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## **1. PREAMBLE**

Since its introduction into Malaysia, direct selling has created a new spectrum of business opportunity for Malaysians from all walks of life. As the industry forges on to new heights, direct sellers must play a more active role to ensure the industry remains competitive and continues to be held in high regard through ethical direct selling.

The Direct Selling Association of Malaysia (DSAM), being the standard bearer of ethical direct selling, has adopted a stringent Code of Conduct by which member Companies in the Association are to adhere to in every aspect of their business. This Code of Conduct (version 2009) is now enhanced to better provide a framework for:

- Conduct for the Protection of Consumers
- Conduct towards Direct Sellers
- Conduct between Direct Selling Companies
- Code Enforcement

Through the Code of Conduct, DSAM aims to further inculcate the spirit and practice of ethical direct selling within its member Companies, setting examples for others to follow.

## 2. GLOSSARY OF TERMS

For the purposes of understanding the Code of Conduct, capitalized terms have the following meaning;

**Code Administrator** - The independent person or body appointed by DSAM to monitor a Company's compliance with the Code and to resolve complaints under the Code.

**Company** - A business entity that;

- utilizes a Direct Selling distribution system to market its Products.
- is a member of DSAM.

**Consumer** - Any person who purchases and consumes Products from a Direct Seller or a Company.

**Direct Seller** - A person or entity that is entitled to buy and/or sell the Products of a Company and that may be entitled to recruit other Direct Sellers.

Direct Sellers generally market consumer products directly to Consumers away from a permanent, fixed retail location, usually through the explanation or demonstration of products and services.

A Direct Seller may be an independent commercial agent, independent contractor, independent dealer or distributor, employed or self-employed representative, or any other similar sales representative of a Company.

- DSAM** - The Direct Selling Association of Malaysia.
- Order Form** - A printed or written document confirming details of a Consumer order and providing a sales receipt to the Consumer. In the case of Internet purchases, a form containing all terms of the offer and purchase provided in a printable or downloadable format.
- Product** - Tangible and intangible consumer goods and services.
- Recruiting** - Any activity conducted for the purpose of assisting a person to become a Direct Seller.

## **3. SCOPE**

### **3.1 Companies**

Companies pledge to adopt and enforce a code of conduct that incorporates the substance of the provisions of this Code as a condition of admission and continuing membership in DSAM. Companies also pledge to publicize this Code, its general terms as they apply to Consumers and Direct Sellers, and information about where Consumers and Direct Sellers may obtain a copy of this Code.

### **3.2 Direct Sellers**

Direct Sellers are not bound directly by this Code, but, as a condition of membership in the Company's distribution system, shall be required by the Company with whom they are affiliated to adhere to rules of conduct meeting the standards of this Code.

### **3.3 Self-Regulation**

This Code is not law, but its obligations require a level of ethical behavior from Companies and Direct Sellers, which conforms with or exceeds applicable legal requirements. Non-observance of this Code does not create any civil law responsibility or liability. With termination of its membership in DSAM, a Company is no longer bound by this Code. However, the provisions of this Code remain applicable to events or transactions that occurred during the time a Company was a member of DSAM.

### **3.4 Local Regulations**

Companies and Direct Sellers must comply with all requirements of Malaysian Law. Therefore, this Code does not restate all legal obligations; compliance by Companies and Direct Sellers with laws pertaining to Direct Selling is a condition of acceptance for continuing membership in DSAM.

### **3.5 Extraterritorial Effect**

DSAM shall make reference to this Code of Conduct for Direct Selling with regards to Direct Selling activities for Malaysian based Companies operating outside Malaysia, unless those activities are under the jurisdiction of Codes of Conduct of another country's Direct Selling Association to which the member also belongs.

## **4. CONDUCT FOR THE PROTECTION OF CONSUMERS**

### **4.1 Prohibited Practices**

Direct sellers shall not use misleading, deceptive or unfair sales practices.

### **4.2 Identification**

From the beginning of the sales presentation, Direct Sellers shall, without request, truthfully identify themselves to the prospective customer, and shall also identify their company, their products and the purpose of their solicitation. In party selling, Direct Sellers shall make clear the purpose of the occasion to the hostess and the participants.

### **4.3 Explanation and Demonstration**

Explanation and demonstration of the product offered shall be accurate and complete, in particular with regard to price and, if applicable, credit price, terms of payment, cooling-off period and/or return rights, terms of guarantee and after-sales service, and delivery.

### **4.4 Answer to Question**

Direct Sellers shall give accurate and understandable answers to all questions from consumers concerning the product and the offer.

