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**ACT ON DOOR - TO - DOOR SALES, ETC.**

[Enforcement Date 30. Sep, 2016.] [Act No.14138, 29. Mar, 2016., Partial  
Amendment]

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### CHAPTER I GENERAL PROVISIONS

#### Article 1 (Purpose)

The purpose of this Act is to protect the rights and interests of consumers and raise market confidence by providing for matters regarding fair transactions of goods and services through door - to - door sales, telemarketing, multi - level marketing, recurring transactions, transactions for soliciting business, etc., thereby contributing to robust development of the national economy.

#### Article 2 (Definitions)

The terms used in this Act shall be defined as follows:

1. The term "door - to - door sales" means that a person (hereinafter referred to as "sales business entity") engaging in the business of selling (including consignment sales and brokerage; hereinafter the same shall apply) goods or services (including a right to use a certain facility or to receive services; hereinafter the same shall apply) sells goods or services (hereinafter referred to as "goods or services") by soliciting consumers at anyplace, other than his/her sales office, distribution shop, or other place of business specified by Ordinance of the Prime Minister (hereinafter referred to as "place of business") to receive subscription for a contract or conclude contracts (including where such person solicits consumers at any place, other than a place of business by making recommendations or by other means specified by Ordinance of the Prime Minister to receive subscription for a contract or enter into contracts at the place of business);
2. The term "door - to - door seller" means a person who sets up or manages and operates an organization for door - to - door sales in order to engage in business of door - to - door sales (hereinafter referred to as "door - to - door sales business entity"), or a person who engages in door - to - door sales on behalf of a door - to - door sales entity (hereinafter referred to as "door - to - door salesperson");

3. The term "telemarketing" means selling goods or services by making recommendations to consumers by telephone or by inducing consumers to respond to a call;
4. The term "telemarketer" means a person who sets up or manages and operates an organization for telemarketing in order to engage in business of telemarketing (hereinafter referred to as "telemarketing business entity"), or a person who engages in telemarketing on behalf of a telemarketing business entity (hereinafter referred to as "telemarketing salesperson");
5. The term "multi - level marketing" means selling goods or services through a sales organization that meets all the following criteria (hereinafter referred to as "multi - level marketing organization"):
  - (a) An organization has a recruitment scheme under which a salesperson who signed up under a sales business entity solicits certain persons to join the organization as subordinate salespersons of the relevant salesperson;
  - (b) Salespersons join the organization as referred to in item (a) by three or more levels (Salespersons who have joined the organization without being solicited by any other salesperson are classified as Level 1 salespersons; hereinafter the same shall apply): Provided, That this shall include cases specified by Presidential Decree, where the salespersons are classified by two or less levels but are actually managed and operated at three or more levels;
  - (c) A sales business entity has a scheme to pay a bonus as defined in subparagraph 9 (b) or (c) to his/her salespersons;
6. The term "multi - level marketer" means a person who sets up or manages and operates a multi - level marketing organization in order to engage in business of multi - level marketing (hereinafter referred to as "multi - level marketing business entity"), or a person who joins a multi - level marketing organization as a salesperson (hereinafter referred to as "multi - level marketing salesperson");
7. The term "door - to - door sales under sponsorship" means cases that meet the requirements specified in subparagraphs 1 and 5 with a scheme for payment of bonus, under which a certain salesperson's performance of purchase or sales affects only the bonus of one salesperson who is the immediate superior of the former, as prescribed by Presidential Decree. The foregoing shall not apply to door - to - door sales referred to in subparagraph 1 and multi - level marketing

referred to in subparagraph 5;

8. The term "door - to - door seller under sponsorship" means a person who establishes or manages and operates an organization (hereinafter referred to as "door - to - door sales organization under sponsorship") (hereinafter referred to as "door - to - door sales business entity under sponsorship") in order to engage in business of door - to - door sales under sponsorship, or a person who joins a door - to - door sales organization under sponsorship as a salesperson (hereinafter referred to as "door - to - door salesperson");
9. The term "bonus" means economic profits a sales business entity pays to his/her salesperson in connection with the following matters, irrespective of the names, such as sales commission, referral fees, incentives, and subsidies, and of the form of payment thereof:
  - (a) Transaction performance of selling goods or services by the salesperson him/herself;
  - (b) Transaction performance of selling goods or services by other salespersons factoring into the salesperson's bonus;
  - (c) Outcomes of organizational management, education, and training of other salespersons factoring into the salesperson's bonus;
  - (d) All other economic benefits paid in order to encourage, or reward for, sales activities of salespersons except for provisions of items (a) through (c);
10. The term "recurring transactions" means transactions made under a contract for providing goods or services continuously or on an irregular basis during not less than one month with an agreement that places restrictions on the refund of the consideration therefor or that requires the payment of a penalty if the contract is terminated prematurely;
11. The term "transactions for soliciting business" means transactions in which a business entity solicits a counterparty by arranging or providing an earning opportunity, and compel the counterparty to accept money or goods, or to buy goods or services;
12. The term "consumer" means a person who uses goods or services provided by a business entity for consumption or a person specified by Presidential Decree;
13. The term "controlling shareholder" means a person who falls under any of the following:

- (a) A shareholder or an investor who holds the largest share, the aggregate of shares held, or the total amount of investments made, by him/her jointly with specially related persons defined by Presidential Decree is not less than 30/100 of the total number of issued shares, or the total amount of investment, of the relevant corporation;
- (b) A person who has de facto control over the management of the relevant corporation. Further details of de facto control in such cases shall be prescribed by Presidential Decree.

### **Article 3 (Scope of Application)**

This Act shall not apply to the following transactions:

1. A transaction through which a business entity (excluding the other party to a multi - level marketing salesperson, door - to - door salesperson under sponsorship, or transaction for soliciting business; hereinafter this subparagraph the same shall apply) buys goods or services for commercial activities: Provided, That where a business entity actually makes a transaction on the same terms and conditions as those applied to any consumer in the same position as another consumer's shall be excluded herefrom;
2. A transaction for signing an insurance contract with an insurance company as defined in subparagraph 6 of Article 2 of the Insurance Business Act;
3. A transaction specified by Presidential Decree as a transaction of goods or services provided independently by an individual.

**Article 4 (Relationship to other Acts)** (1) This Act shall prevail over other Acts if this Act conflicts with other Acts in connection with protection of consumers in the context of door - to - door sales, telemarketing, multi - level marketing, door - to - door sales under sponsorship, recurring transactions, and transactions for soliciting business (hereinafter referred to as "extraordinary sales"): Provided, That if the application of any Act other than this Act is more favorable to consumers, such Act shall apply.

(2) Provisions regarding the duty to issue a contract in accordance with Article 7, 16, or 30 shall not apply to transactions for which any Act other than this Act provides for the duty to issue a contract in a manner different from that specified in this Act.

(3) If an Act otherwise provides for matters specified in this Act regarding recurring transactions, such Act shall apply.

(4) Articles 8, 9, 17, 18, and 37 shall not apply to installment transactions on an advance - payment basis as defined in subparagraph 4 of Article 2 of the Installment Transactions Act and business entities engaging in such installment transactions on an advance - payment basis.

## CHAPTER II DOOR - TO - DOOR SALES AND TELEMARKETING

**Article 5 (Reporting, etc. by Door - to - Door Sales Business Entities, etc.)** (1) A door - to - door sales business entity or a telemarketing business entity (hereinafter referred to as "door - to - door sales or telemarketing business entity") shall file a report on his/her trade name, address, telephone numbers, e - mail address (if the business entity is a corporation, the name, resident registration number, and address of the representative thereof shall be included herein), and other matters specified by Presidential Decree with the Fair Trade Commission or the competent Special Self - Governing City Mayor or Special Self - Governing Province Governor or the head of the competent Si/Gun/Gu (the head of a Gu means the head of an autonomous Gu; hereinafter the same shall apply): Provided, That the foregoing shall not apply to the following persons:

1. A door - to - door sales or telemarketing business entity specified by Presidential Decree, such as a door - to - door sales or telemarketing business entity on a small scale with no door - to - door salesperson or telemarketing salesperson (hereinafter referred to as "door - to - door or telemarketing salesperson");
2. A multi - level marketing business entity registered in accordance with Article 13 (1);
3. A door - to - door sales business entity under sponsorship registered in accordance with Article 29 (3).

(2) When a change occurs in any matter reported in accordance with paragraph (1), such change shall be reported, as prescribed by Presidential Decree.

(3) When a door - to - door sales or telemarketing business entity reported in accordance with paragraph (1) temporarily or permanently shuts down his/her business or resumes his/her business after temporary closure, he/she shall report

thereon, as prescribed by Presidential Decree.

(4) The Fair Trade Commission may disclose matters reported by a door - to - door sales or telemarketing business entity in accordance with paragraph (1) to the public, as prescribed by Presidential Decree.

**Article 6 (Preparation of List of Door - to - Door Sales or Telemarketing Salespersons)**

(1) A door - to - door sales or telemarketing business entity shall prepare a list of door - to - door or telemarketing salespersons, as prescribed by Ordinance of the Prime Minister.

(2) Upon receipt of a request from a consumer, a door - to - door sales or telemarketing business entity shall allow the consumer to verify the identity of a door - to - door or telemarketing salesperson at any time in order to prevent or relieve damage suffered by the consumer.

(3) When a door - to - door seller or a telemarketer (hereinafter referred to as "door - to - door seller or telemarketer") intends to sell goods or services to a consumer, he/she shall inform the consumer in advance of the purpose of his/her visit or phone call, which is soliciting a sale, and of the name or trade name of the door - to - door seller or telemarketer, and the kind and details of goods or services to be sold.

**Article 7 (Duty of Door - To - Door Seller or Telemarketer to Provide Information to Consumers)**

(1) A door - to - door seller or telemarketer shall explain the following matters to a consumer so that the consumer can understand details of a contract for the sale of goods or services before signing the contract:

1. The name (referring to the representative's name, if the door - to - door seller or telemarketer is a corporation), trade name, address, telephone number, and e - mail address of the door - to - door seller or telemarketer;
2. The name, address, telephone number, and e - mail address of the door - to - door or telemarketing salesperson: Provided, That cases where a door - to - door sales or telemarketing business entity enters into a contract directly with a consumer shall be excluded herefrom;
3. The name, kind, and details of goods or services;
4. The price of goods or services, and the methods and timing of payment of the price;

5. The methods and timing of provision of goods or services;
6. Matters regarding deadlines, execution methods for, and effects of withdrawal of subscription and cancellation of contract (hereinafter referred to as "withdrawal of subscription, etc."), and forms required for the exercise of a right to withdrawal of subscription, etc., as prescribed by Ordinance of the Prime Minister;
7. Conditions and procedures for the exchange, return, warranty repair, and refund of the price of goods or services;
8. Technical matters necessary for installation and transmission of goods or services that can be supplied by electronic means;
9. Matters regarding the compensation for consumer damage, and the settlement of consumers' complaints about goods or services and of disputes between consumers and business entities;
10. Standard contract terms and conditions of transactions;
11. Other matters specified by Presidential Decree, which are necessary for the terms and conditions affecting consumers' purchase decision or for the consumer damage relief.

(2) When a door - to - door seller or telemarketer enters into a contract for sale of goods or services with a consumer, he/she shall issue to the consumer a contract stating matters specified in subparagraphs of paragraph (1) thereon.

(3) If a door - to - door seller or telemarketer intends to enter into a contract for goods or services with a minor, he/she shall obtain consent thereto from the legal guardian of the minor. In such cases, a minor shall be informed that the minor him/herself or his/her legal guardian may cancel the contract if the legal guardian declines consent to the contract.

