



NEDA

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Industry Guidelines

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NEDA Guideline on Returns

Counterfeit parts have been around for some time and are becoming more prevalent in our industry. These parts cause problems from production shutdown to product failure in all sectors of the electronics industry. Counterfeiters are producing parts with a greater level of expertise that are becoming harder to identify by visual inspection alone. Counterfeiters are capable of generating false paper work in an effort to further mislead the buyer. Counterfeit parts originate from many sources and enter the supply chain through several means. The primary entry of counterfeit electronic parts into the supply chain is purchasing from non-authorized sources such as brokers and independent distributors. The purpose of this document is to further strengthen the integrity of the supply chain when purchasing through franchised distribution by establishing guidelines for returned material.

When purchasing agents buy from other than authorized sources, they may not have

- Surveillance by the component manufacturers to the same quality standards as the components were manufactured
- Handled and stored the component in accordance with industry quality standards.
- A warranty either their own or the component manufacturer's
- Documented traceability to the original manufacturer
- Access to the supplier's full range of up-to-date technical and product information, as well as technical support.

In many cases, such parts have passed through a number of intermediary channels and may have originated in the Asian markets widely known as a major source of electronic component harvesting, reworking, and counterfeiting. The most effective way to minimize risk and to ensure receiving authentic parts is to buy through authorized channels.

To keep the authorized channel void of even isolated occurrences of counterfeit parts, the returns policy of distributors should be established such that the items returned will not introduce counterfeit parts into the system. Very simply, only accept returns that can be verified as those parts that have been sold within the authorized channel.

- Parts that are in sealed supplier packaging
- Parts that are in sealed distributor packaging
- Verified purchase orders, quantities, dates, etc. (preferably verified through date code, lot code, or serial numbers where applicable)
- Inspection of seals and packaging
- Visual inspection of parts to determine if additional handling or processing may have been introduced (I.E. unknown marking such as color dots, additional ink marking or evidence of third party solder dip)

For distributors that repackage components for their customers and thus, won't have the sealed supplier packaging,

- Use of sealable packaging may be used
- ESD seals may be used to seal packaging
- Verification of purchase order, quantities, dates, etc. (preferably verified through date code, lot code, or serial numbers where applicable)
- Visual inspection of parts to determine if additional handling or processing may have been introduced (I.E. unknown marking such as color dots, additional ink marking or evidence of third party solder dip)

With these safeguards, authorized distribution is an unlikely source of counterfeit parts. However, with the proliferation of counterfeit parts in the unauthorized chain, the possibility exists that some of these might be included in a customer return. Instituting controls in the form of policies, inspections, and verifications will ensure the integrity of the authorized supply chain.