

Door-to-Door Sales, etc. Act

[Enforced 10-20-2007]

[Act No 8537, Partially Amended 7-19-2007]

Chapter 1 General Provisions

Article 1 (Purpose)

The purpose of this Act is to prescribe matters concerning the fair trading of goods and services in such transactions as door-to-door sales, telemarketing sales, Multilevel marketing transactions, specified continuous service offers and business offer solicitation sale translations, with a view toward protecting consumer rights and enhancing market reliability, thereby contributing to the sound development of the national economy.

Article 2 (Definitions) <Amended 7-19-2007>

Major terms used in this Act are defined as follows.

1. "Door-to-door Sale" means a sale of goods or services (hereinafter referred to as "Goods, etc") in which a person (hereinafter referred to as a "Sales Business Operator") who makes a living by selling (including consignment sales and mediated sales; the same shall apply hereinafter) goods and services (including rights to use certain facilities or receive services; the same shall apply hereinafter) solicits consumers to make an application for a sales contract or concludes a sales contract at a place other than his/her place of business, an agency's office or other sales places (hereinafter referred to as "Place of Business"), (including cases in which the seller induces, by solicitation or other methods specified by a Prime Minister's decree, a consumer at a place other than his/her place of business to visit his/her place of business to make an application for a sales contract or to concludes a sales contract).

2. "Door-to-door Seller" means a person who receives income from door-to-door sales by organizing or managing and operating a door-to-door sales business (hereinafter referred to as a "Door-to-door Sales Business Operator") and a person who carries out door-to-door sales on behalf of a Door-to-door Sales Business Operator (hereinafter referred to as a "Door-to-door Sales Agent").

3. "Telemarketing" means the soliciting a consumer to make an agreement to purchase or sign a contract to purchase Goods, etc. using telephone communications or by any other methods specified by a Prime Minister's decree.

4. "Telemarketer" means a person who receives income from telemarketing by organizing or managing and operating a telemarketing business (hereinafter referred to as "Telemarketing Business Operator") or a person who carries out telemarketing on behalf of a Telemarketing Business Operator (hereinafter referred to as "Telemarketing Agent").

5. "Multilevel Marketing" means the practice of selling Goods, etc. through a multi-layered sales organization (including two-layered organizations specified by a presidential decree that are practically managed and operated as three or more layers) in which the seller recruits people as sales agents of a Multilevel network (forming three or more levels) under an agreement that they can receive income (including profits from retailing Goods, etc. to consumers and Commission paid to the seller by the Multilevel Marketing Business Operator; the same shall apply hereinafter) from engaging in the following activities.

a. selling products supplied by the Multilevel Marketing Business Operator directly to consumers

b. recruiting some or all of the consumers mentioned in subparagraph (a) as sales agents directly below the initial seller's level who then engage in the same activities as the initial seller

6. "Multilevel Marketer" means a person who receives income from Multilevel marketing by organizing, or managing and operating a Multilevel marketing business (hereinafter referred to as "Multilevel Marketing Business Operator") and a person who has joined such a Multilevel marketing

business as a sales agent (hereinafter referred to as "Multilevel Marketing Agent").

7. "Commission," irrespective of what it is called and what form it takes, such as sales commission, recruiting commission, incentive or contribution, means income received by a Multilevel Marketing Agent from a Multilevel Marketing Business Operator for the following activities.

a. managing and/or training a network of marketing agents under his/her supervision
b. the volume of Goods, etc. sold by the Multilevel Marketing Agent himself/herself or by the marketing agents under his/her supervision

8. "Specified Continuous Service Offer" means a contract-based sales transaction in which the seller supplies Goods, etc. to a customer continuously for a period of time specified by a presidential decree, in which the sales contract includes provisions for limiting refunds or assessing a penalty for a Cancellation or early termination of the contract.

9. "Business Offer Solicitation of a Sales Transaction" means a transaction in which the seller induces a customer to purchase by offering him/ her income-earning opportunities.

10. "Consumer" means a person who uses or utilizes Goods, etc. supplied by a business operator for consumption purposes or a person specified by a presidential decree.

11. "Controlling Shareholder" is a person who falls under one of the following categories.

a. a shareholder or investor who, together with one or more other persons in special relationships specified by a presidential decree, owns the largest share of the outstanding stock or paid-in capital of a corporation, exceeding 30 percent of the total.

b. a person who exercises practical control over the management of a corporation, with the definition of "practical control" specified by a presidential decree

Article 3 (Non-applicability)

(1) This Act shall not apply to transactions in which a business operator (excluding Multilevel Marketing Agents and counterparties of business offer soliciting sale transactions) purchases Goods, etc. for commercial purposes; except when a business operator purchases under the same transactions conditions as a regular Consumer, thus, qualifying him/her to be considered a de facto Consumer.

