Content

Title：	Multi-Level Marketing Supervision Act Ch
Date：	2014.01.29
Legislative：	Promulgated on January 29, 2014. Presidential Decree No. Hua-Zong-Yi-Yi-Zi- 10300013741

Content：

CHAPTER ONE
GENERAL PROVISIONS

Article 1

This Act is enacted for the purpose of assuring sound transaction order of the multi-level marketing, and protecting the rights and interest of participants.

Article 2

The term "competent authority" as used in this Act means the Fair Trade Commission.

Article 3

The term ‘multi-level marketing" as used in this Act means the marketing practice to establish multi-levels organization by having participants introduce new participants into multi-level marketing enterprise, and promote and sale goods or services.

Article 4

The term “multi-level marketing enterprise” as used in this Act means the companies, sole proprietorships or partnerships, groups or individuals that conduct overall planning or the carrying out of multi-level marketing activities as referred to in the preceding article.

A participant of foreign multi-level marketing enterprise or a third party that introduces or carries out the multi-level marketing plans or organizations of such enterprise shall be deemed a "multi-level marketing enterprise" as referred to in the preceding paragraph.

Article 5

The term “participants” as used in this Act means persons who may earn commissions, bonuses and other economic benefits by taking part in the plans of a multi-level marketing enterprise and promoting or selling goods or services, and who may earn commissions, bonuses and other economic benefits by introducing other persons to participate, to promote, sell goods or services or introduce more persons.

The persons who enter into contracts with multi-sale enterprises that after meeting specific conditions such persons may get the qualification to promote, sell goods or services, or to introduce other persons to participate shall be deemed as participants from the time such contracts are entered into.

CHAPTER TWO
PROCEDURES OF REPORT FILING FOR RECORD BY MULTI-LEVEL MARKETING ENTERPRISES

Article 6
Prior to engaging in multi-level marketing operations, a multi-level marketing enterprise, should prepare a report containing the following items, and apply for record by the competent authority:
1. the basic information and business places of the multi-level marketing enterprise;
2. the multi-level marketing plans, and conditions of participation;
3. the content of contracts that will be executed with participants;
4. the itemized products or services, prices, and source;
5. the evidence of marketing practice in compliance with laws or regulations other than this Act, or having ex-ante approval issued by other authorities, where the compliance or the ex-ante approval is imposed by such laws or regulations;
6. the calculation methods, criterion, and reasons, when multi-levels sale enterprises deduct the devaluation amount from the price in repurchasing the goods or services pursuant to the later sentence of Article 21.3 or 24 of the Act;
7. such other matters as may be required by the competent authority.
When multi-level marketing enterprises fail to provide documents and materials according to the requirements of the preceding paragraph, the competent authority may order them to provide within specific deadlines additional supplemental amendments. If multi-level marketing enterprises fail to provide within specific deadlines additional supplemental amendments, it shall be deemed to not have applied at all, and the competent authority may return their report, and order them to resubmit a complete one for record.

Article 7
Except for the following situations, when there is any change in the content of submitted documents and materials, the multi-level marketing enterprise shall report in advance:
1. For changes of enterprises' basic information as referred in subparagraph 1, paragraph 1of preceding article, a report is not required except for the change of enterprise's names.
2. For changes of enterprise's names, it should be reported within 15 days after the change is in effect.
If multi-level marketing enterprises fail to report the change according to the preceding paragraph, when the competent authority considers it to be appropriate, it may order the enterprises to provide within specific deadlines additional supplemental amendments. If multi-level marketing enterprises fail to provide within specific deadlines such additional supplemental amendments, it shall be deemed to not have reported the changes at all, and the competent authority may return their report, and order them to resubmit a complete one for record.
Article 8
The format and process of report referred in the preceding two articles will be prescribed by the competent authority.
Article 9
Multi-level marketing enterprises which intend to cease their multi-level marketing operations, shall file a written report with the competent

authority prior to cessation, and shall have announcement in each business place to notify participants about their rights and interests to return goods to multi-level marketing enterprises according to participation contracts.