(4) As for a contract for telemarketing among contracts referred to in paragraph (2), the details of the contract may be sent by facsimile or electronic documents (referring to electronic documents as defined in subparagraph 1 of Article 2 of the Framework Act on Electronic Documents and Transactions; hereinafter the same shall apply) with the consumer's consent thereto in lieu of the issuance of the contract. In such cases, if a dispute arises with regard to the details or arrival of a contract sent by facsimile or electronic documents, the relevant telemarketer shall bear the burden of proof thereof. <Amended by Act No. 11461, Jun. 1, 2012>

(5) A door - to - door sales or telemarketing business entity shall perform the terms and conditions of a transaction in good faith as explained or stated to the consumer in accordance with paragraphs (1) and (2).

**Article 8 (Withdrawal of Subscription, etc.)** (1) A consumer who has signed a contract for purchase of goods or services through door - to - door sales or telemarketing (hereinafter referred to as "door - to - door sales, etc.") is entitled to withdrawal of subscription, etc. within the relevant period specified in the following subparagraphs (or the agreed period, if the parties to a transaction have agreed on a period longer than the relevant period specified in the following subparagraphs):

1. 14 days from the date on which the contract is received in accordance with Article 7 (2): Provided, That if goods or services are provided later than the date on which the contract is received, the period shall be 14 days from the date on which goods or services are provided, or on which the provision of goods or services commences;
2. 14 days from the date on which the consumer became aware of, or could have become aware of, the address of the door - to - door seller or telemarketer in any of the following cases:
  - (a) If the contract has not been received in accordance with Article 7 (2);
  - (b) If the contract has been received without the address of the door - to - door seller or telemarketer stated therein;
  - (c) If it is impossible to withdraw subscription or cancel the contract within the period specified in subparagraph 1 due to a change of the address of the door - to - door seller or telemarketer or other causes;
3. 14 days from the date on which the consumer became aware, or could have become aware, that he/she had a right to withdraw subscription or cancel the contract, if the contract under Article 7 (2) does not provide for matters regarding withdrawal of subscription, etc.;
4. 14 days from the date on which hindrance ends, where the door - to - door sales or telemarketing business entity hinders withdrawal of subscription, etc.

(2) In any of the following cases, no consumer may withdraw subscription or cancel the contract as provided for in paragraph (1) against the will of the relevant door - to - door seller or telemarketer: Provided, That if the door - to - door seller or

telemarketer has not taken measures required by paragraph (5), the consumer may withdraw subscription or cancel the contract even in the cases falling under subparagraphs 2 through 4:

1. If goods or services have been destroyed or damaged due to a cause attributable to the consumer: Provided, That where outer packaging is damaged in the course of verifying the content of goods or services shall be excluded herefrom;
2. If the value of goods or services has been significantly diminished as a consequence of the consumer's use or partial consumption of goods or services;
3. If the value of goods or services has been significantly diminished with the passage of time to the degree that goods or services become un - resalable;
4. If the outer packaging of replicable goods or services has been damaged;
5. Other cases specified by Presidential Decree for security in transactions.

(3) If the content of goods or services is different from the content labeled or advertised or if a contract is not performed in compliance with the terms and conditions of the contract, the consumer may withdraw subscription or cancel the contract within three months from the date on which goods or services are provided, or 30 days from the date on which the consumer became aware, or could have become aware, of such non - conformity, notwithstanding paragraph (1) or (2).

(4) When a consumer withdraws subscription or cancels a contract in accordance with paragraph (1) or (3) in writing, the withdrawal or cancellation shall become effective on the date the document stating his/her intention of withdrawal of subscription, etc. is dispatched.

(5) As for goods or services for which a consumer is not allowed to withdraw subscription or cancel a contract in accordance with paragraph (2) 2 through 4, the door - to - door seller or telemarketer shall indicate such fact in the outer packaging of the relevant goods or services, or any other place where consumers can readily notice, or provide samples for trial, or take other measures, so that the consumer is not interfered with his/her exercise of the right to withdrawal of subscription, etc.

**Article 9 (Effects of Withdrawal of Subscription, etc.)** (1) When a consumer withdraws subscription or cancels a contract in accordance with Article 8 (1) or (3), he/she shall return the goods or services already provided.

(2) A door - to - door seller or telemarketer (including a person who has received the price for goods or services from a consumer and a person who has entered into a contract for door - to - door sales or telemarketing with a consumer; hereafter the same shall apply in paragraphs (2) through (8)) shall refund the price for goods or services already paid within three business days from the date on which the goods or services are returned. If a door - to - door seller or telemarketer delays refunding to a consumer the price for goods or services, the door - to - door seller or telemarketer shall pay the consumer late payment interest calculated by applying the interest rate prescribed by Presidential Decree (hereinafter referred to as "late payment penalty"), taking into consideration the overdue interest rate applied by banks under the Banking Act and other economic circumstances, within the limit of 40/100 per year based upon the period of delay.

(3) When a door - to - door seller or telemarketer intends to refund the price for goods or services in accordance with paragraph (1) or (2) to a consumer who paid the price for the goods or services by credit card, as defined in subparagraph 3 of Article 2 of the Specialized Credit Finance Business Act, or other means of payment specified by Presidential Decree (hereinafter referred to as "credit card, etc."), the door - to - door seller or telemarketer shall request the business entity who provided the means of payment such as credit card, etc. (hereinafter referred to as "settlement agency") without delay to suspend or cancel the bill for the price for the goods or services: Provided, That if the door - to - door seller or telemarketer has already received the price for goods or services from the settlement agency, he/she shall refund it to the settlement agency without delay and shall notify the consumer of the fact.

(4) Upon receipt of the price refunded by a door - to - door seller or telemarketer for goods or services in accordance with the proviso to paragraph (3), the settlement agency shall refund it to the consumer or take measures necessary for refunding it without delay.

(5) If a door - to - door seller or telemarketer delays refunding a price to a consumer in cases referred to in the proviso to paragraph (3) to cause the consumer to pay the price, the door - to - door seller or telemarketer shall pay to the consumer late payment penalty for the period of delay.

(6) If a door - to - door seller or telemarketer does not refund a price to a settlement agency without justifiable cause, the consumer may request the settlement agency to offset the refundable amount to which the consumer is entitled against his/her obligations owed to the door - to - door seller or telemarketer. In such cases, the settlement agency may offset such price against other obligations owed to the door - to - door seller or telemarketer, as prescribed by Presidential Decree.

(7) If a settlement agency neglects the offset prescribed in paragraph (6) without justifiable cause, the consumer may refuse to pay the price to the settlement agency. In such cases, neither the door - to - door seller nor telemarketer nor the settlement agency shall handle the consumer as a person who fails to perform his/her obligations by the agreed date on the ground of refusal of such payment, or treat the consumer unfavorably.

(8) If goods or services have already been used or partially consumed in cases referred to in paragraph (1), the door - to - door seller or telemarketer may request the consumer to pay the amount equivalent to benefits that the consumer has acquired by using or partially consuming the goods or services or to the expenses incurred in providing goods or services within the limit prescribed by Presidential Decree.

(9) Where a consumer withdraws subscription or cancels a contract in accordance with Article 8 (1) or (3), the expenses incurred in returning provided goods shall be borne by the door - to - door seller or telemarketer, who shall not request the consumer to pay any penalty or damages on the grounds of withdrawing subscription, etc.

(10) If a door - to - door seller or telemarketer, the person who received the price for goods or services, or the person who concluded a contract for door - to - door sales or telemarketing with the consumer is not a single person, such persons shall be jointly liable to perform the obligation to refund the price for goods or services in accordance with paragraphs (1) through (9) upon withdrawal of subscription, etc. under Article 8 (1) or (3).

**Article 10 (Restrictions on Claims for Damages, etc.)** (1) Where a contract for sale of goods or services is cancelled due to a cause attributable to the consumer, the amount of damages that the door - to - door seller or telemarketer may claim the

consumer to pay shall not exceed the amount calculated by adding the late payment penalty for failure of payment of the price to the relevant amount specified in the following subparagraphs:

1. The greater of the following amounts, where the goods or services provided have been returned:
    - (a) The amount equivalent to the ordinary fees for the goods or services returned or the benefits that can be ordinarily obtained by using the goods or services;
    - (b) The amount calculated by subtracting the value of goods or services as at the time of returning the goods or services from the sale price of the goods returned;
  2. The amount equivalent to the sale price of goods or services, where goods or services provided have not been returned.
- (2) The Fair Trade Commission may establish and publicly announce guidelines for calculating damages referred to in paragraph (1), if it is necessary to settle disputes over claims for damages between a door - to - door seller or telemarketer and consumers.

**Article 11 (Prohibited Acts)** (1) No door - to - door seller or telemarketer shall commit any of the following offenses:

1. Threatening a consumer with intent to compel the consumer to sign a contract for sale of goods or services or to hinder the consumer from withdrawing subscription or cancelling a contract;
2. Soliciting or trading with a consumer, or hindering a consumer from withdrawing subscription or cancelling a contract by making a false or exaggerated representation or by using any fraudulent means;
3. Collecting expenses, money, or other valuables in excess of the level specified by Presidential Decree, regardless of name or form, such as an admission fee, sales aids, sales individually allocated, or an education fee, from door - to - door or telemarketing salesperson or from persons who intend to become such salespersons, requiring such salespersons or persons to purchase goods or services, or imposing obligations upon such salespersons or persons as a condition required for becoming a salesperson or maintaining the status as salesperson;
4. Imposing an obligation to recruit other sales persons upon door - to - door or telemarketing salesperson;

5. Changing the address or telephone number with intent to hinder a consumer from withdrawing subscription or cancelling or terminating a contract;
  6. Causing injuries or damage to consumers by neglecting to rectify the inefficiency of human resources or facilities necessary for the settlement of disputes or complaints unaddressed for a substantial period;
  7. Providing goods or services unilaterally to a consumer without the consumer's order and requesting the consumer to pay the price for goods or services;
  8. Compelling a consumer, by telephone, facsimile, or computer communications, to buy goods or services, although the consumer clearly expresses that he/she does not wish to buy such goods or services;
  9. Using information about a consumer without the consumer's consent thereto or beyond the extent of consent given (including where such information is provided to a third party; hereinafter the same shall apply): Provided, That cases falling under any of the following items shall be excluded herefrom:
    - (a) Cases specified by Presidential Decree where it is inevitable to perform the contract with a consumer, such as the delivery of goods or services;
    - (b) Where it is necessary to settle the price for a transaction of goods or services;
    - (c) Cases specified by Presidential Decree as necessary to verify the consumer's identity in order to prevent misappropriation;
    - (d) Where it is inevitably required by any provision of an Act or an Act.
- (2) The Fair Trade Commission may establish and publicly announce guidelines with which any door - to - door seller or telemarketer shall comply in order to prevent violations of this Act and consumer damage.

**Article 12 (Handling of Affairs during Business Suspension Period of Door - To - Door Seller or Telemarketer)**

- (1) A door - to - door seller or telemarketer shall continue his/her affairs for withdrawal of subscription, etc. under Article 8 (1) and (3) and affairs incidental to withdrawal of subscription, etc. under Article 9 (1) through (9) even during a period of voluntary or involuntary business suspension.
- (2) If a door - to - door sales or telemarketing business entity is declared bankrupt, files a report on permanent closure with the competent Tax Office, has suspended operation of business for more than six months, or is found actually unable to continue operation of business, the Fair Trade Commission, the competent Special

Self - Governing City Mayor or Special Self - Governing Province Governor or the head of the competent Si/Gun/Gu may ex officio cancel the records of the report filed for the relevant business of door - to - door sales or telemarketing.

