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DIRECT SELLING GUIDELINES

(Recommended for Self Regulation in India)

Companies using Single level and Multilevel Marketing Compensation Plans.

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1. Definitions of commonly used terms :

- Consumer - the term consumer refers to any persons to whom direct selling activities are directed, whether as an individual or as a company or a trade customer or user.
- Product - the term product refers to anything, goods or services, tangible or intangible that constitutes the subject of an intended direct selling transaction.
- Direct Selling Company- any company registered in India that utilizes the services of self-employed individuals (or distributors as per the definition above) to promote products/services using a multi-level or non multilevel marketing compensation plan to build its business. This will also include all business models which require or allow distributors to enroll other distributors. For brevity sake will be referred to as "Company" in the rest of the document.
- Distributor - any Indian citizen, above the age of 18years on the date of enrollment or a legal entity entitled to do business in India with eligibility to enter into a business contract. E.g. proprietorship / partnership /private limited - who/which enroll/s with the direct selling company to earn money by selling products or services and by helping others, earn money by doing the same.

Also known as direct sellers, associates, independent business owners, consultants, networkers, members, advisors, independent business associates, independent representatives, etc.

- Active Distributor – distributor who's monthly purchase from the company is above Rs.50.
- Single level compensation plan – a formula designed to generate (and pay) commission to the distributors for their own personal sales. They do not introduce the business opportunity to others and derive income from them.
- Multilevel marketing compensation plan- a formula designed to generate (and pay) commission to more than one level of individuals under various conditions. Or paying bonuses/commissions to individuals on the volume of sales of products/services achieved by the people they recruit/introduce and the people they recruit and so forth down to multiple levels.
- Enroll - register/signup formally as a participant or a member or a distributor including any names mentioned under the definition of a distributor.
- Satisfaction Guarantee - means a term in a sales or services contract in which the seller defers to the buyer the sole and unilateral discretion as to whether or not the goods or services tendered are acceptable. In the event the price is not paid, no cause of action exists unless the buyer acting in good faith is satisfied, no matter how good the goods or services are in terms of quality.

2. Company registration :

- i. The Company shall be registered under the Companies Act 1956 anywhere in India.
- ii. During the time of registration, the companies need to mention that they are going to promote products/services and incentivize people using the multilevel / non multilevel marketing compensation plan. (In other words the objects of MOA shall specify about the direct selling/nature of business). In case of existing companies (i.e. companies registered before the issuance of the guidelines), the companies should comply with the provisions of section 17 of the companies act of 1956 for the amendments in the objects.
- iii. Applicable laws – As per the requirement and the norms , the Company shall comply all applicable statutory formalities of central government like Income tax, Service tax, Food safety and standards Act , etc. and also respective state governments like VAT, CST, Trade license, License under Food safety and standards Act, Shops and establishments Act and etc.
- iv. Minimum Authorized capital for a company should be INR 1, 00, 00,000 (One Crore Indian rupees only).
- v. The company should submit the list of products it wishes to promote and the compensation plan during registration or added after the issuance of guidelines by the existing companies.

3. Products and Services :

- i. Price – the company should give a notice of at least 30 days to all its active distributors before altering the MRP of the product.
- ii. Satisfaction guarantee – a satisfaction guarantee/refund policy of 30 days from invoicing of the product/service. This should be applicable if the product/service is not used more than 30% in case of consumable products/services. The consumer should be refunded 100% of the amount collected against the product by the distributor.
- iii. On non delivery of the products/services to the distributor within 20 days of invoicing (after receiving the payment by the distributor), the company on request by the distributor via email or post will refund the entire amount paid by the distributor by cheque/demand draft/pay order/ reverse transaction within 7 working days from receiving the request.
- iv. Product Claims – all the claims made by the company for the products should be supported by evidence in form of certifications from competent authorities.

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- v. The laws applicable on the category of products in India would apply (Sale of goods Act. 1930)
- vi. Negative list : (the products listed below should not be promoted/sold by the companies to the consumers or to the distributors) :
 - a) Deposits/Investments- in /for / in form of – Stocks, Debentures, Donations, Currency , Preferential shares, Forex Trading, Plantations, Farming ,Infrastructure projects , Resorts, Trading in commodities, Birds (Poultry, Emu, etc), Animals (Rabbit, Goats, Cows, Buffaloes, etc), Media and Real Estate.
 - b) Life insurance* (under consideration)
 - c) Discount coupons/Vouchers/Currency
 - d) Time Shares* (under consideration)
 - e) Bid coupons
 - f) E- learning Packages including e-books* and e-zines / e-magazines (under consideration)
 - g) Online education* (under consideration)
 - h) Websites/ Web space
 - i) Get paid to give surveys, watch advertisements, receive SMS and receive emails.

Under consideration* – Checks and measures (if considered and allowed) for allowing promotion of the same.

4. Compensation plan :

- i. The commissions/incentives should be generated and paid to individual/s only on the successful retail of product/s or service/s.
- ii. The distributor should have the opportunity to earn by retailing of products even though he may not have introduced any distributors in his network/team.
- iii. Income claims if made by the distributors, same should be supported by proper and detailed explanation.
- iv. Single id policy - no individual/company should be allowed to have more than one position in a particular company.
- v. There should be no charge/fees for enrollment.