### **4.5 Order Form**

A written Order Form shall be delivered or made available to the Consumer at or prior to the time of the initial sale. In the case of a sale made via mail, telephone, the Internet, or similar non face-to-face means, a copy of the Order Form shall have been previously provided, or shall be included in the initial order, or shall be provided in printable or downloadable form via the Internet. The

Order Form shall identify the Company and the Direct Seller and contain the full name, permanent address and telephone number of the Company or the Direct Seller, and all material terms of the sale. All terms shall be clearly legible.

#### **4.6 Verbal Promises**

Direct Sellers shall only make verbal promises concerning the product which are authorised by the company.

#### **4.7 Cooling-off and Return of Goods**

Companies and Direct Sellers shall make sure that any order form contains, whether it is a legal requirement or not, a cooling-off clause permitting the customer to withdraw from the order within a specified period of time and to obtain reimbursement of any payment or goods traded in. Companies and Direct Sellers offering an unconditional right of return shall provide it in writing.

#### **4.8 Guarantee and After Sales Service**

Terms of a guarantee or a warranty, details and limitation of after-sales service, the name and address of the guarantor, the duration of the guarantee and the remedial action open to the purchaser shall be clearly set out in the order form or other accompanying literature or provided with the product. All terms shall be clear and legible.

#### **4.9 Literature**

Promotional literature, advertisements or mailings shall not contain any product description, claims or illustrations which are deceptive or misleading, and shall contain the name and address or telephone number of the company or the Direct Seller.



#### **4.10 Testimonials**

Companies and Direct Sellers shall not refer to any testimonial or endorsement which is not authorised, not true, obsolete or otherwise no longer applicable, not related to their offer or used in any way likely to mislead the consumer.

#### **4.11 Comparison and Denigration**

Companies and Direct Sellers shall refrain from using comparisons which are likely to mislead and which are incompatible with principles of fair competition. Points of comparison shall not be unfairly selected and shall be based in facts which can be substantiated. Companies and Direct Sellers shall not unfairly denigrate any Company or Product directly or by implication. Companies and Direct Sellers shall not take unfair advantage of the goodwill attached to the trade name and symbol of another Company or Product.

#### **4.12 Respect of Privacy**

Personal or telephone contact shall be made in a reasonable manner and during reasonable hours to avoid intrusiveness. A Direct Seller shall discontinue a demonstration or sales presentation upon the request of the consumer. Direct Sellers and Companies shall take appropriate steps to ensure the protection of all private information provided by a Consumer, a potential Consumer, or a Direct Seller.

#### **4.13 Fairness**

Direct Sellers shall not abuse the trust of individual consumers, shall respect the lack of commercial experience of consumers and shall not exploit a consumer's age, illness, lack of understanding or lack of language knowledge.

#### **4.14 Referral Selling**

Companies and Direct Sellers shall not induce a customer to purchase goods or services based upon the representation that a customer can reduce or recover the purchase price by referring prospective customers to the sellers for similar purchases, if such reductions or recovery are contingent upon some unsure future event.

#### **4.15 Delivery**

Companies and Direct Sellers shall fulfill the customer's order in a timely manner.

## **5. CONDUCT TOWARD DIRECT SELLERS**

### **5.1 Direct Sellers' Compliance**

Companies shall require their Direct Sellers, as a condition of membership in the Companies' distribution systems, to comply with this Code of Conduct and its own rules of conduct which meet its standards.

### **5.2 Recruiting**

Companies and Direct Sellers shall not use misleading, deceptive or unfair recruiting practices.

### **5.3 Business Information**

Information provided by the company to its Direct Sellers and to prospective Direct Sellers concerning the opportunity and related rights and obligations shall be accurate and complete. Companies shall not make any factual representation to a prospective recruit which cannot be verified or make any promise which cannot be fulfilled. Companies shall not present the advantages of the selling opportunity to any prospective recruit in a false or deceptive manner.

### **5.4 Earnings Claims**

Companies and Direct Sellers shall not misrepresent the actual or potential sales or earnings of their Direct Sellers. Any earnings or sales representations made shall be based upon documented facts.

### **5.5 Relationship**

Companies shall give their Direct Sellers either a written agreement to be signed by both the company and the Direct Seller or a written statement, containing all essential details of the relationship between the Direct Seller and the company. Companies shall

inform their Direct Sellers of their legal obligations, including any applicable licenses, registrations and taxes.