### CHAPTER III MULTI - LEVEL MARKETING AND DOOR - TO - DOOR SALES UNDER SPONSORSHIP

**Article 13 (Registration, etc. of Multi - Level Marketing Business Entity)** (1) A multi - level marketing business entity shall file the following documents for registration with the Fair Trade Commission, the Special Metropolitan City Mayor, or the competent Metropolitan City Mayor, Special Self - Governing City Mayor, Do Governor or Special Self - Governing Province Governor (hereinafter referred to as "Mayor/Do Governor"), as prescribed by Presidential Decree:

1. An application stating the trade name, address, telephone number, and e - mail address (including the representative's name, resident registration number, and address, if the applicant is a corporation);
2. A document certifying that the scale of business is not smaller than the amount prescribed by Presidential Decree, with his/her capital being at least 300 million won;
3. Documents certifying the conclusion of a contract for indemnity insurance against consumer damage under Article 37;
4. Documents regarding guidelines for calculation and payment of bonus;
5. Documents stating matters regarding sales methods, including inventory management and the payment of bonus;
6. Other documents specified by Ordinance of the Prime Minister regarding matters necessary to verify the identify of multi - level marketers.

(2) If a change occurs in any matter referred to in subparagraphs 1 through 4, from among matters registered in accordance with paragraph (1), the multi - level marketing business entity shall file a report thereon, as prescribed by Presidential Decree.

(3) When a multi - level marketing business entity temporarily or permanently closes down his/her business or resumes his/her business after temporary closure, he/she shall file a report thereon, as prescribed by Presidential Decree, and the registration

filed in accordance with paragraph (1) shall become ineffective when a report on permanent closure is filed: Provided, That a ground for revocation of registration becomes applicable to a business entity before he/she files a report on permanent closure, his/her registration shall be deemed revoked on the date on which the report on closure is filed.

(4) The Fair Trade Commission shall disclose the following information about a multi - level marketing business entity to the public, as prescribed by Presidential Decree: Provided, That the foregoing shall not apply where any confidential information about business management or trade of a multi - level marketing business entity is disclosed, where any information deemed likely to significantly harm legitimate interests of a multi - level marketing business entity or personal information is disclosed, and where information is deemed likely to violate confidentiality or the freedom of privacy:

1. Facts registered in accordance with paragraph (1);
2. Other facts that the Fair Trade Commission deems necessary to establish order for fair trade and protect consumers.

(5) If it is necessary to disclose information in accordance with paragraph (4), the Fair Trade Commission may request a multi - level marketing business entity to submit relevant data. In such cases, a multi - level marketing business entity shall comply with such request, unless he/she has justifiable cause for non - compliance.

#### **Article 14 (Grounds for Disqualification)**

An individual or corporation that falls under any of the following subparagraphs shall be disqualified from registration under Article 13: [<Amended by Act No. 14138, Mar. 29, 2016>](#)

1. An individual who falls under any of the following items or a corporation for which such individual serves as an executive officer:
  - (a) A minor, a person under limited guardianship or person under adult guardianship;
  - (b) A person declared bankrupt, but not yet reinstated;
  - (c) A person in whose case five years have not passed since a sentence of imprisonment with labor imposed upon him/her for a violation of this Act was completely executed (or is deemed completely executed) or discharged;

- (d) A person sentenced to suspension of imprisonment with labor for a violation of this Act and, who is still within the suspension period;
- 2. A corporation whose controlling shareholder falls under any of the following items:
  - (a) A person in whose case five years have not passed since a sentence of imprisonment with labor imposed upon him/her for a violation of this Act was completely executed (or is deemed completely executed) or discharged;
  - (b) A person sentenced to suspension of imprisonment with labor for a violation of this Act, who is still within the suspension period;
- 3. An individual or corporation in whose case five years have not passed since the registration was revoked in accordance with Article 49 (5);
- 4. A corporation whose executive officer or controlling shareholder was an executive officer or controlling shareholder as at the time the registration of an individual or corporation was revoked in accordance with subparagraph 3.

- Article 15 (Multi - Level Marketing Salespersons)** (1) A person who intends to join a multi - level marketing organization as a multi - level marketing salesperson shall register him/herself with the multi - level marketing business entity who manages and operates the organization, as prescribed by Ordinance of the Prime Minister.
- (2) A person who falls under any of the following subparagraphs shall be disqualified for registration as a multi - level marketing salesperson: <Amended by Act No. 11839, May 28, 2013; Act No. 14138, Mar. 29, 2016>
- 1. A state public official, local public official, educational public official, or a teaching member as defined in the Private School Act (including instructors referred to in Article 14 (2) of the Higher Education Act);
  - 2. A minor: Provided, That where the legal representative who does not fall under subparagraph 4 or 5 consents thereto shall be excluded herefrom;
  - 3. A corporation;
  - 4. The controlling shareholder or an executive officer or employee of a multi - level marketing business entity;
  - 5. A person who has received orders to take measures for rectification under Article 49, at least two times: Provided, That this excludes persons in whose case three years have passed since they completed fulfilling the last measure for rectification;

6. A person who violates this Act and is sentenced to imprisonment with labor and in whose case five years have yet to pass since the completion of the execution thereof (including the cases where the execution is regarded completed) or the exemption from the execution;

7. A person who violates this Act, is sentenced to suspension of execution of punishment, and is under such suspension.

(3) A multi - level marketing business entity shall issue a certificate of registration to a multi - level marketing salesperson who joins a multi - level marketing organization managed and operated by the business entity, as prescribed by Ordinance of the Prime Minister.

(4) A multi - level marketing business entity shall keep a register of multi - level marketing salespersons, as prescribed by Ordinance of the Prime Minister, and shall allow a consumer to verify the identify of a multi - level marketing salesperson registered therein at a consumer's request, in order to prevent or relieve consumer damage.

(5) A multi - level marketing business entity shall issue a pocketbook for multi - level marketing salespersons (including a pocketbook contained in an electronic device), from which information about the following matters can be found, to each multi - level marketing salesperson registered in accordance with paragraph (1):

1. Guidelines for calculation and payment of bonuses;
2. Matters regarding recruitment of and sponsorship for subordinate salespersons;
3. Matters regarding the return of goods or services and the withdrawal of multi - level marketing salespersons;
4. Rules with which multi - level marketing salespersons shall comply;
5. Other matters specified by Ordinance of the Prime Minister.

#### **Article 16 (Duty of Multi - Level Marketer to Provide Information to Consumers)**

@Article 7 shall apply mutatis mutandis where a contract for sale of goods or services through multi - level marketing is concluded. In such cases, the term "door - to - door seller or telemarketer" shall be construed as "multi - level marketer", the term "door - to - door sales or telemarketing business entity" as "multi - level marketing business entity" and the term "door - to - door or telemarketing salesperson" as "multi - level marketing salesperson".

**Article 17 (Revocation of Subscription, etc.)** (1) Article 8 shall apply mutatis mutandis where a consumer who signed a contract for purchase of goods or services through multi - level marketing withdraws subscription or cancels the contract, and the term "door - to - door seller or telemarketer" shall be construed as "multi - level marketer" in such cases: Provided, That if a consumer signed a contract for purchase of goods or services with a multi - level marketing salesperson, the consumer shall first withdraw subscription or cancel the contract against the multi - level marketing salesperson, while a consumer may withdraw subscription or cancel a contract against the multi - level marketer who has provided goods or services only where the consumer is unable to withdraw subscription or cancel the contract against the multi - level marketing salesperson for a cause specified by Presidential Decree, such that the multi - level marketing salesperson's whereabouts are unknown.

(2) A multi - level marketing salesperson who signed a contract for purchase of goods or services through multi - level marketing may withdraw subscription or cancel the contract in writing (including electronic documents) within three months from the date the contract was signed except for cases falling under any of the following subparagraphs: <Amended by Act No. 14138, Mar. 29, 2016 >

1. Where a salesperson holds an excessive inventory of goods or services by falsely reporting on his/her inventory to the multi - level marketing business entity;
2. Where goods or services have been damaged to the degree that they are not resalable;
3. Other cases specified by Presidential Decree.

**Article 18 (Effects of Withdrawal of Subscription, etc.)** (1) If the opposite party to a multi - level marketing transaction (referring to a multi - level marketing salesperson or consumer, if a multi - level marketer sells goods or services to a multi - level marketing salesperson or consumer, or referring to a consumer, if a multi - level marketing salesperson sells goods or services to a consumer; hereinafter this Chapter the same shall apply) withdraws subscription or cancels a contract in accordance with Article 17, he/she shall return goods or services already provided.

(2) A multi - level marketer (including a person who has received the price for goods or services from the opposite party or a person who has entered into a contract for a multi - level marketing transaction with the opposite party; hereafter in the provisions

of paragraphs (2) through (8) the same shall apply) shall refund the price already received for goods or services within three business days from the date on which the goods or services are returned: Provided, That a multi - level marketing business entity may deduct expenses not exceeding the maximum amount specified by Presidential Decree from the price refundable to a multi - level marketing salesperson for goods or services, but a multi - level marketer shall pay the late payment penalty for the period of delay, if he/she delays refunding the price for goods or services to the opposite party.

(3) Where the opposite party to a contract under which the price has been paid by credit card, etc. withdraws subscription or cancels the contract, the multi - level marketer shall request the settlement agency without delay to suspend or cancel the bill for the price for goods or services: Provided, That if the multi - level marketer has already received the price for the goods or services from the settlement agency, he/she shall refund it to the settlement agency without delay and shall notify the opposite party thereof, and the multi - level marketer shall pay the late payment penalty for the period of delay after the date of settlement to the opposite party, if the multi - level marketer delays refunding the price to the opposite party to cause the opposite party to settle the price.

(4) Upon receipt of the price refunded by a multi - level marketer for goods or services in accordance with the proviso to paragraph (3), the settlement agency shall refund it to the other party or take measures necessary to refund it without delay, and if a multi - level marketer does not refund a price to the settlement agency without justifiable cause, the opposite party may request the settlement agency to offset the refundable amount to which the consumer is entitled against his/her obligations owed to the multi - level marketer, and the settlement agency may offset such price against other obligations owed to the multi - level marketer, as prescribed by Presidential Decree.

(5) If a settlement agency neglects the offset prescribed in paragraph (4) without justifiable cause, the opposite party may refuse to pay the price to the settlement agency. In such cases, neither the multi - level marketer nor the settlement agency shall register the opposite party as a person who fails to pay his/her obligations by the agreed date on the ground of refusal to pay, or treat the opposite party unfavorably.

(6) If the amount refunded by a multi - level marketer is greater than the amount of goods or services provided by him/her to the multi - level marketing salesperson where the multi - level marketer refunds the price for goods or services following revocation of subscription, etc. under Article 17, the multi - level marketer may request the salesperson to pay the difference.

(7) If goods or services have already been used or partially consumed in cases referred to in paragraph (1), the multi - level marketer may request the opposite party to pay the amount equivalent to benefits that the opposite party has acquired by using or partially consuming goods or services or the costs and expenses incurred in providing goods or services.

(8) Where the opposite party withdraws subscription or cancels a contract in accordance with Article 8 (1) or (3), which shall apply mutatis mutandis pursuant to Article 17 (1), the costs and expenses incurred in returning goods or services provided shall be borne by the multi - level marketer, who shall not claim the opposite party to pay a penalty or damages therefor.