(2) The requirements in Article 7, 16 and 28 for issuance of a contract shall not apply to transactions for which other statutes prescribe different methods of issuing a contract from those prescribed by the provisions.

(3) This Act shall not apply to the following transactions.

1. transactions to enter into an insurance contract with an insurance business operator prescribed in Article 1-(1) of the Insurance Business Act

2. transactions prescribed by a presidential decree, which involve the supply of Goods, etc. by independent individuals

(4) In case of specified continuous service offers, if matters prescribed by this Act are regulated by other laws including the Telecommunications Business Act, those laws shall be applicable.

Article 4 (Relationship with other Laws)

In the interest of ensuring consumer protection in door-to-door sales, telemarketing sales, Multilevel marketing transactions, specified continuous service offers and business offer solicitation of sale translations, if this Act conflicts with other laws, this Act shall take precedence; provided that other laws shall be applied if that is more advantageous for Consumers.

Chapter 2 Door-to-door Sales and Telemarketing Sales

Article 5 (Reporting by Door-to-door sales Business Operator, etc.)

(1) A Door-to-door Business Sales Operator or Telemarketing Business Operator (hereinafter referred to as a "Door-to-door Sales Business Operator, etc.") shall file a report with the Fair Trade Commission or the competent mayor/county governor/ward chief (chief executive of an autonomous ward) detailing his/her business title, address, telephone number, email address (including the name, residential registration number and address of the representative, in case of a corporation) and other items specified by a presidential decree; provided that this requirement shall not apply to small-sized Door-to-door Sales Business Operators, etc. and other Door-to-door Sales

Business Operators, etc. specified by a presidential decree and Multilevel Marketing Business Operators registered pursuant to Article 13. <Amended 3-31-2005>

(2) If any change has occurred to the report filed pursuant to paragraph (1), a Door-to-door Sales Business Operator, etc. shall report it to the relevant authority in a manner specified by a presidential decree.

(3) If a Door-to-door Sales Business Operator, etc. who has reported his/her business to the relevant authority pursuant to paragraph (1) suspends or terminates business or resumes business after a suspension, he/she shall report the facts to the relevant authority in a manner specified by a presidential decree.

(4) The Fair Trade Commission may make public the information reported by Door-to-door Sales Business Operators, etc. pursuant to paragraph (1) in a manner specified by a presidential decree.

Article 6 (List of Door-to-Door Sales Agents)

(1) A Door-to-door Sales Business Operator, etc. shall, in a manner specified by a Prime Minister's decree, prepare a list of his/her Door-to-door Sales Agents and keep it on file at his/her Place of Business.

(2) A Door-to-door Sales Business Operator, etc. shall, if deemed necessary for prevention of consumer injury or facilitation of remedies for injury, allow Consumers to ascertain the identity of his/her Door-to-door Sales Agents.

(3) If a Door-to-door Seller or Telemarketer (hereinafter referred to as "Door-to-door Seller, etc.") intends to sell Goods, etc., he/she shall indicate to the person solicited, prior to the solicitation, the name of the Door-to-door Seller, etc. and the types and contents of the Goods, etc. he/she wants to sell as well as the fact that the purpose of his/her visit or telephone call is to solicit a sale.

Article 7 (Requirements for Information Provision Prior to Conclusion of Contract and Issuance of a Copy of Contract upon Conclusion of Contract)

(1) A Door-to-door Seller, etc. shall, prior to concluding a contract, explain the following to the Consumer so that the Consumer can understand the details of the contract.

1. the name, address, telephone number and email address of the Door-to-door Seller, etc. (the name of the representative, in case of a corporation)

2. the name, address, telephone number and email address of the Door-to-door Sales Agent, etc.; provided that this requirement shall not apply when a the Door-to-door Sales Business Operator, etc. concludes a sales contract directly with a Consumer

3. the name, type and amount of the Goods, etc.

4. the sale price and method of payment for the Goods, etc.

5. the timing and method of delivery of the Goods, etc.

6. matters concerning withdrawal of an application for a sales contract or Cancellation of a sales contract (hereinafter referred to as "Withdrawal/Cancellation"), with elaboration on the time limit, method and effect of such actions, and forms to be filled out for exercising the rights to Withdrawal, etc. and obtaining a refund of the price paid

8. technical matters required for setup and transmission of the Goods, etc., if the goods are deliverable through an electronic medium

9. matters concerning remedies for consumer injury and resolution of consumer complaints or disputes between Consumer and business operator

10. provisions of the contract

11. other terms of transaction likely to affect a Consumer's purchase decision or measures for redressing consumer injury, which are specified by a presidential decree

(2) Upon concluding a contract for sale of Goods, etc., a Door-to-door Seller, etc. shall issue the Consumer a copy of the contract, which contains all of the information listed in the subparagraphs of paragraph (1).

