

INDIA JURIS

GUIDELINES FOR MLM & DIRECT SELLING

Ministry of Consumer Affairs, Food & Public Distribution, under the Government of India has issued an advisory “Direct Selling Guidelines 2016” on 12 September, 2016 to State governments for regulating the business of direct selling companies. The aim of issuance of such guidelines is to protect the consumers and forbidding the firms from over emphasizing the benefits of products or charging a high fee from their agents.

KEY TAKEAWAYS

1. **Direct Selling:** means marketing, distribution and sale of goods or providing of services as a part of the network of Direct Selling other than under a pyramid scheme.
2. **Direct Selling Entity:** means an entity not being engaged in a pyramid scheme which sells or offers to sell goods or services through a direct seller.
3. **Pyramid Scheme:** As per **Clause 8** of the guidelines there is a prohibition of Pyramid Scheme. Clause 1 (11) defines the **Pyramid Scheme** as-

A multi-layered network of subscribers to a scheme formed by subscribers enrolling one or more subscribers in order to receive the benefit, directly or indirectly, as a result of enrolment, action or performance of additional subscribers to the scheme. The subscribers enrolling further subscriber(s) occupy higher position and the enrolled subscriber(s) lower position, thus, with successive enrolments, they form multi layered network of subscribers.

Provided that the above definition of a “Pyramid Scheme” shall not apply to a multi layered network of subscribers to a scheme formed by a direct selling entity, which consists of subscribers enrolling one or more subscribers in order to receive any benefit, directly or indirectly, where the benefit is as a result of sale of goods or services by subscribers and the scheme/financial arrangement complies with all the following:

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