(9) If a multi - level marketer is not the same as the person who received the price for goods or services or as the person who executed a multi - level marketing contract with the opposite party, both multi - level marketer and such persons shall be jointly liable to refund the price for the relevant goods or services in accordance with paragraphs (1) through (5) and (8).

#### **Article 19 (Restrictions on Claims for Damages, etc.)**

Where a contract for sale of goods or services is cancelled due to a cause attributable to the consumer, Article 10 shall apply mutatis mutandis. In such cases, the term "door - to - door seller or telemarketer" shall be construed as "multi - level marketer", and the term "consumer" shall be construed as "opposite party".

#### **Article 20 (Guidelines for Payment of Bonuses) (1)**

No multi - level marketer shall calculate or pay a bonus contrary to the guidelines of which a multi - level marketing business entity has notified multi - level marketing salespersons with respect to the calculation and payment of bonuses and shall discriminate against a multi - level marketing salesperson by any other wrongful means.

(2) A multi - level marketing business entity shall establish objective and clear guidelines for the calculation and payment of bonuses and shall comply with the

procedure prescribed by Presidential Decree in amending guidelines for the calculation and payment of bonuses.

(3) The total amount of bonuses that a multi - level marketing business entity may pay to a multi - level marketing salesperson shall not exceed the amount equivalent to 35/100 of the total value of goods or services supplied by the multi - level marketing business entity to the multi - level marketing salesperson (including the value - added tax; hereinafter this Article referred to as "total value"), and detailed methods for the calculation of the total value and bonuses are as follows:

1. The total value shall be determined as at the time of shipment or provision;
2. A payable bonus shall be determined as at the time the grounds to pay the bonus occurs;
3. The total value and bonuses shall be calculated on a yearly basis: Provided, That if the duration of operation of business of multi - level marketing is less than one year, the total value and bonuses shall be based on the period of actual operation of business of the multi - level marketing business entity;
4. When the total value is calculated where goods or services are provided by consignment sales, the total value shall be based on the price at which the multi - level marketer to whom sales have been entrusted sells to multi - level marketing salespersons, while where goods or services are provided by brokerage, the total value shall be based on the commission that the multi - level marketer has received from the business entity that requested brokerage.

(4) A multi - level marketing business entity shall, at the request of a multi - level marketing salesperson, allow the multi - level marketing salesperson to inspect statements of calculation and payment of bonuses.

(5) No multi - level marketing business entity shall discriminate against any subordinate salesperson or any subordinate salesperson thereof in paying bonuses, irrespective of the outcomes of the salesperson's sales, on condition that the multi - level marketing salesperson shall recruit or assist a certain number of subordinate salespersons.

**Article 21 (Representation, Advertisement, etc. about Bonuses)** (1) No multi - level marketing business entity shall furnish a prospective multi - level marketing salesperson or a multi - level marketing salesperson with false or exaggerated

information about bonuses or retail profits (referring to profits that a multi - level marketing salesperson can earn from sales of goods or services) that a multi - level marketing salesperson is expected to receive or earn.

(2) A multi - level marketing business entity shall notify a prospective multi - level marketing salesperson or a multi - level marketing salesperson of information about the current status of payment of bonuses, including the average bonus to all multi - level marketing salespersons.

(3) No multi - level marketing business entity shall spread false or exaggerated information about the operating system or activities of a multi - level marketing organization.

**Article 22 (Registration, Withdrawal, etc. of Multi - Level Marketing Salesperson)** (1) No

multi - level marketing business entity shall induce a prospective multi - level marketing salesperson or a multi - level marketing salesperson to buy goods or services excessively or to take a burden exceeding the level specified by Presidential Decree on the pretext of registration, the maintenance of qualification, or the application of more favorable guidelines to the payment of bonus.

(2) No multi - level marketer shall impose an obligation to recruit a certain number of subordinate salespersons upon a multi - level marketing salesperson or register a certain person as a subordinate salesperson without such person's consent thereto.

(3) If a multi - level marketing salesperson falls under any subparagraph of Article 15 (2), the multi - level marketing business entity shall dismiss the multi - level marketing salesperson.

(4) A multi - level marketing salesperson may withdraw from a multi - level marketing organization at any time by expressing his/her intention to withdraw to the multi - level marketing business entity, and the multi - level marketing business entity shall not attach any condition to withdrawal.

(5) A multi - level marketing business entity shall recover the pocketbook from a multi - level marketing salesperson who is dismissed or withdraws and shall take other necessary measures to prevent consumer damage by such salesperson's activities of sales.

**Article 23 (Prohibited Acts)** (1) No multi - level marketer shall commit any of the following offenses:

1. Threatening the opposite party with intent to compel the opposite party to sign a contract for sale of goods or services or to hinder the opposite party from withdrawing subscription or cancelling a contract;
2. Soliciting the opposite party to make a transaction or hindering a consumer from withdrawing subscription or cancelling a contract by making a false or exaggerated representation or by using any fraudulent means, making a false representation about the price, quality, etc. of goods or services, or misleading the opposite party to believe that goods or services are significantly better or more favorable than they actually are;
3. Changing the address or telephone number with intent to hinder the opposite party from withdrawing subscription or cancelling or terminating a contract;
4. Causing any injury or damage to the opposite party by neglecting to rectify the inefficiency of human resources or facilities necessary for settlement of disputes or complaints for a substantial period;
5. Providing goods or services unilaterally to the opposite party without the opposite party's order and requesting the opposite party to pay the price for goods or services, selling goods or services to the opposite party by force, or selling goods or services to a subordinate salesperson;
6. Compelling a consumer, by telephone, facsimile, or computer communications, to buy goods or receive services, although the consumer clearly expresses that he/she doesnot wish to buy such goods or services;
7. Misleading consumers to believe that a multi - level marketing salesperson not employed by a multi - level marketing business entity is a person employed by the multi - level marketing business entity or allowing a person not registered as a multi - level marketing salesperson to work as a multi - level marketing salesperson;
8. Operating the business without a contract for indemnity insurance against consumer damage, etc. under Article 37;
9. Fixing the individual price for goods or services sold to the opposite party in excess of the amount specified by Presidential Decree;
10. Using information about a consumer without the consumer's consent or beyond the extent of such consent: Provided, That casesfalling under any of the following items shall be excluded herefrom:

- (a) Cases specified by Presidential Decree where it is inevitable to perform the contract with a consumer, such as the delivery of goods or services;
  - (b) Cases where it is necessary to settle the price for a transaction of goods or services;
  - (c) Cases specified by Presidential Decree as necessary to verify the consumer's identity in order to prevent misappropriation;
  - (d) Cases where it is inevitably required by any provision of an Act or an Act;
11. Transferring or acquiring a multi - level marketing organization or the status of a multi - level marketing salesperson: Provided, That the foregoing shall not apply where a person inherits the status of a multi - level marketing salesperson or where a business is transferred, acquired, or merged.
- (2) No multi - level marketing business entity shall aid and abet a multi - level marketing salesperson to commit any offense prohibited by paragraph (1).
- (3) The Fair Trade Commission may establish and publicly announce guidelines with which multi - level marketers shall comply in order to prevent violations of this Act and consumer damage.

**Article 24 (Prohibition of Speculative Expansion of Sales Force)** (1) No one shall commit any of the following offenses by using a multi - level marketing organization or any similar organization which is comprised of persons by levels: [<Amended by Act No. 11839, May 28, 2013>](#)

1. Making a monetary transaction without a transaction of goods or services or making an actual monetary transaction in disguise of a transaction of goods or services, which falls under any of the following items:
- (a) Paying bonuses to salespersons for the sales of goods or services at as a significantly high price as ten or more times the acquisition price or market price;
  - (b) Paying bonuses without providing relevant goods or services without justifiable cause after executing a contract for sale of goods or services with a salesperson;
  - (c) Any other actual monetary transaction in light of the business entity's capacity for the provision of goods or services, the outcomes of provision of goods or services to consumers, contracts for provision or sales of goods or services between the business entity and consumers, and terms and conditions of

payment of bonuses;

2. Providing economic benefits to a salesperson or a prospective salesperson only for recruitment of subordinate salespersons or providing economic benefits in addition to a bonus to a salesperson or a prospective salesperson without justifiable cause;
3. Promising to pay a bonus in violation of Article 20 (3) (including cases to which the aforesaid provisions shall apply mutatis mutandis pursuant to Article 29 (3)) to recruit a salesperson or inducing a person to join a sales force;
4. Collecting expenses, money, or other goods of not more than 100,000 won in excess of the maximum amount specified by Presidential Decree, regardless of name or form, such as an admission fees, sales aids, sales individually allocated, or education fees, from salespersons or prospective salespersons or imposing such obligation upon such salespersons or prospective salespersons;
5. Selling gift certificates (referring to securities that are issued by an issuer in the form of unregistered certificates stating a certain amount or a certain quantity of goods or services and with which a holder is entitled to receiving goods or services from the issuer or a person designated by the issuer (hereinafter in this Article referred to as "issuer, etc.") in accordance with terms and conditions stated in the certificates by presenting, granting, or using the certificates in any manner; hereinafter in this Article the same shall apply) to salespersons in a manner specified in either of the following:
  - (a) Repurchasing gift certificates sold by the business entity to consumers or soliciting other persons to purchase such certificates;
  - (b) Paying bonuses to any salesperson at a level where his/her transactions of goods or services cannot be deemed as the real transactions of goods or services in light of the issuer, etc.'s capacity for the provision of goods or services, the outcomes of provision of goods or services to consumers, the amount of gift certificates issued, etc.;
6. Compelling any person to register himself/herself as a salesperson or to buy goods or services by using social relationships, etc.;
7. Compelling salespersons or prospective salespersons to undergo education or stay together against their will;

8. Attracting a person on the pretext of referral of a job or part - time job, presentation sessions, educational meetings, etc. without clearly stating that the purpose is to recruit salespersons.

(2) No multi - level marketing business entity shall aid and abet a multi - level marketing salesperson to commit an offense prohibited by paragraph (1).

**Article 25 (Request for Cessation of Violation against Consumers, etc.)**

If a person whose interest is violated, or is likely to be violated, by a multi - level marketer's violation of Article 23 or 24 or a consumer organization specified by Presidential Decree finds that such violation causes a great loss, or is likely to cause a great loss, such person or organization may request the Fair Trade Commission to take measures necessary to cease such violation, as prescribed by Presidential Decree.

**Article 26 (Handling of Affairs during Business Suspension Period of Multi - Level**

**Marketing Entity)** (1) A multi - level marketing entity shall continue his/her affairs for withdrawal of subscription, etc. pursuant to Article 17 (1), to which Article 8 (1) and (3) shall apply mutatis mutandis, and affairs incidental to withdrawal of subscription, etc. under Article 18 (1) through (8) even during a period of voluntary or involuntary business suspension.

(2) If a multi - level marketing business entity permanently closes down his/her business or has his/her registration revoked, but if a multi - level marketing salesperson sells unsold goods or services to other persons before the business is closed down or the registration is revoked, the multi - level marketing salesperson shall accept goods or services returned as a consequence of withdrawal of subscription, etc. and shall refund the price for goods or services within three business days from the date on which goods or services are returned.

(3) If a multi - level marketing business entity registered with the Fair Trade Commission or with the competent Mayor/Do Governor is declared bankrupt, files a report on permanent closure with the competent Tax Office, has suspended operation of business for more than six months, or is found actually unable to continue operating business, the head of the administrative agency with which the multi - level marketing business entity is registered may ex officio cancel the registration.