(3) In concluding a sales contract with a minor, a Door-to-door Seller, etc. shall obtain consent of the minor's legal representative. In case of failure to obtain such consent, the Door-to-door Seller, etc. shall indicate to the minor that he/she or his/her legal representative can cancel the contract.

(4) In the case of Telemarketing sales contracts, the requirement of explaining the information listed in paragraph (1) to the Consumer may be fulfilled by sending the information by facsimile or in the form

of an electronic document (pursuant to Article 2-(1) of the Framework Act on Electronic Commerce; the same shall apply hereinafter). If disputes arise over the contents as well as the arrival of the information sent by facsimile or in the form of an electronic document, the Telemarketer shall be liable to prove the facts.

(5) A Door-to-door Sales Business Operator, etc. shall comply in good faith with the conditions of transaction indicated or notified to a Consumer pursuant to paragraph (1).

Article 8 (Withdrawal/Cancellation)

(1) A Consumer who has entered into a contract to purchase Goods, etc. transacted through a Door-to-door Sale or Telemarketing (hereinafter referred to as "Door-to-door Sale, etc.") may withdraw/cancel the contract within the time limits prescribed in the following subparagraphs (unless the contracting parties have agreed on a time limit longer than that set forth in the subparagraphs below, in which case the longer time limit shall apply).

1. within 14 days from the date on which a copy of the contract was received pursuant to Article 7-(2); provided that if the Goods, etc. was delivered later than the date of issuance of the contract, the 14-day time limit shall begin on the date of delivery.

2. within 14 days from the date on which the Consumer came into knowledge of the address of the Door-to-door Seller, etc., in the event that the Consumer was not issued a copy of the contract pursuant to Article 7-(2), that the contract issued did not bear the address of the Door-to-door Seller, etc., or that the Consumer was not able to withdraw/cancel the contract due to a change of address of the Door-to-door Seller, etc.

(2) A Consumer, in any of the situations listed in the following subparagraphs, may not withdraw/cancel a sales contract against the will of the Door-to-door Seller, etc. pursuant to paragraph (1); provided that if the Door-to-door Seller, etc. has failed to take measures prescribed in paragraph (6), the Consumer may be allowed to withdraw/cancel the contract even in the situation specified in paragraphs (2) and (4). <Amended 1-19-2009>

1. when the Goods, etc. has been lost or damaged by the Consumer, with the exception of only damaging the packaging to check the contents of the Goods, etc.

2. when the value of the Goods, etc. has declined significantly through use or partial consumption

3. when the value of the Goods, etc. has declined significantly due to the passage of time to the point of making it difficult to be resold

4. when the packaging of duplicable Goods, etc. has been damaged

5. in other cases specified by a presidential decree in the interest of the security of transactions

(3) Notwithstanding paragraph (1) or (2), if the contents of the Goods, etc. are different from those indicated in labeling or as advertised, a Consumer may withdraw/cancel a sales contract within 3 months from the date of delivery of the Goods, etc., or 30 days from the date on which he/she discovered the difference.

(4) If a Consumer withdraws/cancels a sales contract pursuant to paragraph (1) or (3) by indicating such an intention in writing, the rescission of the contract shall take effect on the date the document is sent out.

(5) In the case of applying paragraph (1) or (3), if disputes arise over whether the Consumer is responsible for loss or damage or not, facts or dates relating to the conclusion of the sales contract, facts or dates relating to the delivery of the Goods, etc., or facts or dates relating to the issuance of a copy of the contract, the burden of proof shall lie with the Door-to-door Seller, etc.

(6) In the case of Goods, etc. for which a sales contract cannot be withdrawn/canceled pursuant to paragraph (2)-2 or (4), the Door-to-door Seller, etc. shall take measures to ensure that the Consumer's right to withdraw/cancel a sales contract is not restricted, by indicating the fact on the packaging or in other places easily noticeable by Consumers or providing samples. <Amended 1-19-2007>

Article 9 (Effect of Withdrawal/Cancellation)

(1) If a Consumer withdraws/cancels a sales contract pursuant to Article 8-(1) or -(3), he/she shall return the Goods, etc. already delivered to him/her.

(2) A Door-to-door Seller, etc. (including the person who has received the payment for the Goods, etc. sold or the person who has concluded the sales contract with a Consumer; The same shall apply to paragraph (2) or (8)) shall refund the payment for returned Goods, etc. within 3 days from the date of

its arrival. If a Door-to-door Seller, etc. delays a refund, he/she shall pay the Consumer interest on the delayed refund (hereinafter referred to as "Compensation for Delayed Payment"), with the annual interest rate used for calculating such compensation specified by a presidential decree by considering various economic indices including the interest rates used by financial institutions for delayed payments under the Banking Act, provided that the annual interest rate shall not exceed 40 percent. <Amended 7-19-2007>

(3) In refunding the payment for Goods, etc. pursuant to paragraph (1) or (2), if the payment was made by credit card or other instruments of payment specified by a presidential decree (hereinafter referred to as "Credit Card, etc."), the Door-to-door Seller, etc. shall without delay request the business operator who provided the credit card or other payment services (hereinafter referred to as "Payment Service Provider") stop the process of charging the transaction or cancel the charge, if already made; provided that if a Door-to-door Seller, etc. has already received payment for Goods, etc. from the Payment Service Provider, he/she shall return the payment without delay and notify the Consumer of the fact.

