

SINGAPORE'S SIMPLE MODEL MLM LAW

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In January of 2002 the Ministry of Trade and Industry in Singapore promulgated its "order" which is really a rule or statute that governs multi level marketing in that jurisdiction.

It is a modern model of clarity and simplicity which incorporates "state of the art" MLM rules and principles as they are becoming recognized and adopted around the world.

This is the law that (for the first time in my career) I feel comfortable in incorporating it in its own language because it is one of the very few laws I have seen that is written in plain, common sense, every day language that anyone in business should be able to understand.

Before I do that, however, let me highlight the main features of it which will be recognizable to all who are generally familiar with multi level marketing law as it has evolved to date.

1. Being a distributor should be free or, in the language of the "order" should not require any "benefit" from the applicant in exchange for the right to sell, nor require the prospect to "acquire any commodity" to participate as a sales person.

2. No reward should be accrue to the recruiter for the "mere act of recruiting" a distributor.

As the law states "any benefit received by any promoter of, or participant in the plan must result from the "sale, lease, license or other distribution of a commodity.

3. No representations to the contrary may be made.

4. Any claims of success must be backed by annually audited records.

5. Management is required expressly by this law to take "reasonable steps" to control its sales force and ensure that others are not induced to participate by unsupportable "hype" or any kind of fraudulent representations or

any misleading or exaggerated statements, representations or promises or ... any form of harassment or coercion.

6. A 60 day "full refund or buy back guarantee" must be available to every participant on reasonable commercial terms, and

7. Every participant must be informed in writing of this guarantee and its terms and means of its exercise.

Here then are the rules as set forth by the Ministry:

The definition of illegal "pyramid selling scheme or arrangement" in this Act shall be taken not to include any of the following schemes or arrangements:

Any scheme or arrangement, or any class of such schemes or arrangements, which satisfied the following terms and conditions:

- (i) a person shall not be required to provide any benefit or acquire any commodity in order to participate in the scheme or arrangement, other than the purchase of sales demonstration equipment or materials at a price not exceeding their cost which are not for resale and for which no commission, bonus or any other advantage will be given to any person;
- (ii) any benefit received –
 - (A) by any promoter of, or participant in, the scheme or arrangement accrues as a result of the sale, lease, license or other distribution of a commodity to any other person;
 - (B) by any promoter of the scheme or arrangement accrues as a result of the performance of one or more participants in relation to the sale, lease, license or other distribution of a commodity to any other person;
- (iii) subject to sub-paragraph (ii), no benefit shall be received by any person as a result of the introduction or recruitment of one or more persons to be participants in the scheme or arrangement;
- (iv) a promoter of the scheme or arrangement shall not make,

or cause to be made, any representation to any person that benefits will accrue under the scheme or arrangement in a manner other than as specified in sub-paragraph (ii);

- (v) a promoter of the scheme or arrangement shall, in respect of any representation relating to the actual or potential accrual of any benefit under the scheme or arrangement, maintain fair and accurate records of the maximum, minimum, median, average and mode benefits that have accrued to the promoter and participants in the scheme or arrangement, duly audited by an auditor for each financial year.
- (vi) a promoter of the scheme or arrangement shall not, and shall take reasonable steps to ensure that participants in the scheme or arrangement do not –
 - (A) knowingly make, or cause or permit to be made, Any representation relating to the scheme or arrangement or to the commodity which is false or misleading;
 - (B) knowingly omit, or cause or permit to be omitted, any material particular relating to the scheme or arrangement or to the commodity.
 - (C) knowingly engage in, or cause or permit, any conduct that is misleading or likely to mislead as to any material particular relating to the scheme or arrangement or to the commodity; or
 - (D) in promoting the scheme or arrangement or the commodity, use, or cause or permit to be used, fraud, coercion, harassment, or unconscionable or unlawful means;
- (vii) the commodity shall be distributed with a full refund or buy-back guarantee that is exercisable by every participant in the scheme or arrangement on reasonable commercial terms and within a period of at least 60 days from the date of distribution of the commodity to the participant; and
- (viii) every participant in the scheme or arrangement shall be informed in writing, at the time of the distribution of the

commodity to the participant, of the existence of the guarantee and the manner in which it can be exercised.

For the purposes of this Act:

“cost” in relation to sales demonstration equipment or materials, means the direct cost of production or the wholesale price of such equipment or materials;

“representation” includes any statement or claim.