**Article 27 (Public Announcement of Change of Address, etc.)**

If any of the following events occurs to a multi - level marketing business entity, the Fair Trade Commission or the competent Mayor/Do Governor shall publicly announce the occurrence, as prescribed by Ordinance of the Prime Minister:

1. If a multi - level marketing business entity changes the trade name of the business or the address or telephone number of his/her principal place of business;
2. If a multi - level marketing business entity files a report on temporary or permanent closure in accordance with Article 13 (3);
3. If a multi - level marketing business entity becomes subject to business suspension or registration is revoked under Article 49 (4) or (5).

**Article 28 (Responsibilities of Multi - Level Marketing Business Entity) (1)** In order to

prevent multi - level marketing salespersons from violating Article 23 or 24 in recruiting subordinate salespersons or sale to consumers goods or services supplied by a multi - level marketing business entity, the multi - level marketing business entity shall notify each multi - level marketing salesperson of relevant provisions in writing or by e - mail.

(2) If a multi - level marketing business entity neglects his/her duty to give notice under paragraph (1) and a multi - level marketing salesperson causes a loss to property of another multi - level marketing salesperson or a consumer in violation of Article 23 or 24, the multi - level marketing business entity shall be liable for such loss, as prescribed by Presidential Decree. In such cases, the multi - level marketing business entity may exercise the right to claim reimbursement against the multi - level marketing salesperson.

**Article 29 (Obligations of Door - to - Door Sellers Under Sponsorship) (1)** No door - to -

door seller under sponsorship shall pay any bonus to a door - to - door salesperson under sponsorship in relation to performance of purchase or sales of any door - to - door salesperson under sponsorship other than the salesperson's immediately subordinate salespersons or promise a person to pay such bonus to recruit door - to - door salespersons under sponsorship.

(2) Where not less than 70/100 of goods or services supplied by a door - to - door sales business entity under sponsorship to a door - to - door salesperson under sponsorship is sold to consumers, not to salespersons, Articles 20 (3), 23 (1) 8 and

9, and Article 37 shall not apply to such cases, as prescribed by Presidential Decree, notwithstanding paragraph (3).

(3) Provisions of the following subparagraphs shall apply mutatis mutandis to door - to - door sellers under sponsorship. In such cases, the term "door - to - door sales" shall be construed as "door - to - door sales under sponsorship", the term "door - to - door seller or telemarketer" or "multi - level marketer" shall be construed as "door - to - door seller under sponsorship", the term "door - to - door sales or telemarketing business entity" or "multi - level marketing business entity" shall be construed as "door - to - door sales business entity under sponsorship", the term "door - to - door or telemarketing salesperson" or "multi - level marketing salesperson" shall be construed as "door - to - door salesperson under sponsorship", and the term "multi - level marketing organization" shall be construed as "door - to - door sales organization under sponsorship":

1. Articles 6, 13, 14, and 15 (2): Provided, That Article 13 (1) 2 shall not apply mutatis mutandis, and Article 13 (1) 3 shall be construed as "documents certifying the execution of a contract for indemnity insurance against consumer damage under Article 37 or a document certifying that the distributor falls under Article 29 (2)";
2. Provisions of Articles 16 through 28. In such cases, the term "35/100" in the part, other than subparagraphs of Article 20 (3) shall be construed as "38/100".

#### CHAPTER IV RECURRING TRANSACTIONS AND TRANSACTIONS FOR SOLICITING BUSINESS

**Article 30 (Duty of Business Entities Engaging in Recurring or Business - Soliciting Transaction to Provide Information to Consumers, etc.)** (1) When a person engaging in recurring transactions or business - soliciting transaction (hereinafter referred to as "recurring or business - soliciting transactions") for a living (hereinafter referred to as "recurring or business - soliciting transaction business entity") enters into a contract for recurring transactions or transactions for soliciting business, with the terms and conditions that are based on, at least, the amount and period specified by Presidential Decree, he/she shall explain the following matters to consumers (including persons who purchase goods or services through transactions for soliciting business; hereinafter in this Chapter the same shall apply) so that they can

understand the content of the contract before executing the contract:

1. The name (referring to the representative's name, if such business entity is a corporation), trade name, address, telephone number, and e - mail address of the recurring or business - soliciting transaction business entity;
2. The name, kind, and details of goods or services sold through recurring transactions (including other goods or services to be purchased separately in connection with recurring transactions, if any) or goods or services sold through transactions for soliciting business;
3. The price for goods or services (including all expenses to be paid in connection with the transaction of goods or services, regardless of name, such as an admission fee and installation charge; hereinafter in this Chapter the same shall apply) and the time and method for payment thereof;
4. The method, period, and timing of the transaction of goods or services;
5. Matters prescribed by Presidential Decree as transaction conditions for the business provided through transactions for soliciting business;
6. The method and effect of termination of a contract under Article 31 and forms necessary for the exercise of the right to terminate a contract;
7. Matters regarding compensation for consumer damage and the settlement of complaints about goods or services and disputes between consumers and the business entity;
8. Standard terms and conditions of transactions;
9. Other matters specified by Presidential Decree as terms and conditions that affect decision on whether to make a transaction and as matters necessary to relieve consumer damage.

(2) When a recurring or business - soliciting transaction business entity enters into a contract for sales of goods or services, it shall issue a contract stating the matters specified in subparagraphs of paragraph (1) to the consumer.

(3) Where a person engaging in the business of recurring transactions executes a contract for providing services to a consumer on condition that the contract shall be renewed automatically, unless the consumer expressly manifests his/her intention to the contrary, such person shall notify the consumer, in writing or by e - mail, of the fact that the contract will expire within a short period of 50 days through 20 days prior to the expiry date of the contract: Provided, That such notice may be omitted

where the duration of transaction under such contract is not more than two months or where the consumer expresses his/her intention to sign another contract or renew the contract.

(4) Article 7 (3) shall apply mutatis mutandis where a recurring or business - soliciting transaction business entity enters into a contract referred to in paragraph (1), with a minor.

(5) A recurring or business - soliciting transaction business entity shall perform terms and conditions of transactions in good faith as explained or stated to consumers in accordance with paragraph (1) or (2).

### **Article 31 (Termination of Contracts)**

A consumer who signed a contract for recurring transactions or transactions for soliciting business with a recurring or business - soliciting transaction business entity may terminate the contract at any time during the contract period: Provided, That the foregoing shall not apply where any other Act provides otherwise or where specified by Presidential Decree for security in transactions.

### **Article 32 (Effects of Termination or Cancellation of Contract, Penalty, etc.)** (1) Where

a contract for recurring transactions or transactions for soliciting business is terminated or cancelled due to a cause not attributable to a recurring or business - soliciting transaction business entity, the business entity shall not claim the consumer to pay a penalty significantly exceeding the loss incurred by the termination or cancellation and shall not unduly refuse to refund the proceeds received as an admission fee or other fees regardless of its names in excess of the price for goods or services actually supplied.

(2) When a contract for recurring transactions or transactions for soliciting business is terminated or cancelled, the consumer may return goods or services to the recurring or business - soliciting transaction business entity, who shall, then, refund the proceeds or reduce the penalty therefor, as prescribed by Presidential Decree.

(3) Where a contract for recurring transactions or transactions for soliciting business is terminated or cancelled due to a cause for which a recurring or business - soliciting transaction business entity is not responsible, and the proceeds received from the consumer for goods or services (including the refundable amount, if goods or services have been returned) are greater than the aggregate of the

proceeds for goods or services already provided and the penalty, the recurring or business - soliciting transaction business entity shall refund the difference to the consumer. If a business entity delays the refund, he/she shall pay the late payment penalty for the period of delay specified by Ordinance of the Prime Minister, along with the refundable amount.

(4) If it is necessary to prevent disputes arising in connection with a claim for a penalty under paragraph (1) and the refund of proceeds or the reduction of a penalty under paragraph (2), the Fair Trade Commission may establish and publicly announce guidelines for calculating penalties and refunding proceeds.

**Article 33 (Inspection of Records of Transactions, etc.)**

A recurring or business - soliciting transaction business entity shall allow consumers to inspect records of transactions of goods or services at any time, as prescribed by Presidential Decree.

**Article 34 (Prohibited Acts, etc.)** (1) No recurring or business - soliciting transaction business entity shall commit any of the following offenses:

1. Threatening a consumer with intent to compel the consumer to sign a contract for recurring transactions or transactions for soliciting business or to hinder the consumer from terminating or cancelling a contract;
2. Soliciting a consumer, engaging in a transaction with a consumer, or hindering a consumer from terminating or cancelling a contract by making a false or exaggerated representation or by using any fraudulent means;
3. Soliciting a consumer to buy goods or services necessary for recurring transactions or transactions for soliciting business at a price significantly higher than the ordinary trading price;
4. Delaying taking appropriate measures or refusing to take appropriate measures without justifiable cause after a consumer terminates or cancels a contract for recurring transactions or transactions for soliciting business;
5. Changing the address or telephone number with intent to hinder a consumer from terminating or cancelling a contract;
6. Causing damage to consumers by neglecting to rectify the insufficiency in human resources or facilities necessary for the settlement of disputes or complaints for a substantial period;

7. Providing goods or services unilaterally to a consumer without the consumer's order and requesting the consumer to pay the price for goods or services;
  8. Compelling a consumer, by telephone, facsimile, or computer communications, to buy goods or services, although the consumer clearly expresses that he/she does not wish to buy such goods or receive such services.
- (2) The Fair Trade Commission may establish and publicly announce guidelines with which recurring or business - soliciting transaction business entity shall comply in order to prevent violations of this Act and damage to consumers.

## CHAPTER V PROTECTION OF CONSUMERS' RIGHTS AND INTERESTS

**Article 35 (Establishment of Consumer Protection Guidelines, etc.)** (1) The Fair Trade Commission may formulate guidelines to encourage voluntary observance by business entities for establishing order in sound transactions for extraordinary sales and protecting consumers (including opposite parties to multi - level marketing salespersons, door - to - door salespersons under sponsorship, and transactions for soliciting business; hereinafter in this Chapter the same shall apply) (hereinafter referred to as "consumer protection guidelines"), hearing opinions of parties to transactions, institutions, and organizations in relevant areas.

(2) If the terms and conditions, including clauses, of a contract used by a person engaging in the business of extraordinary sales (hereinafter referred to as "extraordinary sales business entity") are more unfavorable to consumers than terms and conditions in the consumer protection guidelines, the extraordinary sales business entity shall state the terms and conditions different from terms and conditions in the guidelines in intelligible terms to consumers, or notify the consumers of such terms and conditions.

**Article 36 (Burden of Proof on Extraordinary Sales Business Entities)** (1) If a dispute arises with the opposite party to a contract over any of the following matters, the burden of proof shall rest on the extraordinary sales business entity. In such cases, an extraordinary sales business entity may keep records of transactions, including records of conversations necessary for proof, as prescribed by Presidential Decree:

1. Whether the consumer is liable for damage to goods or services;
2. The fact that the contract has been executed and the timing of such execution;
3. The fact that goods or services have been provided or the timing of such provision;
4. The fact that the contract has been issued and the timing of such issuance;
5. Other aspects of the transaction with no express agreement on burden of proof.

(2) An extraordinary sales business entity may preserve records of transactions, including records of conversations necessary for proof under paragraph (1). In such cases, an extraordinary sales business entity shall preserve such records of transactions, as prescribed by Presidential Decree with regard to the subjects, scope, and period of records and the method of inspection of such records.