(4) A Payment Service Provider, upon being refunded a payment for Goods, etc. from a Door-to-door Seller, etc. pursuant to the conditional clause in paragraph (3), shall without delay refund the payment to the Consumer or take necessary measures for refunding.

(5) If the conditional clause in paragraph (3) applies to a Door-to-door Seller, etc. when he/she delays a refund, thereby causing the Consumer to settle the charge, he/she shall pay the Consumer Compensation for Delayed Payment for the delayed period.

(6) If the Door-to-door Seller, etc. does not make a required refund without just cause, the Consumer may request the Payment Service Provider offset his/her other debt owed to the Door-to-door Seller, etc. against the amount of the payment to be refunded. In such case, the Payment Service Provider may execute the debt offset in a manner specified by a presidential decree.

(7) If a Payment Service Provider has neglected to offset a debt pursuant to paragraph (6) without just cause, the Consumer may refuse to settle the charge owed to the Payment Service Provider. In such case, a Door-to-door Seller, etc. or Payment Service Provider shall not take any harmful actions against the Consumer for his/her refusal to pay, including declaring the Consumer as a debt payment delinquent. <Amended 1-27-2005>

(8) In the case of paragraph (1), if the Goods, etc. has already been used or partially consumed, the Door-to-door Seller, etc. may charge the Consumer an amount of money equivalent to the economic gains made through the use or partial consumption of the Goods or to the money that it cost the Door-to-door Seller, etc. to supply the Goods, etc. to the Consumer, within limits specified by a presidential decree.

(9) In the case of Withdrawal/Cancellation of a sale contract pursuant to Article 8-(1) or -(3), the Door-to-door Seller, etc. shall bear the cost of recollecting the Goods, etc., and the Door-to-door Seller, etc. may not charge the Consumer a penalty or claim damages against the Consumer.

(10) If the Door-to-door Seller, etc. who received the payment from the Consumer and the person who concluded the sales contract with the Consumer are not the same person, they shall be collectively responsible for fulfilling the obligations prescribed in paragraph (1) and (9) regarding refund of payment resulting from Withdrawal/Cancellation of a sales contract pursuant to Article 8-(1) and -(3).

Article 10 (Limits on Damage Claims, etc.)

(1) If a Door-to-door Seller, etc. claims damages for a sales contract canceled due to fault on the Consumer's part, the damages claimed shall not exceed the sum of the amount prescribed in the following subparagraphs plus Compensation for Delayed Payment.

1. the larger of the amounts specified in the following subparagraphs, if the delivered Goods, etc. has been returned,

a. an amount equivalent to the usual charge for using the Goods, etc. returned or to the economic gains usually gained through its use

b. an amount calculated by deducting the selling price of the Goods, etc. at the time of its return from the its original selling price

2. an amount equivalent to the selling price of the Goods, etc, if the delivered Goods, etc. has not been returned,

(2) The Fair Trade Commission, if it is deemed necessary for smooth resolution of disputes between

Door-to-door Seller, etc. and Consumer over damage claims, may establish and make public criteria for calculating damages.

Article 11 (Prohibited Acts)

(1) A Door-to-door Seller, etc. shall not engage in any of the following acts.

1. coercing a Consumer to enter into a sales contract or intimidating a Consumer to prevent him/her from withdrawing/canceling a sales contract

2. misrepresenting or exaggerating facts, luring a Consumer or soliciting a sales contract by deceptive practices or conducting acts aimed at preventing a Consumer from withdrawing/canceling a sales contract

3. imposing certain obligations on a Door-to-door Sales Agent, etc. or a person wanting to become one as a condition for maintaining his/her status as a Door-to-door Sales Agent, etc or for becoming one, such as compelling such a person to pay a certain amount of money beyond a limit specified by a presidential decree, no matter what it is called - a membership fee, a charge for sales supporting items, a charge for an individual quota of sales or a charge for education or training - or making him/her purchase Goods, etc.

4. imposing on a Door-to-door Sales Agent, etc. the obligation of recruiting other Door-to-door Sales Agents, etc.

