

(Unofficial translation)



Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

Ministry of Industry and Commerce

Ref no. 0060/MOIC.DTD
Vientiane Capital, date 22 January 2017

Decision

On Direct Sale Business

- Pursuant to Enterprise Law (Revised Version) No.46/NA, dated 26 December 2013.
- Pursuant to Consumer Protection Law No. 2/NA, dated 30 June 2010.
- Pursuant to Decree on Organisation and Operation of Ministry and Industry and Commerce No.522/PM, dated 23 December 2011.
- Pursuant to the proposal of the Internal Trade Department No.0013/ITD, dated 4 January 2017.

Minister of Industry and Commerce hereby issued a Decision:

Part I

General Provision

Article 1 Objective

This Decision sets principles, regulation, and measures to manage the operation of direct sale business to be complied with laws and regulations in order to facilitate the distribution of goods in the society, protect the country's benefits as well as to protect rights and benefits of consumers, independent sellers, direct sale agents, and direct sale business operators, and to contribute to the job creation, income generation, so as to improve living standard of the nations.

Article 2 Direct Sale Business

The Direct sale business is a business that sells goods directly to consumers at their residence and any venue.

Article 3 Definition

The terminologies in this Decision are defined as the followings:

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1. Consumer is an individual, a juridical person or an organisation who buys and uses goods and services correctly without commercial purposes;
2. Direct sale business operator is a business unit that supplies goods to its agents or the independent sellers;
3. Business unit is an enterprise or a business entity of an individual or a juridical person that consists of name, capital, management, office, and have been registered in accordance with the enterprise law;
4. Direct sale agent is a supplier of goods to the independent sellers or directly sale goods to the customers;
5. Independent seller is a person who sells goods directly to the consumers;
6. Dividend payment plan is a marketing plan or a plan set by the direct sale business operator in order to determine method of paying dividend to its members by specifying clearly the payment method;
7. Business Secret is the information on production process and methods, business operation or services that is essential for the business operation;
8. Deposit for the operation of direct sale business is the amount of money that the direct sale business operator deposits for doing the direct sale business as an assurance for joining the direct sale business.

Article 4 Basic Principles on the Direct Sale Business Operation

The operation of direct sale business in Lao PDR shall be in accordance with the following basic principles:

1. To ensure quality of the sale and compliance with the standard specified by the responsible and administrative authority;
2. To ensure safety on life, health, property, right, and virtuous benefits of the consumers;
3. To ensure equity, transparency, and equality on implementing the dividend payment contract;
4. To ensure involvement of the citizens and society on monitoring and inspecting of the direct sale business operation;

5. To ensure fair business competition;
6. To ensure compliance with related laws and regulation of Lao PDR and agreements that Lao PDR is a party to.

Article 5 Scope of Application

This Decision is applied to individuals, juridical persons or business entities both domestic and foreign who are permitted to operate the direct sale business in Lao PDR.

Part 2

Operation of the Direct Sale Business

Article 6 Operation of the Direct Sale Business

Individuals, juridical persons or business entities both domestic and foreign have the right to operate direct sale business in compliance with this Decision, and related laws and regulation.

Article 7 Registered Capitals

Individuals, juridical persons or business entities both domestic and foreign who will operate direct sale business must have registered capital not less than 40 trillion kips.

Article 8 Applying Procedure for a Direct Sale Business License

Individuals, a juridical persons or business entities both domestic and foreign who will operate the direct sale business shall follow below procedures:

1. Documents:
 - An application for operating the direct sale business;
 - A copy of enterprise registration that specifies category of direct sale;
 - A dividend payment plan;
 - Contract between the direct sale business operators and the direct sale agents or the independent sellers;
 - A sample of membership card of the direct sale agents or independent sellers;
 - A copy of certificate of the deposit from bank where a business unit opens the bank account with.
2. Documents submission and consideration process

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- 2.1. Submit the documents to the Internal Trade Department, Ministry of Industry and Commerce;
- 2.2. The Internal Trade Departments considers and issues the license for a direct sale business operation within 10 working days if all documents are correct and completed.

