumers and foster trust in the ecosystem.

a. Transparency and Disclosure:

- i. Provide clear and easily understandable information about the products and services.
- ii. Furnish clear and transparent pricing information for all products and services in plain language. All fees, charges, and costs should be clearly disclosed to consumers and there should be no hidden costs.
- iii. Draft consumer terms and conditions that are transparent, easily accessible, and written in plain language.
- iv. Provide detailed risk disclosures associated with the product or service.
- v. Provide a detailed Frequently Asked Questions (FAQ) list to reflect the most accurate and current information.

b. Suitability, Fair, and Honest Dealing:

- i. Avoid possible discrimination, to the extent reasonably possible, such as on the basis of gender, age, religion, caste, and physical ability, when offering and delivering services and products related to Web3. However, the member, at its own discretion, may have appropriate safeguards in place.
- ii. Independent due diligence can be exercised by the member in the best interest of the consumer.
- iii. Any actual or potential conflict of interest shall be disclosed upfront in a prompt and transparent manner. Where a conflict of interest is unavoidable, the relevant party shall implement appropriate measures to mitigate its impact and ensure that the interests of the relevant parties are protected and not unfairly prejudiced..
- iv. Ensure that financial incentives should not form the sole basis for recommending any product or service to any consumer.
- v. Members should make consumers aware of the risks associated with trading, so that consumers can make well-informed decisions about whether or not to trade.
- vi. Promote a culture of ethics and integrity within the organization, to dissuade unfair practices, conflicts, aggressive sales tactics, false claims, and other inappropriate conduct in disregard of its fiduciary duty of care, diligence, and loyalty.

c. Complaints Handling and Grievance Redressal:

- i. Establish effective mechanisms for consumer complaint resolution.
- ii. Adopt a process for complaint management to enable end-to-end complaint redressal mechanism through digital mode.
- iii. The above-mentioned process may classify complaint types based on predefined rules, assign and track unique complaint IDs, and enable notifications to concerned stakeholders including but not limited to the relevant law enforcement agencies in cases where such notification is legally required (e.g., suspected fraud, money laundering, or other criminal activity)
- iv. Display the grievance redressal policy on the website along with the details of grievance handling/escalation matrix procedure.
- v. Strive to meet acceptable turnaround time aligned with the [Consumer Protection Act, 2019](#).
- vi. Cooperate with relevant regulatory authorities in resolving disputes.
- vii. Undertake consumer education and awareness programs to help consumers understand the risks associated with VDAs.
- viii. Conduct periodic reviews of the grievance redressal mechanism to strengthen the Contact Management System (CMS).

d. Data Privacy & Security:

- i. Implement robust data protection measures to comply with the [Digital Personal Data Protection \(DPDP\) Act 2023](#).
- ii. Transparently communicate data practices, obtain explicit user consent before collecting personal data, and provide accessible terms of service and privacy policies.
- iii. Adopt adequate information technology related infrastructure, including in relation to cyber security measures to maintain confidentiality of electronic data during collection, transmission and storage as well as to mitigate risks related to execution of VDA transactions through digital platforms.
- iv. Ensure that the data is always protected, used only for the purpose for which it was obtained.

e. Responsible Advertising:

- i. To ensure responsible advertising practices, follow the guidelines issued by the **Advertising Standards Council of India (ASCI)** titled “Guidelines for advertising of Virtual Digital Assets and linked services” and suitable directions issued by the Department of Consumer Affairs from time to time.
- ii. Provide consumers with access to information and resources to help them make informed decisions about VDA transactions and investments.
- iii. Use clear and accurate language in all advertising materials. confusing to potential investors.
- iv. Regularly review and update advertising materials to ensure that they are accurate and up-to-date.
- v. Advertisements should contain nothing indecent, vulgar, especially in the depiction of women, or nothing repulsive which is likely, in the light of generally prevailing standards of decency and propriety, to cause grave and widespread offense.
- vi. No advertisement shall compare the features, regulatory treatment, or characteristics of Virtual Digital Asset (VDA) products with regulated financial products for the purpose of promoting or increasing the adoption of VDA products. Such comparisons shall not directly or indirectly suggest that VDA products are superior, more beneficial, or advantageous on account of being subject to a different or lesser degree of regulatory oversight or intervention.
- vii. No advertisements should be made that tend to:
 1. Incite people to crime or to promote disorder and violence or intolerance
 2. Derides any race, caste, colour, creed, gender or nationality
 3. Presents criminality as desirable or directly or indirectly encourages people - particularly minors - to emulate it or conveys the modus operandi of any crime

f. Regulatory Compliance:

- i. Implement a system for protecting user data in adherence to [CERT-In \(Indian Computer Emergency Response Team\) guidelines](#).
- ii. Strengthen customer due diligence processes in line with the [Prevention of Money Laundering Act, 2002 \(PMLA\)](#) and [AML & CFT Guidelines For Reporting Entities Providing Services Related To Virtual Digital Asset Service Providers](#)
- iii. Comply with National Cyber Crime Reporting Portal-1930 and Indian Cyber Crime Coordination Centre (I4C) requirements for VDA service providers.
- iv. Comply with the provisions of the Income Tax Act and the Finance Bill applicable to VDAs.
- v. Ensure compliance with any and other applicable laws.

02 Applicability and Self Compliance

- a. **Applicability:** These guidelines apply to all **BWA Members** that operate businesses within the Web3 and VDA ecosystem. These include but not limited to businesses and enterprises that offer services related to the sale, purchase, custody, management, infrastructure providers and development of technology related to Web3, including, but not limited to blockchain, Distributed Ledger Technology (DLT), Non-fungible Tokens (NFTs), Virtual Digital Assets (VDAs), and allied services.
- b. **Self-Compliance:** Members of BWA are required to conduct an annual self-compliance assessment as per the assessment framework provided by BWA.
- c. **Non-compliance Remediation:** In cases where non-compliance issues are identified during self-compliance assessments, BWA Members should promptly take corrective actions. BWA Members should establish clear procedures for addressing and rectifying non-compliance issues and are encouraged to maintain transparency regarding their consumer protection practices.

03 Role of the Bharat Web3 Association (BWA)

BWA endeavors to create an environment where the principles of fairness, security, and accountability are at the forefront, ultimately promoting trust and sustainability within the Web3 ecosystem. In order to do so, BWA will ensure the following:

- a. Issue these guidelines and prominently make them available on its website and social media platforms.
- b. Launch awareness campaigns and workshops for consumers to increase their awareness of potential risks and best practices when engaging with Web3 technologies.
- c. Collect feedback from consumers through surveys and other forms of engagement to assess their experiences and concerns, guiding improvements in practices of Associates and Affiliates.
- d. Establish a Self-regulatory Body (SRB) for the Web3 and VDA sector in India, and may also in the future consider setting up the office of the Ombudsman, to provide users of BWA Members with a transparent and independent avenue for voicing concerns, resolving disputes, and seeking remedies related to the products or services provided by those firms.
- e. Release comprehensive Ombudsman Rules in future outlining the terms of reference for this purpose and publish a quarterly complaints statement on its website which will include complaints received and redressed at the Office of Ombudsman.
- f. Collaborate with regulatory bodies to facilitate cooperation in enforcing consumer protection laws and regulations within the sector in its capacity as an Industry body.
- g. Conduct research on emerging consumer protection challenges and solutions within the Web3 sector, providing valuable insights for the sector.
- h. Periodically update the consumer protection guidelines, in response to sector developments, and feedback and input from stakeholders.
- i. Provide guidance and best practices to assist Member of BWA in achieving and maintaining compliance with the guidelines