5. altering his/her own address or telephone number for the purpose of preventing a Consumer from withdrawing/canceling a sales contract

6. leaving unattended for a considerable period of time deficiencies in personnel or facilities needed to handle complaints or disputes from a Consumer, thereby causing harm to the Consumer

7. delivering Goods, etc. to a Consumer and demanding payment for it, when there has been no application from the Consumer for a sales contract

8. coercing a Consumer by telephone, facsimile or computer communications to purchase goods or services, although he/she has indicated that he/she has no intention to purchase such goods or services

9. using information about a Consumer without his/her permission or for purposes outside the scope of use the Consumer has consented to, except for the following cases (including supplying such information to a third party; the same shall apply hereinafter)

a. cases specified by a presidential decree, in which consumer information is needed to fulfill a sales contract with a Consumer as in shipping the purchased Goods, etc.,

b. cases in which consumer information is needed to settle payment for transacted Goods, etc.

c. cases specified by a presidential decree, in which consumer information is needed to verify the identity of the Consumer in order to prevent identity theft

d. cases in which consumer information is needed for other requirements pursuant to statutory regulations

(2) The Fair Trade Commission may establish and make public criteria to be observed by Door-to-door Sellers, etc. in order to prevent violations of this Act and injury to Consumers.

Article 12 (Withdrawal/Cancellation of Sales Contracts during Business Suspension, etc.)

(1) A Door-to-door Seller, etc. shall, during a voluntary or judicially imposed suspension of business, continue to operate business relating to the Withdrawal/Cancellation of sales contracts pursuant to Article 8-(1) or (3) or to Article 9-(1) or -(3).

(2) If a Door-to-door Sales Business Operator, etc. is judged practically incapable of continuing his/her business, such as when he/she has been declared bankrupt without having reported the business as terminated to relevant authorities, the Fair Trade Commission or the mayor/county governor/ward chief who received the original report of business initiation from the Door-to-door Sales Business Operator, etc. pursuant to Article 5-(1) may, by virtue of his/her office, delete his/her records. <Amended 3-31-2005>

Chapter 3 Multilevel Marketing Sales

Article 13 (Registration of Multilevel Business Operator, etc.)

(1) A Multilevel Marketing Business Operator shall register his/her business with the competent Special Metropolitan City Mayor, Metropolitan City Mayor or Province Governor (hereafter referred to as "Mayor/Governor") by submitting the following documents in a manner specified by a presidential decree. <Amended 5-31-2005>

1. an application form bearing his/her business title, address, telephone number, email address (the name, residential registration number and address of the representative, in case of a corporation)
2. a document proving that its paid-in capital exceeds a level specified by a presidential decree, which is above 300 million won
3. documents proving the existence of insurance policy contracts covering liability for consumer injury pursuant to Article 34
4. a document explaining criteria for calculating and paying Commission
5. a document explaining business operations including inventory management and commission payment
6. other documents specified by a Prime Minister's decree, which are necessary to verify the identity of the Multilevel Marketer

(2) If any change has occurred to the details registered pursuant to paragraph (1), a Multilevel Marketing Business Operator shall report it to the relevant authority in a manner specified by a presidential decree.

(3) If a Multilevel Marketing Business Operator, etc. suspends or terminates business or resumes business after a suspension, he/she shall report the facts to the relevant authority in a manner specified by a presidential decree. In case a Multilevel Marketing Business Operator, etc. has reported the termination of his/her business, the registration made pursuant to paragraph (1) shall be invalidated.

(4) The Fair Trade Commission may make public information about a Multilevel Marketing Business Operator that falls under any of the following categories, in a manner specified by a presidential decree; provided that such disclosure shall not be permitted when the information concerns management and business secrets, the disclosure of which may risk harming the person's interests seriously or when the information is personal in nature, the disclosure of which may risk infringing on the person's privacy or freedoms. <Amended 1-19-2007>

1. information registered pursuant to paragraph (1)
2. other information, the disclosure of which is judged necessary for establishing an order of fair trade and protecting Consumers

(5) The Fair Trade Commission, when deemed necessary for the purpose of information disclosure pursuant to paragraph (4), may demand that a Multilevel Marketing Business Operator submit relevant information and data. In such case, the Multilevel Marketing Business Operator shall comply with the demand unless he/she has justifiable reason for refusing to do so. <Newly Added 1-19-2007>

Article 14 (Disqualifications) An individual or corporation falling under any of the following categories shall not register as a multi-marketing business operator pursuant to paragraph (1). <Amended 7-19-2007>

1. an individual falling under any of the following categories or the corporation with which he/she is an officer
 - a. a person judged by the court to be incompetent or quasi-incompetent, or a minor
 - b. a person who has been declared bankrupt and not reinstated
 - c. a person who is within a 5year period following the end of the execution of an imprisonment sentence for violation of this Act or a final decision to suspend the execution of such a sentence (including cases in which the execution of such a sentence is considered to have ended)
 - d. a person who is in a probation period following a suspended sentence for violation of this Act
- 1.2 a corporation whose controlling shareholder falls under any of the following categories
 - a. a person who is within a 5 year period following the end of the execution of an imprisonment sentence for violation of this Act or a final decision to suspend the execution of such a sentence (including cases in which the execution of such a sentence is considered to have ended)
 - b. a person who is in a probation period following a suspended sentence for violation of this Act
2. an individual who, or a corporation which, is within a 5-year period following a revocation of

his/her/its business registration pursuant to Article 42-(4)