CHAPTER THREE
THE PRACTICE OF MULTI-LEVEL MARKETING ACTIVITIES

Article 10

Before a participant takes part in the plan or organization of a multi-level marketing enterprise, the enterprise shall inform the participant of the following particulars, and shall make no concealment, false, or misleading presentations:

1. paid-up capital and gross business volume of the multi-levels sales enterprise;
2. multi-level marketing plan, and conditions of participation;
3. laws and regulations relevant to multi-level marketing;
4. obligations and responsibilities of a participant, and conditions of withdrawal by a participant from the organization or plan, and rights and obligations arising from the withdrawal;
5. matters relevant to the goods or services;
6. the calculation methods, criterion, and reasons, when multi-levels sale enterprises deduct the devaluation amount from the price in repurchasing the goods or services pursuant to the later sentence of Articles 21.3 or 24 of the Act;
7. such other matters as may be required by the competent authority.

When a participant introduces another person to participate in the organization or plan, such participant shall make no false or misleading presentations on items listed in the preceding paragraph

Article 11

When recruiting participants by advertising or other means, a multi-level marketing enterprise shall make it clearly known that it is engaged in multi-level marketing activities; neither may it recruit participants under the disguise of recruiting employees or on other pretense.

Article 12

When promoting or selling goods or services or recruiting participants by means of declared cases of success, a multi-level marketing enterprise or its participants shall concretely explain the time periods, benefits obtained, and course of development of such cases, and may not make false or misleading representations.

Article 13

A multi-level marketing enterprise shall enter into a participation contract in writings with that who intends to participate in the plan or organization, and the multi-level marketing enterprise shall give the participant an original participation contract.

The writings referred to in the preceding paragraph may not be in the form of an electronic document.

Article 14

The content of written contract should include the following:

1. matters referred in of Subparagraph Articles 10.1(2)－(7);
2. breaches of contract by the participants and the measures to the breaches;

3. the rights and obligations as referred in Articles 20－22, or the provisions that are more beneficial for participants;
4. the method for handling a request by a participant to return goods, when the contract is terminated because of participants' violation of business rules or plans, or breaches as referred in Article 15.1, or other reasons attributable to participants;and;
5. the conditions for renew of contracts and the method of handling, when the contracts stipulate specific term of participation.

Article 15

Multi-level marketing enterprises shall stipulate in contract that the following are breaches of the participant, and shall prescribe methods for handling such breaches in order to prevent such breaches:
1. promoting or selling goods or services, or recruiting participants to the sales organization, by deceptive or misleading means;
2. raising funds from other persons in the name of the multi-level marketing enterprise or through its organization;
3. engaging in sales by means that run counter to public order or good morals;
4. affecting consumers' rights and interests by improper direct sales calls;
5. engaging in sales that violate the Criminal Code or other laws or regulations governing industry and commerce.

Multi-level marketing enterprises shall enforce the handling methods referred in the preceding paragraph faithfully.

Article 16

Multi-level marketing enterprises may not recruit incapacitated persons to be participants.

A multi-level marketing enterprise recruiting a person with limited capacity to be a participant shall first obtain the written consent from the legal representative of such a person and also attach the said written consent to the contract.

The written consent referred to in the preceding paragraph may not be an electronic document.

Article 17

A multi-level marketing enterprise shall prepare the balance sheet and income statement for its multi-level marketing operations in the previous accounting year before the end of May each year and keep them in its main office.

When the capital of a multi-level marketing enterprise reaches the amount specified in Article 20.2 of the Company Act or the total multi-level marketing business volume in the previous accounting year exceeds the amount announced by competent authority, the multi-level marketing enterprise shall require auditing and certification by a certified public accountant for its financial statements.

Participants may request to inspect the aforesaid financial statements of the multi-level marketing enterprise to which they belong and the multi-level marketing enterprise may not refuse such requests without justifications.