Article 9 Deposits for the Direct Sale Business Operation

Individuals, juridical persons or business entities both domestic and foreign who will operate the direct sale business shall deposit money based on the following conditions:

1. Shall deposit money at 5% of the total registered capital;
2. Open a fixed bank account at 5% of the total registered capital at any commercial bank and that bank issues a certified letter regarding opening of the bank account for the deposited money of that business unit;
3. The bank must keep the amount of money used for opening the bank account throughout the operation of the direct sale business;
4. In case the business unit wants to withdraw such deposit it shall be certified by an administrative authority of the direct sale business;
5. A business unit will receive an interest based on the total deposit from the fix bank account. Minimum duration of the deposit is one year and can be extended based on an approval by the administrative authority of the direct sale business;
6. In case the administrative authority of the direct sale business does not agree to issue the license, the business unit can withdraw the deposit with the certification of the administrative authority of the direct sale business;
7. In case the business unit operating direct sale can not pay damaged fee to the direct sale agents or the independent sellers, the direct sale business administrative authority can use the deposit for such payment.

Article 10 Right, Duties, and Commitments of the Direct Sale Business Operator

The direct sale business operator has rights, duties and commitments as follows:

1. Make a contract with the direct sale agents or the independent sellers by specifying some basic contents as below:
 - The payment of a dividend will be made based on the dividend payment plan;

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- The membership fee, training fee, promotion tool fee or other fees;
 - A clear contract indicating that the direct sale business operator shall buy back goods, sale promotion tools, and a set of handbook from the direct sale agents or independent sellers;
 - Indicating price of the goods that will sell to the consumers.
2. Operate the business in compliance with the dividend payment plan (in case of any changes, the operator must first inform the direct sale business administrative authority);
 3. Conduct trainings for the direct sale agents or independent sellers;
 4. Issue a membership card for the direct sale agents or independent sellers;
 5. Be able to use medias as a mean to sell goods in accordance with laws and regulations;
 6. Pay duty and tax, and related services fee as being specified in laws and regulations;
 7. Report the operation of the direct sale business based on the dividend payment plan to the direct sale business administrative authority every six months.
 8. Follow this Decision, related laws and regulation.

Article 11 Right, duties, and commitments of the direct sale agents

The direct sale agents have the rights, duties, and commitments as follows:

1. Apply for a membership of the direct sale business operator;
2. Operate the business based on conditions under the contract signed with the direct sale business operator;
3. Supply goods to the independent seller or sell goods directly to the consumers;
4. Sell goods directly at other people's residence with a permission of the residence's owner beforehand;
5. Show the membership card of the direct sale business agent when supplying or selling the goods;

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6. Pay duty and tax, and other related service fees as being specified in laws and regulation;
7. Follow this Decision, and related laws and regulation.

Article 12 Right, Duties, and Commitments of the independent sellers

The independent sellers have the rights, duties, and commitments as follows:

1. Apply for a membership of the direct sale business operators or the direct sale agents;
2. Implement the contract signed with the direct sale business operators or the direct sale agents;
3. Show the membership card of the independent sellers when selling the goods;
4. Bring goods to directly sell to the consumers;
5. Propose the sale of the goods directly to other people's residence with a permission of the residence's owner beforehand;
6. Pay duty and tax, and other related service fee as being specified in laws and regulation;
7. Follow this Decision, and related laws and regulation.

Part 3 Prohibition

Article 13 Prohibition for the Authorities or Officers

The authorities or officers are prohibited to behave as the followings:

1. Exercise the duties unfairly, bially, and inappropriately based on this Decision to the direct sale business operators, the direct sale agents, the independent sellers, and the consumers;
2. Take advantage from its own position, power, and duty to gain benefits, take bribe incurred from the direct sale business;
3. Intimate documents or using fake documents, disclose business secret, and delay or destroy documents related to the direct sale business;
4. Other behaviours that violate the laws and regulation.