**Article 37 (Contract for Indemnity Insurance against Consumer Damage, etc.)** (1) A person who intends to register him/herself as a multi - level marketing business entity or door - to - door sales business entity under sponsorship in accordance with Article 13 (1) or 29 (3) shall execute a contract that falls under any of the following subparagraphs (hereinafter referred to as "contract for indemnity insurance against consumer damage, etc."):

1. Insurance contract for indemnity against consumer damage;
2. Performance guarantee to secure the payment of indemnity against consumer damage;
3. Contract for mutual aid with a mutual aid association established under Article 38.

(2) The Fair Trade Commission may recommend business entities to execute a contract for indemnity insurance against consumer damage, etc. in order to protect consumers from door - to - door sales, telemarketing, or recurring transactions or transactions for soliciting business.

(3) The coverage of a contract for indemnity insurance against consumer damage, etc. shall be appropriate for compensating consumers for damage sustained by violations of this Act, and detailed guidelines therefor shall be prescribed by Presidential Decree.

(4) If an event that requires payment of damages to a consumer occurs, the person obligated to pay the damages to the consumer in accordance with a contract for indemnity insurance against consumer damage, etc. shall pay the damages

immediately, and if such person delays paying the damages, shall pay the late payment penalty.

(5) When a multi - level marketing business entity or door - to - door sales business entity under sponsorship who executes or maintains a contract for indemnity insurance against consumer damage, etc, submits sales data, it shall not make a false representation in such data.

(6) A person who executes a contract for indemnity insurance against consumer damage, etc. may use a mark indicating the existence of such contract.

(7) No person who has not contracted for indemnity insurance against consumer damage, etc. shall use a mark referred to in paragraph (6) or produce or use any similar mark.

**Article 38 (Establishment of Mutual Aid Association)** (1) Business entities who have filed a report in accordance with Article 5 (1) or who have completed registration in accordance with Article 29 (3) may establish a mutual aid association with authorization from the Fair Trade Commission (hereinafter referred to as "mutual aid association") in order to operate an insurance program liable for compensation for consumer damage or a mutual aid program under Article 37 (1) 3, and the criteria for such authorization shall be prescribed by Presidential Decree.

(2) A mutual aid association shall be a corporation and shall be duly formed upon registration for establishment with the registry office having jurisdiction over its principal place of business.

(3) A person who joins a mutual aid association shall pay contributions, etc. required for the implementation of mutual aid programs to the association.

(4) Basic assets of a mutual aid association shall consist of contributions, etc. paid by its members, as prescribed by Presidential Decree, but matters regarding the operation of basic assets of a mutual aid association shall be subject to authorization of the Fair Trade Commission: Provided, That the Government may grant contributions or subsidies within budgetary limits.

(5) Prerequisites for membership of a mutual aid association, matters regarding executive officers, and matters regarding guidelines for allocation of contributions shall be stipulated by its articles of incorporation.

(6) Matters necessary for the procedure for authorization for the establishment of a mutual aid association, provisions of articles of incorporation, the composition and power of the board of directors, the appointment of executive officers, supervision, etc. shall be prescribed by Presidential Decree.

(7) When a mutual aid association intends to implement a mutual aid program under paragraph (1), it shall establish regulations on the mutual aid program and shall obtain authorization therefor from the Fair Trade Commission. The same procedure shall also apply when it is intended to amend the regulations on a mutual aid program.

(8) The regulations on a mutual aid program under paragraph (7) shall provide for matters necessary to operate the mutual aid program, including the scope of the mutual aid program, mutual aid fees, and legal reserve to be set aside for the mutual aid program.

(9) Except for matters provided for in this Act, provisions regarding incorporated associations in the Civil Act shall apply mutatis mutandis to mutual aid associations.

(10) Business activities of a mutual aid association under this Act shall not be governed by the Insurance Business Act.

**Article 39 (Supervision over Mutual Aid Associations)** (1) If deemed necessary, the Fair Trade Commission may order a mutual aid association to submit a report on the mutual aid association's business or accounting or to take other necessary measures, or may authorize the Fair Trade Commission's public officials to examine the current status of business or accounting of a mutual aid association or to inspect the mutual aid association's account books or other documents.

(2) If the operation or execution of business affairs of a mutual aid association breaches a statute, or its articles of incorporation, the Fair Trade Commission may order it to rectify such breach and may request it to take other appropriate measures, if such measures are necessary in relation to relieve consumer damage.

(3) If an executive officer or employee of a mutual aid association falls under any of the following subparagraphs, the Fair Trade Commission may request it to punish or dismiss such executive officer or employee or may order it to rectify such violation:  
1. If an executive officer or employee violates any regulation on the mutual aid program under Article 38 (7) in carrying out a business affair;

2. If an executive officer or employee fails to comply with an order issued under paragraph (2) to rectify or measures taken.

(4) A public official who conducts an examination or inspection under paragraph (1) shall carry a certificate indicating his/her authority and shall produce it to a related person.

#### **Article 40 (Business Activities of Mutual Aid Association)**

A mutual aid association shall carry out the following business activities:

1. Mutual aid programs for relief of consumer damage and public services for the protection of rights and interests of consumers;
2. Publication and education for the prevention of consumer damage and advertising therefor;
3. Autonomous purification program for a sound development of the market;
4. Projects entrusted by the Fair Trade Commission;
5. Other business activities specified in its articles of incorporation.

#### **Article 41 (Subsidization of Extraordinary Sales Consumer Organizations, etc.)**

The Fair Trade Commission may subsidize an institution or organization that implements a program for establishing order for fair trade in extraordinary sales and protecting rights and interests of consumers for expenses incurred therein within budgetary limits.

#### **Article 42 (System for Registration of Intention to Reject Telemarketing Calls) (1)**

In order to protect consumers from telemarketers' activities, the Fair Trade Commission may establish a system for registration of intention to reject calls, through which consumers can manifest and register their intention to reject calls (hereinafter in this Article referred to as "registration system").

(2) When a telemarketer intends to make a telemarketing call to a consumer, he/she shall, as prescribed by Presidential Decree, ascertain whether the consumer's intention to reject such call has been registered in the registration system, and shall not make a telemarketing call to any consumer whose intention to reject telemarketing calls has been registered therein: Provided, That the foregoing shall not apply where a telemarketing business entity obtains consent individually from a consumer, as prescribed by Ordinance of the Prime Minister.

(3) The Fair Trade Commission may entrust the operation of the registration system to an institution or organization that falls under any of the following subparagraphs and may fully or partially subsidize such institution or organization for expenses incurred in efficient operation of the system:

1. An institution established under the Framework Act on Consumers or a consumer organization registered under the aforesaid Act;
2. An organization of business entities registered under Article 54 or an institution or organization established for the protection of consumers under any other Act.

(4) The procedure and guidelines for selection of an institution or organization eligible for entrusting operation under paragraph (3) shall be prescribed by Presidential Decree.

(5) If it is deemed necessary for appropriate operation and management of administrative affairs entrusted under paragraph (3), the Fair Trade Commission may request the entrusted institution or organization to submit data or may authorize its public officials to inspect entrusted administrative affairs. The methods and procedure for inspections in such cases shall be prescribed by Presidential Decree.

(6) If a person selected as an entrusted business entity under paragraph (3) falls under subparagraph 1 or 2, the Fair Trade Commission shall revoke the selection but may revoke the selection, if such person falls under subparagraph 3 or 4:

1. If a person was selected as an entrusted business entity by fraud or other wrongful means;
2. If a person uses the registration system for any purpose, other than that specified in paragraph (1) or allows a third person to use the system;
3. If a person fails to meet the criteria for selection under paragraph (4);
4. If it is found impracticable as a result of an inspection under paragraph (5) to achieve the original purpose of selection.

(7) Except for matters provided for in paragraphs (1) through (6), matters necessary for the establishment and operation of the registration system shall be prescribed by Ordinance of the Prime Minister.

## CHAPTER VI INVESTIGATION AND SUPERVISION

- Article 43 (Investigation into Violations, etc.)** (1) If a violation of this Act is discovered, the Fair Trade Commission, a Mayor/Do Governor or the head of a Si/Gun/Gu (hereinafter referred to as "administrative authority") may conduct investigations ex officio as necessary: Provided, That a violation of a regulation regarding multi - level marketing or door - to - door sales under sponsorship may be investigated by the Fair Trade Commission or a Mayor/Do Governor.
- (2) When a Mayor/Do Governor or the head of a Si/Gun/Gu intends to conduct an investigation under paragraph (1), he/she shall notify the Fair Trade Commission thereof, and the Fair Trade Commission may request a Mayor/Do Governor or the head of a Si/Gun/Gu to discontinue an investigation, if investigations are likely to overlap. Upon receipt of a request in such cases, a Mayor/Do Governor or the head of a Si/Gun/Gu shall discontinue the investigation, unless he/she has a reasonable ground to reject the request.
- (3) When an administrative authority completes an investigation under paragraph (1), it shall notify parties to the relevant case of the outcomes thereof in writing (where it intends to issue a disposition, such as an order for corrective action according to the outcomes of the investigation, the details of such disposition shall be notified).
- (4) The Fair Trade Commission may organize an investigation team jointly with the Korea Consumer Agency under Article 33 of the Framework Act on Consumers (hereinafter in this Article referred to as the "Korea Consumer Agency") for an investigation under paragraph (1). In such cases, the detailed method and procedure for the organization and investigation of the investigation team and other necessary matters shall be prescribed by Presidential Decree.
- (5) The Fair Trade Commission may reimburse executive officers and employees of the Korea Consumer Agency, who join a joint investigation team, for allowances and travel expenses within budgetary limits.
- (6) Executive officers and employees of the Korea Consumer Agency, who take charge of works specified in paragraph (4), shall be deemed public officials for the purposes of the penalty provisions under Articles 127 and 129 through 132 of the Criminal Act.

(7) If a person suspects a violation of this Act, he/she may report such fact to an administrative authority: Provided, That a violation of a regulation regarding multi-level marketing or door-to-door sales under sponsorship may be reported to the Fair Trade Commission or a Mayor/Do Governor.

(8) The Fair Trade Commission shall not issue an order under Article 49 to rectify a violation or impose a penalty surcharge under Article 51 for a violation, if five years have passed since the date on which the violation ceased: Provided, That the foregoing shall not apply where an order to rectify a violation or a disposition to impose a penalty surcharge was revoked in accordance with a court judgment and a new disposition is made in accordance with reasoning of the judgment.

**Article 43 - 2 (Investigation, etc. into Actual Conditions)** (1) The Fair Trade Commission may investigate the actual conditions of, and conduct a training in, extraordinary sales in order to establish a sound trade order and protect consumers in extraordinary sales.

(2) Matters necessary for the methods of, and procedures for, investigation into actual conditions under paragraph (1) shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 12379, Jan. 28, 2014]

**Article 44 (Payment of Rewards)** (1) The Fair Trade Commission may pay a reward within budgetary limits to a person who reports or informs of a violation that falls under any of the following subparagraphs and submits evidentiary materials proving such violation:

1. Establishing, managing, or operating an organization for multi-level marketing or door-to-door sales under sponsorship without registration in violation of Article 13 (1) or 29 (3);
2. A violation of Article 24.

(2) Matters necessary for the scope of violations of this Act, the reporting of which are eligible for rewards under paragraph (1), persons eligible for such rewards, and the criteria and procedure for rewards shall be prescribed by Presidential Decree.