3. a corporation whose officer or controlling shareholder was an officer or the controlling shareholder of an individual or a corporation when he/she/it had his/her/its business registration canceled pursuant to paragraph (2)

Article 15 (Multilevel Marketing Agent)

(1) A person who intends to join a Multilevel marketing organization as its marketing agent shall register, in a manner specified by a Prime Minister's decree, with the Multilevel Marketing Business Operator who manages and operates said organization.

(2) A person falling under any of the following categories may not register as a Multilevel Marketing Agent. <Amended 1-18-2007>

1. a central government official, a regional government official, a state-employed teacher or a teacher specified by the Private School Act

1.2. a minor, except when a minor has the consent of his/her legal representative who does not fall either under paragraph (3) or (4)

2. a corporation

3. the controlling shareholder or an officer of another Multilevel Marketing Business Operator

4. a person specified by a presidential decree, who has contravened this Act

(3) A Multilevel Marketing Business Operator shall issue to the Multilevel Marketing Agents belonging to the organization that he/she manages and operates a registration card in a manner specified by a Prime Minister's decree.

(4) A Multilevel Marketing Business Operator shall make a registration record of his/her Multilevel Marketing Agents in a manner specified by a Prime Minister's decree, and he/she shall make such a record available for viewing by a Consumer to verify the identity of a Multilevel Marketing Agent when such information is considered critical for preventing consumer injury or remedying consumer injury.

(5) A Multilevel Marketing Business Operator shall issue to a Multilevel Marketing Agent registered pursuant to paragraph (2) an agent's manual with the following contents.

1. criteria for calculation and payment of Commission

2. matters relating to recruitment of, and Commission payment to, marketing agents under his/her supervision

3. matters relating to return of Goods, etc. and withdrawal from the organization

4. matters to be observed by Multilevel Marketing Agents

5. other matters specified by a Prime Minister's decree

Article 16 (Requirements for Information Provision Prior to Conclusion of Contract and Issuance of a Copy of Contract upon Conclusion of Contract)

Article 7 shall apply mutatis mutandis to conclusion of a sales contract by means of Multilevel marketing, with "Door-to-door Seller", "Door-to-door Sales Business Operator" and "Door-to-door Sales Agent" construed as meaning "Multilevel Marketer", "Multilevel Marketing Business Operator" and "Multilevel Marketing Agent" respectively.

Article 17 (Withdrawal/Cancellation)

(1) Article 8 shall apply mutatis mutandis to Withdrawal/Cancellation of an application for a contract to purchase Goods, etc. by means of Multilevel marketing, with "Door-to-door Seller" construed as meaning "Multilevel Marketer." If a Consumer has concluded a sales contract with a Multilevel Marketing Agent, he/she may request the Multilevel Marketing Agent for Withdrawal/Cancellation of the contract; provided that in cases in which it is not possible to do so for reasons specified by a presidential decree such as difficulty in locating the whereabouts of the Multilevel Marketing Agent, the Consumer may request the Multilevel Marketing Business Operator who supplied the purchased Goods, etc. for Withdrawal/Cancellation of the contract.

(2) A Multilevel Marketing Agent may withdraw/cancel a sales contract with a Multilevel Marketing Business Operator within 3 days of conclusion of such contract, except in cases in which he/she holds an excessive inventory of Goods, etc. as a result of false inventory reporting to the Multilevel Marketing Business Operator, when he/she has damaged Goods, etc. beyond their resale value or

other cases specified by a presidential decree.

(3) If disputes arise over facts or dates relating to the conclusion of a sales contract, facts or dates relating to the delivery of Goods, etc., or allegations of damage to the Goods, etc. and responsibility for such damage, the burden of proof shall lie with the person who sold the Goods, etc.

Article 18 (Effect of Withdrawal/Cancellation)

(1) If the Purchasing Party to a Multilevel marketing sales contract (who is either a Multilevel Marketing Agent who purchased from another Multilevel Marketing Agent or a regular Consumer; The same shall apply hereinafter) withdraws/cancels the contract under Article 17-(1) or -(2), he/she shall return the Goods, etc. already delivered to him/her.

(2) A Multilevel Marketer (including the person who has received the payment for Goods, etc. or the person who has concluded the sales contract with the purchasing party; The same shall apply to paragraph (2) or (8)) shall refund the payment for returned Goods, etc. within 3 days from the date of its arrival; provided that when a Multilevel Marketing Business Operator refunds payment for Goods, etc. to a Multilevel Marketing Agent, he/she may deduct from the refunded money expenses up to a limit specified by a presidential decree, and that when a Multilevel Marketer delays a refund of the payment for Goods, etc., he/she shall pay Compensation for Delayed Payment to the Purchasing Party.

