



FDSA team in the leadership of President Mr. A P Reddy visited Rajasthan State Secretariat to thank the Govt. and also submitted an appeal to reconsider few required amendments in the given guidelines for sharper definitions which are essential to distinguish Direct Selling from the ponzi schemes.



FEDERATION OF DIRECT SELLING ASSOCIATION

409. Everest Block, Aditya Enclave, Ameerpet, Hyderabad - 500 038.

Andhra Pradesh Phone : 040 -6662 5999

Email : admin@fdsaindia.org | URL : www.fdsaindia.org

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To

**The Hon'ble Chief Minister,
Government of Rajasthan,
Jaipur,**

Ref: Guidelines issued by Industries (Gr.I) Department and published in Rajasthan Gazette Extraordinary, Part-I vide Notification No. F5(2)/1/2012 dated 5th Oct 2012 to regulate the sale of goods and services outside of retail establishment otherwise known as "Direct Selling (Multi Level Marketing)".

The Federation of Direct Selling Association (FDSA), on behalf of its members, express grateful thanks to your Government for issuing the above referred guidelines with twin objectives; to regulate Direct Selling business in the state of Rajasthan as well as to provide protection to consumers who purchases goods/services under this business module.

Your good self would be pleased to note that this business module is blooming in other states also giving self employment/earning to lacs of people across the country. It is also a social welfare orientation as it provides genuine and quality products directly from manufacturer to the consumer at lower cost and is prevailing worldwide. The much needed pioneering step taken by your government to save this industry is widely appreciated with gratitude.

However, with due respect, FDSA, wishes to represent, that the following points of guidelines need reconsideration due to practical difficulties.

Para #1. Definitions

VI. Sales incentive states

Sales Incentive means share of profit payable to the direct seller for effecting sale of goods / product as stipulated in the contract between the Direct Seller and Direct Selling Entity.

Should be replaced with Sales Commission

Sale Commission means compensation payable to the direct seller/Distributor for effecting sale of goods/products as stipulated therein and shall include payments made for sales promotion, royalty commission, incentives for indirect sales, and commission for direct and indirect sales .

Submitted for kind consideration.

Para #4, Prohibitions: Sub (I) states....

"Payments of Incentives by whatever name it is called unrelated to their respective sales volume."

This leaves scope for in-consistency in commission distribution. A Direct Selling Distributor creates his own team and generates business by a combined team efforts. Thus a mention of

"Payment of commission by whatever name it is called unrelated to their respective sales volume however payment of any incentive, royalty, or indirect sale commission as defined under the head "commission" can be made during the course of the business."

Submitted for kind consideration.

Para #4, Prohibitions: Sub (III) states....

"Direct Selling Entity/ Direct Seller will not indulge in money circulation scheme or any act barred by the Prize Chit and Money Circulation Scheme (Banning) Act, 1978."

It is feared that this clause leaves room for doubts and gives a tool to law enforcing agencies to interpret this clause in their own way thus to harass genuine Direct Selling entities. Hence this clause should be reframed as below:

“Direct Selling Entity/ Direct Seller who strictly follows above guidelines shall not be deemed to be indulging in money circulation scheme and thus shall be out of the purview of the Prize Chit and Money Circulation Scheme (Banning) Act, 1978.”

Submitted for kind consideration.

Para # 5, General Conditions: Sub (III) States....

Sales incentive should be distributed to the respective seller on or before the agreed due date.

Our humble submission is that it should be amended as

sales incentive should be distributed to the direct seller and/or to the seller/s who are directly or indirectly responsible for the sale on or before the agreed due dates.

Submitted for kind consideration.

Further, it is humbly prayed that if a channel of designated authority in specific government department/ministry is made available for the companies who can approach regarding the matters related to this business/guidelines; this will greatly facilitate the smooth functioning of Direct Selling (MLM) Companies.

Submitted for kind consideration.

The FDSA, being a representative of Indian Direct Selling Industry and a non-profit, non political organization; assures the Government of Rajasthan to work as watch dog and would like to inform the government/law enforcing authorities about **Direct Selling Entities/ Direct Seller companies** which do not follow the above notified norms/guidelines to save innocent Consumers from the hands of fraudsters whose activities defame this business module.

With respectful regards,

We remain,

For Federation of Direct Selling Association

A.P. REDDY

President, FDSA

CC:

1. Mr. C.K. Mathew, Chief Secretary
2. Mr. Ashok Sampat Ram, Home Secretary
3. Mr. Prakash Gupta, Law Secretary
4. Mr. Sunil Arora, Industries Secretary