Article 14 Prohibition for the Direct Sale Business Operator

The direct sale business operator is prohibited to behave as the followings:

1. Operate the direct sale business without goods;
2. Operate the direct sale business without the enterprise registration specified a category of a direct sale;
3. Operate the direct sale business without license for the direct sale business operation;
4. Violate the contract and the business secret;
5. Create barriers for the authorities or officers in performing their duties;
6. Operate the business by persuading other people to join as a network and obtain the joining fee for revenues of the business instead of generating them from selling the goods;
7. Force the direct sale agents or the independent sellers to buy the goods;
8. Charge the membership fee, training fee, sale promotion tool fee beyond the real value;
9. Pay the dividend that is not consistent with the dividend payment plan;
10. Supply the goods that neither have quality nor standard, fake goods, counterfeit goods, and prohibited goods;
11. Advertise or provide information about goods incorrectly or beyond the truth;
12. Other behaviours that violate the laws and regulation.

Article 15 Prohibition for the direct sale agents

The direct sale agents are prohibited to behave as the followings:

1. Operate the direct sale business without goods;
2. Operate the direct sale business without the enterprise registration that specifies a category of a direct sale;
3. Operate the business without a contract with the direct sale business operator;
4. Violate the contract and the business secret;
5. Create barriers for the authorities or officers in performing their duties;
6. Sell the goods directly at other people's residence without a permission from the residence's owner beforehand;

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7. Supply or sell the goods without showing the membership card of the direct sale agent;
8. Supply the goods that neither have quality nor standard, fake goods, counterfeit goods, and prohibited goods;
9. Advertise or provide information about the goods incorrectly or beyond the truth
10. Impose violence, threat, and force on the consumers to buy the goods;
11. Other behaviours that violate the laws and regulation.

Article 16 Prohibition for the independent sellers

The independent sellers are prohibited to behave as the followings:

1. Violate the contract and the business secret;
2. Create barriers for the authorities or officers in performing their duties;
3. Operate the business without a contract with the direct sale business operator or the direct sale agent;
4. Sell the good directly at other people's residence without a permission from the residence's owner beforehand;
5. Supply or sell the goods without showing the membership card of the independent seller;
6. Supply the goods that neither have quality nor standard, fake goods, counterfeit goods, and prohibited goods;
7. Advertise or provide information about the goods incorrectly or beyond the truth;
8. Impose violence, threat, and force on the consumers to buy the goods;
9. Other behaviours that violate the laws and regulation.

Article 17 Prohibition for the individuals and other organisations

Individuals and other organisations are prohibited to behave as the followings:

1. Create barriers, intervene the business operation of the direct sale business operator, the agents, and the independent sellers while conducting the sale.

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2. Advertise incorrectly about the quality, standard of the goods that leads to misunderstanding by others or accuse the direct sale business operators, the direct sale agents, and the independent sellers;
3. Help and protect any direct business operators, the direct sale agents or the independent sellers who violate this Decision, related laws and regulation;
4. Impose violence, threat, and create barrier for the authorities or officers to perform their duties;
5. Be middle persons to give and take the bribe occurred from the direct sale business;
6. Other behaviours that violate the laws and regulation.

Part 4 **Direct Sale Business Administrative Authority**

Article 18 Direct Sale Business Administrative Authority

Ministry of Industry and Commerce is responsible for administer the direct sale business nationwide in cooperation with related sectors and local authorities based on its right and functions.

The direct sale business administrative authority is divided into two levels as follows:

- At central level: The Internal Trade Department;
- At provincial level: Provincial and Vientiane capital Industry and Commerce Department.