(3) When refunding the payment for Goods, etc. pursuant to paragraph (1), if the payment was made by Credit Card, etc., a Multilevel Marketer shall without delay request the Payment Service Provider to stop the process of charging the transaction or cancel the charge, if already made; provided that if a Multilevel Marketer, etc. has already received the payment for Goods, etc. from the Payment Service Provider, he/she shall return the payment without delay and notify the Purchasing Party of the fact. In case a Multilevel Marketer delays a refund, thereby causing the Purchasing Party to settle the charge, he/she shall pay the Purchasing Party Compensation for Delayed Payment for the delayed period counted from the date on which the charge was settled.

(4) A Payment Service Provider, upon being refunded a payment for Goods, etc. from a Multilevel Marketer under paragraph (3), shall without delay refund the payment to the Purchasing Party or take necessary measures for refund. If a Multilevel Marketer does not make a required refund to a Payment Service Provider without just cause, the Purchasing Party may request the Payment Service Provider to offset his/her other debt owed to the Multilevel Marketer against the amount of the payment to be refunded. In such case, the Payment Service Provider may execute the debt offset in a manner specified by a presidential decree.

(5) If a Payment Service Provider has neglected to offset the debt pursuant to paragraph (4) without just cause, the Purchasing Party may refuse to settle the charge owed to the Payment Service Provider. In such case, a Multilevel Marketer or Payment Service Provider shall not take any harmful actions against the Purchasing Party for his/her refusal to pay, including declaring the Purchasing Party as a debt payment delinquent. <Amended 1-27-2005>

(6) If a Multilevel Marketing Business Operator has refunded payment for Goods, etc. pursuant to Article 17, when the refunded amount exceeds the value of the Goods, etc. he/she supplied to a Multilevel Marketing Agent, he/she may demand payment of the difference from the Multilevel Marketing Agent.

(7) In the case of paragraph (1), if the Goods, etc. has already been partially used or consumed, the Multilevel Marketer may charge the Purchasing Party an amount of money equivalent to the economic gains made through the use or partial consumption of the Goods, etc. or to the money that it cost the Multilevel Marketer to supply the Goods, etc. to the Purchasing Party.

(8) In the case of Withdrawal/Cancellation of a sales contract pursuant to Article 8-(1) or -(3) as applied by Article 17-(1), the Multilevel Marketer shall bear the cost of recollecting the Goods, etc., and the Multilevel Marketer shall not charge the Purchasing Party a penalty or claim damages against the Purchasing Party.

(9) If the Multilevel Marketer and the person who received the payment from the Purchasing Party or the person who concluded the sales contract with the Purchasing Party are not the same person, they shall be collectively responsible for fulfilling the obligations prescribed in paragraph (1), (5) and (8) regarding refund of payment resulting from Withdrawal/Cancellation of a sales contract pursuant to Article 17.

Article 19 (Limits on Damage Claims, etc.)

Article 10 shall apply mutatis mutandis to cancellation of a sales contract for Goods, etc. with a Multilevel Marketer (excluding Withdrawal/Cancellation pursuant to Article 17), with "Door-to-door Seller" and "Consumer" construed as meaning "Multilevel Marketer" and "Purchasing Party" respectively.

Article 20 (Criteria for Payment of Commission, etc.)

(1) A Multilevel Marketing Business Operator shall not pay Commission to a Multilevel Marketing Agent in a manner inconsistent with the criteria for calculation and payment of Commission notified to the Multilevel Marketing Agent or discriminate against a Multilevel Marketing Agent in any other unjust ways.

(2) A Multilevel Marketing Business Operator shall establish objective and clear criteria for calculation and payment of Commission, and any modifications to such criteria shall be made pursuant to procedures specified by a presidential decree.

(3) The total amount of Commission a Multilevel Marketer can pay to a Multilevel Marketing Agent shall not exceed 35/100ths of the sum of the prices of the Goods, etc. (hereinafter referred to as "Price Sum") supplied to the Multilevel Marketing Agent by the Multilevel Marketer (including value-added taxes), and specific methods of calculating Price Sums or Commission including the matters in the following paragraphs shall be specified by a presidential decree. <Amended 1-19-2007>

1. Price Sums shall be calculated as of the date of delivery

2. Commission shall be calculated as of the moment the cause for payment of the Commission occurred.

3. Price Sums and Commission shall be calculated on a yearly basis; provided that such calculations shall be done for the period of time during which a Multilevel Marketing Business Operator has been in business if that period is less than a year.