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- vi. A distributor if not satisfied with the opportunity may resign from the company within 30 days of enrollment and get the money back if he had purchased a starter/joining kit while enrolment (if it contains all the literature and contents in the salable condition as were given by the company).
- vii. No commissions or bonuses or rewards should be given /offered on sales of starter kits or enrollment of distributors.
- viii. Payment of commission - the payment of commission to a distributor should be done without fail and delay as per the commitments made in the compensation plan.
- ix. The distributor should be paid the entire amount of commission for which he/she is entitled, subject to deduction of applicable taxes as per the law being in force.
- x. The company should promote only one compensation plan.
- xi. All presentations (online and offline) and calculations need to be done in Indian rupees only.
- xii. A distributor should not be compelled to buy products during enrollment or within a particular tenure.
- xiii. Equal opportunity - the company should not encourage and offer multiple ids to individuals, the company should not encourage distributors to offer power legs or additional incentives to prospects or other distributors, the company should not offer additional incentives other than mentioned in the compensation plan.

5. Rights of the distributor :

- i. Complaint resolution - the company should have an online complaint resolution process and all complaints should be resolved in 21 working days of being received.
- ii. The person who enrolls in the opportunity will have the full right to know the compensation plan and product details before enrolling with the company.
- iii. Taxation - TDS to be filed correctly against the PAN numbers of the distributors on time as per the rules of the income tax.
- iv. A distributor may engage in multiple opportunities at the same time as long as he does not disturb the business of any company.
- v. Each distributor should be issued ID cards with Name , Address of the individual , Contact number , ID number, Address of the head office and contact number of the company (for confirming the identity of the individual).

6. Data :

- i. Company would be responsible to conduct a Due Diligence (KYC) for all its distributors and maintain the data online.
- ii. The Due diligence should include document/s issued by the government with Photograph, Signature proof along with the proof of address and the PAN.
- iii. Server for maintaining data should be located in India.
- iv. Readiness to make available the Backup /Synchronization of data (of the distributors in India only) to the investigating agency within 120 hours of receiving a request only if the request is initiated via official email id of the official/s stating a valid reason for the same.
- v. Server to send and receive mails of the company personnel should be located in India.
- vi. The company would maintain the log reports (with date and time) of all IPs (in India) accessing the online software (admin and distributor back office) in India.

7. Website : the company should maintain the following information with no requirement of a password to view the following -

- i. Should have the content in 2 languages (Minimum) - Hindi and English
- ii. Certificate of incorporation
- iii. Details of board of directors
- iv. Details of top management
- v. Correspondence address , email ids and contact numbers of offices including Head office and branches
- vi. Regular updates on the meetings in India (if organized by the company).
- vii. Detailed compensation plan with illustrations
- viii. Code of conduct for the distributors
- ix. Details of the entire Product range promoted by the company with retail price
- x. Terms and conditions for enrollment.

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8. **Virtual Currency:** (also known as e-currency, e-money, electronic cash, electronic currency, e-vouchers, digital money, digital cash, virtual cash, digital currency, cyber currency or any other name) is money that is only exchanged electronically.
 - i. The virtual currency generated by the company for the distributors in India should be always equal to or lesser than the amount present in the company's bank account/s in India.
 - ii. Should only be generated against payment of commission on sales of products/services-only if requested by the distributor.
 - iii. The total virtual currency generated by the company should be shown as liability in the P&L sheet for India.
 - iv. Maximum amount of virtual currency in a distributor account (back office) should not be more than 30,000 (equivalent to INR 30,000) at any given time.
 - v. In case of demand by the distributor, the company shall (without deducting any charges other than taxes) pay the distributor by cheque, demand draft or bank transfer within 15 working days.

9. Starter Kit :

- i. Mandatory for all distributors to avoid miscommunication and over commitments.
- ii. Should be priced below INR 1500 inclusive of applicable taxes.
- iii. The kit should be available with an option of 2 languages - Hindi and English.
- iv. Contents of the starter kits to include Profile of the directors, Top management, Contact details including the contact numbers, email ids and addresses of the branches, Product catalog/s , Compensation plan in detail and illustrations, Enrollment forms with terms and conditions, Code of conduct and the Official website address.
- v. Cooling off period - for the return of starter kit should be 30 days from billing date (with all contents intact and in salable condition).
- vi. In case of return of the starter kit, the company may deduct a maximum of 20% as an administration fee and return the difference via cheque/draft/ reverse transaction within 7 working days of receiving the returned kit at the designated address.

10. Transactions :

- i. Payment of commissions and bonuses to the distributors should be (if not requested by the distributor as virtual currency) via banks using valid instruments like cheques/demand drafts/pay orders/bank transfers only.
- ii. The company should receive the payments against sales of products/services in its bank account in India and make payments to distributors in India via its bank accounts in India.

11. Note :

- i. Companies following these guidelines shall not fall under the provisions of Prize chits and money circulation scheme (banning) Act. 1978 more particularly does not fall within the meaning as defined in section 2 (c) and 2 (e) of the said Act.
 - ii. These guidelines are not applicable for companies qualified as Non Banking financial corporations as per the norms of the Reserve Bank of India.
 - iii. These guidelines are not applicable for entities registered with Ministry of Corporate affairs as Chit fund companies.
 - iv. Law enforcement agencies would need to inform and request clarification/s from the company via email or registered mail (on designated email id / designated correspondence address of the head office mentioned on the website) for presumed non-compliance before initiating action on the company. The email should be sent via official email id of the official and should cite the reason for the query/concern. The email should have the details of the official like Full name, Rank, Contact number (landline and mobile) and the office address. The company should be given 3 days to reply or to fall in line.
 - v. The companies will have 60 days from the time of issuance of the guidelines to align the structure and the processes.
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