**Article 45 (Disclosure of Information about Unfair Practices)**

If it is necessary to establish order for fair trade in extraordinary sales and prevent consumer damage, the Fair Trade Commission may disclose the results of

investigations into extraordinary sales business entities' violations of this Act and information about unfair practices, as prescribed by Presidential Decree.

**Article 46 (Fairness in Evaluation and Certification)** (1) A person engaging in the business of evaluating or certifying extraordinary sales business entities for the establishment of fair trade order in extraordinary sales and prevention of consumer damage (hereinafter referred to as "evaluator or certifier"), shall, regardless of his/her title, disclose standards and methods for the evaluation or certification, as prescribed by Presidential Decree, and shall conduct evaluation and certification fairly.

(2) Standards and methods for the evaluation and certification under paragraph (1) shall be appropriate for extraordinary sales business entities to deliver information about their endeavors to realize fair trade and to protect consumers and outcomes therefrom.

(3) The Fair Trade Commission may require an evaluator or certifier to submit data about the current status of operation.

**Article 47 (Reporting and Supervision)** (1) When a Mayor/Do Governor or the head of a Si/Gun/Gu makes a recommendation to rectify a violation under Article 48, he/she shall report thereon to the Fair Trade Commission, as prescribed by Presidential Decree.

(2) If the Fair Trade Commission deems it necessary for the efficient enforcement of this Act, it may request a Mayor/Do Governor or the head of a Si/Gun/Gu to conduct an investigation or verification, to submit data, or to take other measures necessary for rectification. In such cases, a Mayor/Do Governor or the head of a Si/Gun/Gu shall comply with such request, unless he/she has justifiable cause not to comply.

## CHAPTER VII RECTIFICATIONS AND IMPOSITION OF PENALTY SURCHARGES

**Article 48 (Recommendation to Rectify Violations)** (1) If a business entity violates this Act or fails to perform his/her obligation under this Act, the competent administrative authority may determine a scheme for rectification, according to which the business entity shall cease such violation, perform such obligation under this Act, or take other measures necessary to prevent and relieve consumer damage, and may

recommend the business entity to comply with the scheme before taking measures for rectification under Article 49. The administrative authority shall also notify the business entity that it shall be deemed that measures for rectification are taken in accordance with paragraph (3), if a business entity accepts such recommendation.

(2) Upon receipt of a recommendation for rectification under paragraph (1), a business entity shall notify the administrative authority recommending rectification of whether he/she accepts the recommendation within ten days from the date on which he/she is notified thereof.

(3) It shall be deemed that measures for rectification under Article 49 are taken when a business entity accepts such recommendation upon recommendation to rectify a violation under paragraph (1).

**Article 49 (Measures for Rectification, etc.)** (1) If a business entity commits an act that falls under any of the following subparagraphs (including cases to which such subparagraphs shall apply mutatis mutandis pursuant to Article 29 (3)) or fails to perform his/her obligation under this Act, the Fair Trade Commission may order the business entity to take measures to rectify such violation or non - performance:

1. A violation of any provision of Articles 5 (1) through (3), 6, 7 (1) through (3) and (5), 8 (5), 9, 10 (1), 12 (1), 13 (1) through (3) and (5), 14 through 24, 26 (1) and (2), 28, 29 (1) and (2), 30, 32 (1) through (3), 33, 35 (2), 37 (1), (4), (5) and (7), 42 (2), 46 (1) and (2), and 55;
2. An act prohibited by any subparagraph of Article 11 (1), 23 (1), 24 (1), or 34 (1);
3. Where an extraordinary sales business entity who shall preserve records of transactions in accordance with the latter part of Article 36 (2) fails to preserve such records, as prescribed by Presidential Decree, with regard to subject matters and scope of records of transactions, the period of preservation, and the method of inspection.

(2) Measures for rectification under paragraph (1) shall include measures falling under any of the following subparagraphs:

1. Cessation of the violation at issue;
2. Performance of the relevant obligation provided for in this Act;
3. Public announcement of the fact that measures have been taken for rectification;

4. Measures necessary for preventing of and redressing for, consumer damage;
5. Other measures necessary for rectification.

(3) Matters necessary for the announcement of the fact that measures have been taken for rectification under paragraph (2) 3 shall be prescribed by Presidential Decree.

(4) If a business entity falls under any of the following subparagraphs, the Fair Trade Commission may order the business entity to suspend operation of business completely or partially for a specified period not exceeding one year, as prescribed by Presidential Decree:

1. If identical violations recur twice or more during the latest three years, notwithstanding the measures taken for rectification under paragraph (1) (violations shall be counted from the date on which such measures are taken);
2. If a business entity fails to perform measures for rectification;
3. If it is found impracticable to prevent consumer damage only by measures for rectification or impossible to compensate consumers for their loss.

(5) If a business entity falls under subparagraph 1 (including cases to which the aforesaid subparagraph shall apply mutatis mutandis pursuant to Article 29 (3)), the Fair Trade Commission or the competent Mayor/Do Governor shall revoke the registration of the business entity, while the Fair Trade Commission or the competent Mayor/Do Governor may revoke such registration, if a business entity falls under a provision of subparagraphs 2 through 4 (including cases to which the aforesaid subparagraph shall apply mutatis mutandis pursuant to Article 29 (3)), as prescribed by Presidential Decree:

1. If a business entity registers business under Article 13 (1) by fraud or other wrongful means;
2. If a business entity falls under a ground for disqualification under any subparagraph of Article 14;
3. If a contract for indemnity insurance against consumer damage or a similar contract is terminated;
4. If a business entity continues business during a period of business suspension.

**Article 50 (Request for Mediation of Disputes over Consumer Damage)** (1) If an administrative authority receives a petition from a consumer for redressing his/her

loss in connection with a violation of this Act, the administrative authority may request an organization specified by Presidential Decree for mediation of disputes over consumer damage to mediate such disputes, among institutions or organizations that carry out affairs related to protection of consumers in extraordinary sales, before making a recommendation of rectification under Article 48 or taking measures for rectification under Article 49.

(2) If parties accept and perform a proposal for the mediation requested under paragraph (1), the administrative authority shall notify the parties concerned that no measures for rectification under Article 49 will be taken.

(3) If parties to mediation accept and perform a proposal for the mediation requested under paragraph (1), the Fair Trade Commission shall not take measures for rectification under Article 49, as prescribed by Presidential Decree. Article 43 (8) shall not apply to such cases.

(4) When the Fair Trade Commission requests to mediate a dispute under paragraph (1), it may subsidize the mediator for expenses incurred in mediation of the case, within budgetary limits.

**Article 51 (Penalty Surcharges)** (1) The Fair Trade Commission may impose a penalty surcharge upon a business entity within the limit not exceeding the sales related to the relevant violation specified by Presidential Decree in lieu of business suspension under Article 49 (4). In such cases. If no related sales have been made or it is impossible to determine related sales, a penalty surcharge may be imposed within the limit not exceeding 50 million won.

(2) The Fair Trade Commission shall take the following factors into consideration in imposing a penalty surcharge under paragraph (1):

1. The degree of loss inflicted upon the consumer by the violation;
2. The degree of efforts that the business entity has made for the consumer's loss;
3. The amount of benefits acquired by the violation;
4. Details, the period, and frequency of violations.

(3) For the purpose of imposing and collecting a penalty surcharge, if a company as business entity who violated this Act is merged with another company, the company surviving the merger or the company newly established in the course of the merger shall be deemed to have committed the violation so that the Fair Trade Commission

may impose a penalty surcharge on such company and collect such penalty surcharge therefrom.

(4) Articles 55 - 4 and 55 - 6 of the Monopoly Regulation and Fair Trade Act shall apply mutatis mutandis to the extension of the deadline for payment of a penalty surcharge under paragraph (1) and the payment of a penalty surcharge in installments, the collection of penalty surcharges, and the disposition of defaulted penalty surcharges.

(5) The guidelines for imposition of penalty surcharges under paragraph (1) shall be prescribed by Presidential Decree.

## CHAPTER VIII SUPPLEMENTARY PROVISIONS

### **Article 52 (Prohibition of Contract Unfavorable to Consumers, etc.)**

Any contract which violates any provision of Articles 7 through 10, 16 through 19, or 30 through 32, which is unfavorable to consumers, shall be void.

### **Article 53 (Exclusive Jurisdiction)**

The District Court having jurisdiction over a consumer's domicile at the time the consumer files a lawsuit in relation to extraordinary sales shall have exclusive jurisdiction over the case, while the District Court have jurisdiction over such consumer's residence shall have exclusive jurisdiction over the case, if such consumer has no domicile: Provided, That relevant provisions of the Civil Procedure Act shall apply mutatis mutandis where a consumer's domicile or residence is not clearly identifiable at the time when a lawsuit is filed.

### **Article 54 (Registration of Business Entities' Association) (1)** A business entities'

association established for the sound development of extraordinary sales, the enhancement of consumers' confidence, and the promotion of common interests may file for registration with the Fair Trade Commission, as prescribed by Presidential Decree.

(2) Matters necessary for prerequisites for registration under paragraph (1) and the methods and procedure for such registration shall be prescribed by Presidential Decree.

**Article 55 (Prevention of Misuse, Abuse, and Misappropriation of Information about Consumers)**

@Article 11 of the Act on the Consumer Protection in Electronic Commerce, Etc. shall apply mutatis mutandis to collection and use by an extraordinary sales business entity of information about consumers. In such cases, the term "electronic commerce transactions or mail order transactions" shall be construed as "extraordinary sales".

**Article 56 (Delegation or Entrustment of Authority)** (1) Part of the authority of the Fair Trade Commission under this Act may be delegated to the heads of its affiliated agencies or Mayors/Do Governors or may be entrusted to the head of any other administrative agency, as prescribed by Presidential Decree.

(2) Part of the authority of a Mayor/Do Governor under this Act may be delegated to the head of each Si/Gun/Gu, as prescribed by Presidential Decree.

(3) If it is necessary to enforce this Act efficiently, the Fair Trade Commission may entrust some of its administrative affairs to a business entities' association registered in accordance with Article 54.

(4) Matters necessary for the supervision, performance, reporting, inspection, and verification of administrative affairs delegated or entrusted under paragraphs (1) through (3), the submission of data therefor, and for the request for taking measures necessary for rectification shall be prescribed by Presidential Decree.

(5) Executive officers and employees of a person to which administrative affairs are entrusted under paragraph (3) of this Article or Article 42 (3) shall be deemed public officials for the purposes of the penalty provisions under Articles 129 through 132 of the Criminal Act.

**Article 57 (Application Mutatis Mutandis of the Monopoly Regulation and Fair Trade Act)**

(1) Articles 42, 43, 43 - 2, 44, 45, and 52 of the Monopoly Regulation and Fair Trade Act shall apply mutatis mutandis to deliberation and decision - making by the Fair Trade Commission under this Act.

(2) Article 50 (1) through (4) of the Monopoly Regulation and Fair Trade Act shall apply mutatis mutandis to investigations into violations of this Act by an administrative authority.

(3) Articles 53, 53 - 2, 54, 55 and 55 - 2 of the Monopoly Regulation and Fair Trade Act shall apply mutatis mutandis to an objection against a disposition made by the

Fair Trade Commission under this Act or a disposition made by a Mayor/Do Governor with authority delegated under Article 56, suspending execution of an order to take measures for rectification, the filing of a lawsuit, and exclusive jurisdiction over an appeal.