Article 19 Rights and Duties of the Internal Trade Department

In the administration of the direct sale business, the Internal Trade Department has the rights and duties as follows:

1. Research on legislations on the direct sale business periodically;
2. Advertise, disseminate legislations related to the direct sale business to the society;
3. Research, consider, and issue a license for the direct sale business operator;
4. Determine types or categories of goods for the direct sale business periodically;
5. Supervise and use the deposit via a coordination with the bank where the business unit opens its bank account;
6. Coordinate with related sectors on the direct sale business;

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7. Monitor, inspect the operation of direct sale business nationwide;
8. Accept the request letter from individuals, a juridical persons or organisations that are being affected or damaged from the direct sale business operation;
9. Make an invitation letter to the direct sale business operator or related people to come and clarify about the document or evidence;
10. Notify the information about the goods that have caused the damage to the consumers;
11. Warn and educate the person who violates the laws and regulation related to the direct sale business;
12. Fine as being specified in this Decision, and related laws, regulation;
13. Report a result of the implementation of the direct sale business nationwide to the Ministry of Industry and Commerce every six months;
14. Implement other rights and duties as specified in the laws and regulations;

Article 20 Rights and Duties of the Provincial and Vientiane Capital Industry and Commerce department

To administer the direct sale business, the Provincial and Vientiane Capital Industry and Commerce Department have the rights and duties as follows;

1. Advertise and disseminate about the direct sale business to the society;
2. Supervise, monitor, and inspect the operation of the direct sale business operator, the direct sale agents, and the independent sellers;
3. Coordinate with related sectors on the work relating to the direct sale business;
4. Accept request letters from an individual, a juridical person or organisation who are affected or damaged by the direct sale business operation;
5. Make an invitation letter to the direct sale business operator or related people to come and clarify about the document or evidence;
6. Notify information about the goods that causes the damage on consumers;
7. Warn and educate those who violate the laws and regulation related to the direct sale business;

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8. Notify district industry and commerce office to monitor the direct sale business within their districts and report to the Provincial and Vientiane capital Industry and Commerce department whenever there is an abnormal case;
9. Fine as being specified by this Decision, related laws and regulation;
10. Report results of the implementation of the direct sale business at their own province to the direct sale business administrative authority at central level every six months;
11. Execute other rights and duties as provided in the laws and regulation.

Part 5 Awards and Sanctions

Article 21 Awards for Good Performance

Individuals, juridical persons, and organisations who are outstanding on implementing this Decision will receive compliments, awards or other appropriate policies.

Article 22 Sanctions for Violation

Individuals, juridical persons, and organisations who violate this Decision shall be warned, educated, punished, fined, and payed for civil damages or criminal punishment depending on seriousness of the violation.

Article 23 Measures of fine

Individuals or juridical persons who have violated this Decision but not conducted a criminal act after being warned, educated will be fined on case by case basis as follows:

1. Operate the direct sales business without the license for direct sales business operation will be fined from 1,000,000 kips to 8,000,000 kips
2. Pay the dividend that is inconsistent to the dividend payment plan will be fined from 500,000 kips to 5,000,000 kips.
3. Operate the business without following the agreement approved by the direct sales business administrative authority will be fined double of the dividend value as being specified in the contract.
4. Go to the residence of other people without permission will be fined from 300,000 kips to 1,000,000 kips;
5. Supply or sell the goods without showing the membership card of the direct sale agents or the independent seller will be fined from 50,000 kips to 500,000 kips;

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6. Operate the business by persuading other people to join the network and use the joining fee as revenue instead of generating that from selling the goods will be fined from 500,000 kips per one member.
7. Force the direct sale agents or the independent sellers to buy the goods will be fined twice of the value specified in the contract;
8. Charge the membership fee, training fee, sale promotion tools fee beyond the real value will be fined 200,000 kips per one member.

Part 6 **Final provision**

Article 24 Implementation

The Internal Trade Department, the Enterprise Registration and Management Department, Ministry of Industry and Commerce, the Provincial and Vientiane Capital Industry and Commerce Department in collaboration with related sectors are assigned to strictly implement this Decision.

For any business unit that operates the direct sale business prior to promulgate this Decision must recompile the documents based on Article 8 of this Decision within 90 days from the effective date of this Decision.

Article 25 Effectiveness

This Decision is effective from the date of signature and 15 days from the date of publication on Official Gazette.

Minister of Industry and Commerce
(Signed and sealed)

Khemmani Pholsena