## **5.6 Fees**

Companies and Direct Sellers shall not ask Direct Sellers or prospective Direct Sellers to pay unreasonably high entrance fees, training fees, franchise fees, fees for promotional materials or other fees related solely to the right to participate in the business. Any fees charged to become a Direct Seller shall relate directly to the value of materials, products or services provided in return.

## **5.7 Termination**

On the termination of the Direct Seller's relationship with a company, Companies shall buy back any unsold but saleable product inventory, including promotional material, sales aids and kits, and credit the Direct Seller's original net cost thereof less a handling charge to the Direct Seller up to 10% of the net purchase price and less any benefit received by the Direct Seller based on the original purchase of the returned goods.

## **5.8 Inventory**

Companies shall not require or encourage Direct Sellers to purchase product inventory in unreasonably large amounts. The following should be taken into account when determining the appropriate amount of product inventory: the relationship of inventory to realistic sales possibilities, the nature of competitiveness of the products and the market environment, and the company's product return and refund policies. Companies shall take reasonable steps to ensure that Direct Sellers who are receiving compensation for downline sales volume are either consuming or reselling the Products they purchase in order to qualify to receive compensation.

## **5.9 Other Materials**

Companies shall prohibit Direct Sellers from marketing or requiring the purchase by others of any materials that are inconsistent with Company policies and procedures. Direct Sellers who sell company approved promotional or training literature, whether in hard copy or electronic form, shall:

- 5.9.1** utilize only materials that comply with the same standards to which the Company adheres.
- 5.9.2** refrain from making the purchase of such sales aids a requirement of downline Direct Sellers.
- 5.9.3** provide sales aids at a reasonable and fair price, equivalent to similar material available generally in the marketplace.
- 5.9.4** offer a written return policy that is the same as the return policy of the Company the Direct Seller represents.

Companies shall take diligent, reasonable steps to ensure that sales aids produced by Direct Sellers comply with the provisions of this Code and are not misleading or deceptive.

## **5.10 Remuneration and Accounts**

Companies shall provide Direct Sellers with periodic accounts concerning, as applicable, sales, purchases, details of earnings, commissions, bonuses, discounts, deliveries, cancellations and other relevant data, in accordance with the company's arrangement with the Direct Sellers. All monies due shall be paid and any withholdings made in a commercially reasonable manner.

## **5.11 Education And Training**

Companies shall provide adequate education and training to enable Direct Sellers to operate ethically. This may be accomplished by training sessions or through written manuals or guides, or audio-visual materials.

## **6. CONDUCT BETWEEN COMPANIES**

### **6.1 Principle**

Member Companies of DSAM are requested to conduct themselves fairly towards other members.

### **6.2 Enticement**

Companies and Direct Sellers should not entice away or solicit any Direct Sellers by systematic enticement towards other Companies' Direct Sellers.

### **6.3 Denigration**

Companies shall not unfairly denigrate nor allow their Direct Sellers to unfairly denigrate another company's product, its sales and marketing plan or any other feature of that company.

## **7. CODE ENFORCEMENT**

### **7.1 Companies' Responsibilities**

The primary responsibility for the observance of the Code shall rest with each individual company. In case of any breach of the Code, Companies shall make every reasonable effort to satisfy the complainant.

### **7.2 DSAM Responsibility**

DSAM shall provide a person responsible for complaint handling. DSAM shall make every reasonable effort to ensure that complaints are settled.

### **7.3 Code Administrator**

DSAM shall appoint an independent person or body as Code Administrator. The Code Administrator shall monitor Companies' observance of the Code by appropriate actions and shall be responsible for Complaint Handling and a set of Rules outlining the process of complaint resolution. The Code Administrator shall settle any unresolved complaint of Direct Sellers based on breaches of the Code.

### **7.4 Actions**

Actions to be determined by the Code Administrator against a company regarding complaints of a Direct Seller concerning breaches of the Code may include termination of the Direct Seller's contract or relationship with the company, refund of payments, issuance of a warning to the company or its Direct Sellers, or other appropriate actions and the publication of such actions or sanctions.



## **7.5 Complaint Handling**

DSAM, Companies and Code Administrators shall establish complaint handling procedures and ensure that receipt of any complaint is confirmed within a short time and decisions are made within a reasonable time.

## **7.6 Publication**

DSAM shall publish the Code and make it known as widely as possible. Printed copies shall be made available free of charge to the public.

## **7.7 Companies' Complaint**

DSAM, Companies and Code Administrators shall establish complaint handling procedures and ensure that receipt of any complaint is confirmed within a short time and decisions are made within a reasonable time.