July 20, 2012

Dear Dinesh,

 I am addressing this letter to you on behalf of Common Cause, a civil society organization dedicated to articulating the common problems of the people and securing redress for them. In its espousal of public causes over three decades, Common Cause has used the instruments of policy advocacy and public interest litigation to good effect.

Common Cause has greatly been exercised over the unchecked fraudulent operations of the so called direct selling and network/multi-level marketing (MLM) companies, which entrap millions of unwary members of the public by holding out prospects of quick enrichment. Once enrolled as distributors/business associates, they are incentivized to prey on unsuspecting relatives and social acquaintances to extend the ‘downline’, which sustains the cash flow to the top of the pyramid. In aggregate terms, such operation cause great detriment to the economic health of the nation.

Evidently, the underlying objective of the Prize Chits and Money Circulation Schemes (Banning) Act, 1978, which was enacted to curb such exploitation, has not been achieved. This failure is largely the result of the indifference or incapacity of the agencies charged with the responsibility of implementing the Act and overseeing its enforcement. It is heartening to note that there is now a growing realization that this state of affairs cannot be allowed to continue.

 We are given to understand that the issues arising out of the said Act are finally to be addressed by the Finance Ministry. We also understand that the Serious Fraud Investigation Office (SFIO) is carrying out investigations into the operation of direct selling/multi-level marketing companies in order to understand the modalities and intricacies of their working.

In this context, I am enclosing a copy of the letter that we have addressed to the Prime Minister regarding the regulation of MLM companies. We hope that the SFIO will assume a proactive role in exposing and bringing to book the MLM companies, which thrive on the enrolment of a hierarchy of distributors. We would also request you to keep us apprised of further developments in the matter.

With warm regards,

 Yours sincerely

 Kamal Kant Jaswal

 Director

Shree D. K. Mittal,

Secretary,

Dept. of Financial Services,

Ministry of Finance,

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