Article 18
Multi-levels sales enterprises shall have participants engaged in promoting and selling goods or service in reasonable market price as their major income, instead of earning mainly by introducing new participants.

Article 19
A multi-level marketing enterprise may not engage in any of the following activities:
1. requiring a participant to pay any fee obviously incommensurate with the cost in the name of training, seminars, social activities, meetings, promotion or other like activities;
2. requiring a participant to pay any security deposit, breach penalty, or other fee, which is obviously unreasonable;
3. requiring a participant to purchase goods in a quantity that would obviously be impossible for an average person to sell out in a short period, unless it is agreed that the price shall be paid only after the goods are re-sold;
4. giving specific persons preferential treatment in a manner contrary to the multi-level marketing organization or plan and therefore damaging other participants' rights and interests;
5. unduly request a participant to buy or grant a participant permission in two or more multi-levels sales organizations;
6. requiring a participant to undertake obviously unfair obligations.
Participants shall not engage in the activities referred in subparagraph 1 through, 3, 5 and 6 against the persons he or she introduce to participate.

CHAPTER FOUR
RESCISSION AND TERMINATION OF CONTRACTS

Article 20
Any participant may rescind or terminate the participation contract by giving the multi-level enterprise notice in writings within thirty days after entering into such contract.
Within a period of thirty days after rescission or termination of the contract takes effect, the multi-level marketing enterprise shall accept the application from the participant for returning of goods, collect or accept goods returned by the participant, and return to the participant all the payment for goods made upon purchase and any other fees paid to the multi-level enterprise.
In returning the payments made by the participant according to the preceding paragraph, the multi-level marketing enterprise may deduct upon the time of returning of the goods the value decreased due to the damage or loss attributable to the participant, and any bonus or remuneration already paid to the participant for purchase of such goods.
If the returned goods are collected by the enterprise, the enterprise may deduct the shipping costs required for such collection.

Article 21
After the lapse of the period as referred to in the first paragraph of the preceding article, the participant at any time may still terminate the contract by writing and withdraw from the multi-level marketing plans or organizations, and request to return the goods.
Within thirty days from the termination of the contract in accordance with

the preceding paragraph, the multi-level marketing enterprise shall buy back all goods possessed by the participant at ninety percent (90%) of the original purchase price.
The multi-level marketing enterprise may deducted the bonuses or remuneration paid to the participant for the purchase as well as the amount of the decreased value of the goods.
If the returned goods are collected by the enterprise, the enterprise may deduct the shipping costs required for such collection.
Article 22
When the participant exercises the right to rescind or terminate the contract in accordance with the two preceding articles, the multi-level marketing enterprise may not claim damages or levy penalties against the participant for such rescission or termination.
When the sold goods are supplied by third parties, and the participants exercise the right to rescind or terminate, the multi-levels sales enterprise shall handle the returning of goods and repurchase according to the preceding two articles, and shall pay the damages or penalties third party suppliers charge the participants.
Article 23
Multi-levels sales enterprises shall not improperly hinder a participant from returning goods according to provisions of this Act.
Multi-levels sales enterprises shall not unjustifiably withhold commissions, bonuses, or other economic benefit payable to a participant after rescission or termination of the contract.
Article 24
The regulations relevant to the goods in this Chapter shall apply mutatis mutandis to services.

CHAPTER FIVE
PROCEDURE OF BUSINESS INSPECTIONS AND SANCTIONS

Article 25
A multi-level marketing enterprise shall record the organization development, sales of goods or services, payment of bonuses, and handling of goods returning within the territory of the Republic of China on a monthly basis and keep such records in its primary place of business for inspection by the competent authority.
The materials in the preceding paragraph shall be kept for five years; the same shall apply in the case of an enterprise that ceases multi-level marketing practice.

