

Need for clear distinction between fly-by-night operators & genuine business
**FICCI Taskforce and National Law School call for fair
regulatory framework for direct selling industry**

NEW DELHI, July 16, 2014. The Indian direct selling industry has made a strong pitch for exclusion of the industry from the Prize Chits & Money Circulation (Banning) (PCMC) Act, 1978, in view of the failure of the enforcement agencies to distinguish between 'money circulation schemes' and genuine 'multi-level marketing schemes'.

Industry has made a strong demand to add the clause exempting 'any direct selling scheme duly certified as may be prescribed' as a sub-clause (e) to Section 11 of the PCMC Act.

In an interface with the media **Prof. (Dr.) Nandimath Omprakash V, HAL DPSU Chair Professor & Registrar, National Law School (NLS) of India University, Bangalore**, pointed out that the application of the Act randomly on the direct selling industry has led to chaotic situation for consumers, private-entrepreneurs as well as the industry. A case in point is the recent arrest and incarceration of Amway CEO & MD on the basis of orchestrated complaints.

Prof. Nandimath's thought paper on the subject was released here today by the FICCI Direct Selling Taskforce in association with National Law School of India University, Bangalore. The paper 'Establishment of an appropriate regulatory framework for Direct Selling in India', primarily focuses on the imperative for an urgent legislation to facilitate the functioning of genuine direct sellers and contain scams.

The direct selling industry is worth Rs. 7000 crore and provides livelihood opportunity to over six million, more than 60% of whom are women.

The enforcement agencies have failed to distinguish between 'money circulation schemes', which the PCMC Act bans and genuine 'multi-level marketing schemes' organized for the legitimate purpose of selling quality products to customers. In other words, the State (enforcement) agencies have failed to understand the nuances of the direct selling business versus pyramid schemes.

FICCI stands against anything that breaches consumer trust and /or hampers industry growth. In view of the nonexistence of guidelines or legislation for the direct selling industry, a clear distinction between fly-by-night operators and legitimate businesses is the key demand raised by industry.

Tweaking the existing provisions of PCMC Act may be the pragmatic way to bring clarity to the issue. This will mitigate the adverse effects of misapplication of PCMC Act on genuine direct selling players.

Rajat Banerji, Co-Chair, Direct Selling Task Force, said, "With the Finance Minister announcing the amendment to the PCMC Act in the budget, we are happy with the timely release of the NLS paper. Provisions of the Act have been applied on the direct selling industry with disastrous results. It is extremely unfortunate if unsubstantiated consumer complaints lead to arrests. This exercise can potentially provide clarity to the government on this issue."

Mr. Deep Chand, Retd. Special Commissioner (Delhi Police), called for a change in definition of direct selling companies so as to enable the state enforcement agencies to understand the nuances of the direct selling business versus pyramid schemes.

Mr. Bejon Mishra, Consumer Activist, said that the consumers unfortunately, wanted everything free of cost. But if the consumer is willingly paying for a service or product, he needs to be protected. The role of state becomes acutely important, he said and added that where the state fails to intervene it leads to confusion of the kind being witnessed.

Strong action is required to be taken by the government if the company dupes the consumer. Therefore, the need of the hour is to recognize through certification the difference between ethical and unethical schemes, he said.

In this context, he called for strong consumer redressal mechanism by companies so that consumers do not rush to the police for redressal.

Mr. Amarnath Sengupta, former Chairman, IDSA, said that direct selling industry and multi-level marketing worldwide is a recognized economic activity delivering social value. The unabashed exercise of PCMC Act is causing irreparable damage to the industry. The situation can be salvaged by defining the industry and what comes under its ambit with clear specifications and guidelines to be adhered by genuine direct selling companies. He added that there was an urgent need to create sensitization on the subject to protect the interests of the consumers.

Weblink: [Report - "ESTABLISHMENT OF AN APPROPRIATE REGULATORY FRAMEWORK FOR DIRECT SELLING IN INDIA"](#)

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