(4) Article 62 of the Monopoly Regulation and Fair Trade Act shall apply mutatis mutandis to a member or public official of the Fair Trade Commission, who performs or performed a duty under this Act.

## CHAPTER IX PENALTY PROVISIONS

**Article 58 (Penalty Provisions)** (1) Any person who falls under any of the following subparagraphs (including cases to which any of the following subparagraphs shall apply mutatis mutandis pursuant to Article 29 (3)) shall be punished by imprisonment with prison labor for not more than seven years or by a fine not exceeding 200 million won. If an amount equivalent to three times the total amount of proceeds for a sale or transaction that is made by a person falling under any of the following subparagraphs, in connection with a violation of this Act, exceeds 200 million won, such person shall be punished by imprisonment with prison labor for not more than seven years or by a fine not exceeding three times the total amount of proceeds for the sale or transaction:

1. A person who establishes and manages or operates a multi - level marketing organization or door - to - door sales organization under sponsorship without registration under Article 13 (1) (including where registration is revoked under Article 49 (5));
2. A person who establishes and manages, or operates a multi - level marketing organization or door - to - door sales organization under sponsorship with registration completed under Article 13 (1) by fraud or other wrongful means;
3. A person who commits an offense prescribed in Article 23 (1) 8;
4. A person who commits an offense prescribed in Article 24 (1) or (2).

(2) Imprisonment with labor and a fine under paragraph (1) may be imposed concurrently.

**Article 59 (Penalty Provisions)** (1) Any person who falls under any of the following subparagraphs shall be punished by imprisonment with prison labor for not more than five years or by a fine not exceeding 150 million won: Provided, That any person to whom any of the following subparagraphs shall apply mutatis mutandis pursuant to Article 29 (3) shall be punished by imprisonment with prison labor for not more than three years or by a fine not exceeding 100 million won:

1. A person who violates Article 22 (2);
2. A person who commits an offense prescribed in Article 23 (1) 1 or 2;
3. A person who commits an offense prescribed in Article 29 (1).

(2) Imprisonment with labor and a fine under paragraph (1) may be imposed concurrently.

**Article 60 (Penalty Provisions)** (1) Any person who falls under any of the following subparagraphs shall be punished by imprisonment with prison labor for not more than three years or by a fine not exceeding 100 million won: Provided, That any person to whom any of the following subparagraphs shall apply mutatis mutandis pursuant to Article 29 (3) shall be punished by imprisonment with prison labor for not more than two years or by a fine not exceeding 50 million won:

1. A person who files a false report in violation of Article 13 (2) or (3);
2. A person who makes a false statement in pocketbooks for multi - level marketing salespersons under Article 15 (5);
3. A person who fails to refund a price for goods or services in violation of Article 18 (2);
4. A person who violates Article 20 (3) or (5);
5. A person who violates Article 21 (1) or (3);
6. A person who violates Article 22 (1) or (4);
7. A person who commits an offense prescribed in Article 23 (1) 3, 5, 7, or 11;
8. A business entity who submits false data about execution or maintenance of an insurance for indemnity insurance against consumer damage, etc. in violation of Article 37 (5);
9. A person who uses a mark provided for in Article 37 (6) or produces or uses any similar mark in violation of Article 37 (7);

10. A person who fails to comply with an order issued under Article 49 (1) to take measures for rectification;

11. A person who continues operation of business in violation of an order issued under Article 49 (4) to suspend operation of business.

(2) Imprisonment with labor and a fine under paragraph (1) may be imposed concurrently.

**Article 61 (Penalty Provisions)** (1) Any person who falls under any of the following subparagraphs shall be punished by imprisonment with prison labor for not more than two years or by a fine not exceeding 50 million won:

1. A person who commits an offense prescribed in Article 11 (1) 1, 2, or 5;

2. A person who commits an offense prescribed in Article 34 (1) 1, 2, or 5.

(2) Imprisonment and a fine under paragraph (1) may be imposed concurrently.

**Article 62 (Penalty Provisions)**

Any of the following persons (including where any of the following subparagraphs shall apply mutatis mutandis pursuant to Article 29 (3)) shall be punished by imprisonment with labor for not more than one year or by a fine not exceeding 30 million won:< Amended by Act No. 11839, May 28, 2013; Act No. 14138, Mar. 29, 2016 >

1. A person who fails to file a report in violation of Article 5 (1) or files a false report;

2. A person who commits an offense prescribed in Article 11 (1) 3;

3. A person who ceases to perform business affairs that shall be continued during a period of voluntary or involuntary business suspension in violation of Article 12 (1) or 26 (1);

4. A person who fails to submit data in violation of Article 13 (5) or submits false data;

5. A person who actually works as a multi - level marketing salesperson without registering under Article 15 (1);

6. A person registered as a multi - level marketing salesperson, despite having been disqualified for registration as a multi - level marketing salesperson under the provisions of Article 15 (2) 1 and 3 through 7;

7. A multi - level marketer who admits a minor as a multi - level marketing salesperson in violation of Article 15 (2) 2;

8. A person who states false information in a certificate of registration of a multi-level marketing salesperson under Article 15 (3);
9. A person who enters a false statement in a register of multi-level marketing salespersons in violation of Article 15 (4);
10. A person who commits an offense prescribed in Article 23 (1) 9;
11. A person who enters a false statement in records of transactions of goods or services under Article 33.

**Article 63 (Penalty Provisions)**

Any person who falls under any of the following subparagraphs (including where any of the following subparagraphs shall apply mutatis mutandis pursuant to Article 29 (3)) shall be punished by a fine not exceeding ten million won:

1. A person who make a false representation in stating his/her name, etc. in violation of Article 6 (3);
2. A person who issues a contract with a false statement written therein when issuing a contact under Article 7 (2), 16, or 30 (2);
3. A person who commits an offense prescribed in Article 11 (1) 4 or 7;
4. A person who commits an offense prescribed in Article 34 (1) 3, 4, or 7.

**Article 64 (Penalty Provisions)**

Any person who violates Article 62 of the Monopoly Regulation and Fair Trade Act, which shall apply mutatis mutandis pursuant to Article 57 (4), shall be punished by imprisonment with prison labor for not more than two years or by a fine not exceeding two million won.

**Article 65 (Joint Penalty Provisions, etc.)** (1) If the representative of a corporation, or an agent, employee, or servant who works for a corporation or individual violates any provision of Articles 58 through 63 in the course of affairs of the corporation or individual, not only shall such violator be punished accordingly, but also the corporation or individual shall be punished by a fine prescribed in the relevant article: Provided, That the foregoing shall not apply where the corporation or individual has not been negligent in giving due care and supervision to prevent such violation, with regard to the relevant affairs.

(2) If a person who violated any provision of Articles 58 through 63 or a person who shall be punished by a fine under paragraph (1) has already been punished by the Fair Trade Commission or a Mayor/Do Governor or has compensated the relevant consumer for damage, punishment that shall be imposed otherwise under any provision of Articles 58 through 63 may be mitigated or discharged.

**Article 66 (Administrative Fines)** (1) Any person who falls under any of the following subparagraphs (including where any of the following subparagraphs shall apply mutatis mutandis pursuant to Article 29 (3)) shall be punished by an administrative fine not exceeding ten million won:

1. A person who fails to refund the price for goods or services in violation of Article 9 or who fails to take measures necessary for refunding;
2. A person who commits an offense prescribed in Article 11 (1) 6, 23 (1) 4, or 34 (1) 6;
3. A person who commits an offense prescribed in Article 11 (1) 8, 23 (1) 6, or 34 (1) 8;
4. A person who fails to file a report in violation of Article 13 (2) or (3);
5. A person who fails to issue a certificate of registration to a multi - level marketing salesperson in accordance with Article 15 (3) or a pocketbook to a multi - level marketing salesperson in accordance with Article 15 (5);
6. A person who fails to keep a registrar of multi - level marketing salespersons, in violation of Article 15 (4) or who fails to allow a consumer to verify the identity of a multi - level marketing salesperson;
7. A person who commits an offense prescribed in Article 23 (1) 10;
8. A person who bills an excessive amount for penalty or refuses to refund proceeds in violation of Article 32;
9. A person who makes a telemarketing call to a consumer, in violation of Article 42 (2);
10. A person who violates this Act and fails to comply with orders issued under Article 50 (1) 1 of the Monopoly Regulation and Fair Trade Act to make an appearance twice or more without justifiable cause;
11. A person who fails to submit a report or necessary data or things in accordance with Article 50 (1) 3 or (3) of the Monopoly Regulation and Fair Trade Act, which

shall apply mutatis mutandis pursuant to Article 57 (2), or who makes a false representation in submitting such report, data, or things;

12. A person who refuses, interferes with, or evades an investigation conducted under Article 50 (2) of the Monopoly Regulation and Fair Trade Act, which shall apply mutatis mutandis pursuant to Article 57 (2).

(2) Any person who falls under any of the following subparagraphs (including where any of the following subparagraphs shall apply mutatis mutandis pursuant to Article 29 (3)) shall be punished by a fine not exceeding five million won:

1. A person who fails to file a report in accordance with Article 5 (2) or (3) or files a false report;

2. A person who fails to keep a list of salespersons engaging in door - to - door sales or telemarketing in violation of Article 6 (1), a person who fails to allow a consumer to verify the identity of a door - to - door salesperson in violation of Article 6 (2), or a person who fails to state his/her name, etc. in violation of Article 6 (3);

3. A person who fails to issue a contract in accordance with Article 7 (2), 16, or 30 (2);

4. A person who amends the guidelines for calculation and payment of bonuses in violation of Article 20 (2);

5. A person who fails to allow a multi - level marketing salesperson to inspect details of calculation and payment of bonuses in violation of Article 20 (4);

6. A person who fails to notify a consumer of the expiry date of a contract in violation of Article 30 (3);

7. A person who fails to allow a consumer to inspect records of transactions of goods or services under Article 33.

(3) Any person who fails to comply with an order issued to maintain order, in violation of Article 43 - 2 of the Monopoly Regulation and Fair Trade Act, which shall apply mutatis mutandis pursuant to Article 57 (1), shall be punished by an administrative fine not exceeding one million won.

(4) Administrative fines provided for in paragraphs (1) through (3) shall be imposed and collected by each administrative authority: Provided, That administrative fines under the provisions relevant to multi - level marketing and door - to - door sales under sponsorship shall be imposed and collected by the Fair Trade Commission or a

Mayor/Do Governor.

(5) The guidelines for imposition of administrative fines provided for in paragraphs (1) through (3) shall be prescribed by Presidential Decree.

**ADDENDA** <No. 11461, 01. Jun, 2012>

**Article 1 (Enforcement Date)**

This Act shall enter into force three months after the date of its promulgation.

Articles 2 through 10 Omitted.

**ADDENDA** <No. 11839, 28. May, 2013>

This Act shall enter into force on the date of its promulgation.

**ADDENDA** <No. 12379, 28. Jan, 2014>

This Act shall enter into force six months after the date of its promulgation.

**ADDENDA** <No. 14138, 29. Mar, 2016>

**Article 1 (Enforcement Date)**

This Act shall enter into force six months after the date of its promulgation: Provided, That the amended subparagraph 1 (a) of Article 14 shall enter into force on the date of its promulgation.

**Article 2 (Transitional Measure concerning Incompetent Persons)**

It shall be construed that a person under limited guardianship or person under adult guardianship under the amended subparagraph 1 (a) of Article 14 includes those for whom the declaration of incompetency or quasi - incompetency remains effective pursuant to Article 2 of Addenda of the partial amendments to the Civil Act (Act No. 10429).