Article 26
The competent authority may at any time dispatch personnel to inspect, or order an enterprise to fill forms and provide materials about the operation and development within specific deadline in the methods and format required by competent authority, and the enterprise shall not evade, impede, or refuse.
Article 27
The competent authority may investigate and handle, upon complaints or ex officio, any violation of the provisions of the Act.
Article 28
In conducting investigations under the Act, the competent authority may

proceed in accordance with the following procedures:
1. to notify the parties and any related third party to appear to make statements;
2. to notify the parties and any related third party to submit books and records, documents, and any other necessary materials or exhibits, and
3. to dispatch personnel for any necessary on-site inspection of the office, place of business, or other locations of the parties or any related third party.
Things that may serve as evidence and are found during inspections referred above may be seized by competent authority, and the scope and duration of seizure shall be limited to an extent necessary for examination, inspection, verification or other purposes in connection with the preservation of evidence.
The person who is under investigation conducted according to paragraph 1 may not evade, impede, or refuse without justifications.
An investigator carrying out its duties under this Act shall present the documents supporting its duties, and the person to be investigated may refuse the investigation where the investigator fails to present such documents.

CHAPTER SIX
PUNISHMENT

Article 29
If any person violates the provisions of Article 18, the violator shall be punished by imprisonment for not more than seven years and at the same time may be fined not more than one hundred million New Taiwan Dollars.
Shall any representative, agent, employee or other staff of a juristic person be punished for the violation of Article 18 in conducting business, not only the violator shall be punished in accordance with the preceding paragraph, the juristic person shall also be fined as prescribed in the preceding paragraph.
Article 30
Where any other laws provide for more severe punishment than those prescribed in the preceding article, the provisions of such other laws shall apply.
Article 31
The competent authority may order the multi-levels sale enterprise violating the provisions of Article 18 to dissolve, suspense or terminate business operation not longer than six months.
Article 32
If any person violates the provisions of Articles 6.1, 20.2, 21.2, 22, or 23, the competent authority may order the violators to cease therefrom, rectify its conduct, or take necessary corrective action within the time prescribed in the order, and fine New Taiwan Dollar 100,000 or more and not more than New Taiwan Dollar 5,000,000, and after the lapse of such period, shall such enterprise fail to cease therefrom, rectify such conduct, or take any necessary corrective action, the competent authority may again order the violators to cease therefrom, rectify its conduct, or take necessary corrective action within the time prescribed in the order, and fine New Taiwan Dollar 200,000 or more and not more than New Taiwan Dollar 10,000,000 each time until the violator ceases therefrom, rectifies such

conduct, or takes necessary corrective action. If the situation is serious, the competent authority .may order the violator to dissolve, suspense or terminate business operation not longer than six months.
The provisions of preceding paragraph shall apply to the violation of Article 20.2 when applied mutatis mutandis according to Article 24, the violation of Articles 21.2, 22, or 23.
When the protection institution violates the regulations relevant to business operation methods and inspection prescribed in Article 38.5, the competent authority may impose a sanction according to paragraph 1 of this Article.
Article 33
If any person violates the provisions of Article 16, the competent authority may order the violators to cease therefrom, rectify its conduct, or take necessary corrective action within the time prescribed in the order, and fine New Taiwan Dollar 100,000 or more and not more than New Taiwan Dollar 2,000,000, and after the lapse of such period, shall such enterprise fail to cease therefrom, rectify such conduct, or take any necessary corrective action, the competent authority may again order the violators to cease therefrom, rectify its conduct, or take necessary corrective action within the time prescribed in the order, and fine New Taiwan Dollar 200,000 or more and not more than 4,000,000 each time until the violator ceases therefrom, rectifies such conduct, or takes necessary corrective action.
Article 34
If any person violates Articles 7.1, 9－12, 13.1, 14, 15,17, 19, 25.1, or 26, the competent authority may order the violators to cease therefrom, rectify its conduct, or take necessary corrective action within the time prescribed in the order, and fine New Taiwan Dollar 50,000 or more and not more than New Taiwan Dollar 1,000,000, and after the lapse of such period, shall such enterprise fail to cease therefrom, rectify such conduct, or take any necessary corrective action, the competent authority may again order the violators to cease therefrom, rectify its conduct, or take necessary corrective action within the time prescribed in the order, and fine New Taiwan Dollar 100,000 or more and not more than New Taiwan Dollar 2,000,000 each time until the violator ceases therefrom, rectifies such conduct, or takes necessary corrective action.

Article 35
When the competent authority conducts investigation according to Article 28, if the party under investigation violates Article 28.3, the competent authority may fine New Taiwan Dollar 50,000 or more and not more than New Taiwan Dollar 500,000. If after notice again, the party under investigation evade, impede, or refuse without justifications, the competent authority may continue to issue notice for investigation, and fine New Taiwan Dollar 100,000 or more and not more than New Taiwan Dollar 1,000,000 each time until the party accepts investigation, appears to respond, or renders relevant materials like books and records, documents, or exhibits.

CHAPTER SEVEN
SUPPLEMENTARY PROVISIONS

Article 36

For the enterprises not meeting the definition of multi-levels sale enterprise prescribed in Article 8 of the Fair Trade Act, but actually conducted multi-levels sale business prior to the implementation of this Act shall apply for record by the competent authority according to Article 6 within three months after this Act takes effect. Any enterprises that fail to apply shall be subject to punishment under Article 6.1.
The multi-levels sale enterprises as referred in preceding paragraph shall enter into written contract with the participants having participated prior to the implementation of this Act according to Article 13.1 within six months after this Act takes effect. Any enterprises that fail to enter into written contract shall be subject to punishment under Article 13.1.
Participants participating multi-levels sale enterprises prior to the implementation of this Act may rescind or terminate contract according to Articles 20, 22, and 24 since the day this Act takes effect through 30 days expires after the contract referred in preceding paragraph is entered. Even after such period, participants may still terminate contract according to Articles21, 22, and 24.
For the participants terminating contracts after this Act takes effect, the period prescribed in the exception clause of Article 21.1 shall start from the day this Act takes effect.
Article 37
If any multi-levels sale enterprises have applied for record prior to the implementation of this Act, they still shall revise the filing documents according to Article 6.1, and provide competent authority within two months after this Act takes effect supplemental amendments. If any multi-levels sale enterprises do not provide supplemental amendments, the competent authority will make decision as the enterprises in violation Article 7.1.
If any multi-levels sale enterprises have applied for record prior to the implementation of this Act, they still shall revise the written contract entered into with participants, notify participants the revision content in written, and make announcements in business places. If any multi-levels sale enterprises do not notify participants the revision content in written, the competent authority will make decision as the enterprises in violation Article 13.1.
After receiving the notification referred in preceding paragraph, if participants do not object within specific period, it will be deemed as they accept the revision.
Article 38
The competent authority shall designate the multi-levels sale enterprises having applied for record to donate certain property in order to establish a protection institution in charge of protecting the rights and interests of multi-levels sale enterprises having applied for record, and participants, and dispute resolution. The donation amount may be deducted from the protection fund and annual fee as prescribed in Paragraph 2.
The protection institution may collect protection fund and annual fee from the multi-levels sale enterprises having applied for record. The collection methods and specific amount shall be determined by the competent authority.
If the multi-levels sale enterprises having applied for record fail to pay according the preceding two paragraphs, it will be deemed as in violation of Article 32.1, and sanctioned accordingly.

	The enterprises may request the protection offered by the protection institution only after paying fund and annual fee according to the rules issued by the competent authority. The organizations, duties, fee appropriation, operation procedures, and its monitoring and management shall be determined by the competent authority. Article 39 After this Act takes effect, the provisions in the Fair Trade Act relevant to multi-levels sale shall not apply. Article 40 The enforcement rules of this Act shall be made and promulgated by the competent authority. Article 41 This Act shall take effect upon promulgation.

Data Source：Fair Trade Commission Laws and Regulations Retrieving System