4. If a Multilevel Marketing Business Operator supplies Goods, etc. to a Multilevel Marketing Agent as a seller for another supplier on a consignment basis, the prices for which the Multilevel Marketing Business Operator sold the Goods, etc. to the Multilevel Marketing Agent shall be the basis for calculating Price Sums, and if a Multilevel Marketing Business Operator supplies Goods, etc. to a Multilevel Marketing Agent as a sales mediator for another supplier, the service fees he/she receives from the supplier shall be the basis for calculating Price Sums.

(4) A Multilevel Marketing Business Operator shall, upon a request from a Multilevel Marketing Agent, allow the Multilevel Marketing Agent to view his/her records of calculated and paid Commissions.

(5) A Multilevel Marketing Business Operator shall not differentiate the Commission paid to his/her Multilevel Marketing Agents by tying it to a condition that one recruits or sponsors a specific number of marketing agent under his/her supervision, irrespective of the sales they make.

Article 21 (Notification/ Advertising concerning Commission, etc.)

(1) A Multilevel Marketing Business Operator shall not provide a Multilevel Marketing Agent or a person wanting to become one with false information about the profits he/she can expect to make.

(2) A Multilevel Marketing Business Operator shall, according to terms specified by a Prime Minister's decree, notify a Multilevel Marketing Agent or a person wanting to become one of information about the current status of Commission payment including the average level of Commission paid to the Multilevel Marketing Agents registered with him/her.

(3) A Multilevel Marketing Business Operator shall not disseminate false or exaggerated information about the operation and activities of his/her Multilevel Marketing organization.

Article 22 (Registration and Withdrawal of Multilevel Marketing Agent)

(1) A Multilevel Marketing Business Operator shall not impose on a Multilevel Marketing Agent or a person wanting to become one economic obligations beyond a level specified by a presidential decree such as compelling him/her to purchase an excessive amount of Goods, etc., as a condition for him/her to register as a Multilevel Marketing Agent or maintain his/her status as such or for him/her to qualify for a more advantageous standard of Commission payment. <Amended 7-19-

2007>

(2) A Multilevel Marketer shall not obligate a Multilevel Marketing Agent to recruit a certain number of marketing agents under his/her supervision or register a person as his/her marketing agent without that person's consent.

(3) A Multilevel Marketing Business Operator shall discharge a Multilevel Marketing Agent if he/she falls under any of the disqualification categories listed in Article 15.

(4) A Multilevel Marketing Agent may withdraw from a Multilevel Marketing organization at any time by notifying the Multilevel Marketing Business Operator of his/her intention to withdraw, and the Multilevel Marketing Business Operator shall not impose any conditions on his/her withdrawal.

(5) A Multilevel Marketing Business Operator shall take necessary measures to prevent a withdrawn Multilevel Marketing Agent from inflicting injury on Consumers by continuing his/her marketing activities, including retrieval of the agent's manual from that person.

Article 23 (Prohibited Acts)

(1) A Multilevel Marketer shall not engage in any of the following acts.

1. coercing a Purchasing Party to enter into a sales contract or intimidating a Purchasing Party in order to prevent him/her from withdrawing/canceling a sales contract

2. misrepresenting or exaggerating facts, soliciting a sales contract from a Purchasing Party by deceptive practices or conducting acts aimed at preventing a Purchasing Party from withdrawing/canceling a sales contract, providing false information about the price or quality of Goods, etc., or misleading a Purchasing Party into believing that Goods, etc. are of higher quality than they actually are

3. imposing certain obligations on a Multilevel Marketing Agent or a person wanting to become one as a condition such as compelling such a person to pay a certain amount of money beyond a limit under 100,000 won specified by a presidential decree, no matter what it is called - a new membership fee, a charge for sales supporting items, a charge for an individual quota of sales or a charge for education or training - or making such a person pay money under any other pretexts

4. paying economic benefits to a Multilevel Marketing Agent for recruiting marketing agents under his/her supervision or providing him/her with economic gains other than Commission without justifiable reason

5. altering one's address or telephone number for the purpose of preventing a Purchasing Party from withdrawing/canceling a sales contract

6. leaving unattended for a considerable period of time deficiencies in personnel or facilities needed to handle consumer complaints or disputes, thereby causing harm to a Purchasing Party

7. delivering Goods, etc. to a Purchasing Party and demanding payment for it, when there has been no application from the Purchasing Party for a sales contract or coercing a Purchasing Party or a marketing agent under one's supervision to purchase goods or services.

8. coercing a Purchasing Party by telephone, facsimile or computer communications to purchase goods or services, although he/she has indicated that he/she has no intention to purchase such goods or services

9. (in case of a Multilevel Marketing Agent), using one's social status to force a person to register as a marketing agent under his/her supervision or coercing a marketing agent under his/her supervision to purchase goods or services.

10. coercing a Multilevel Marketing Agent or a person wanting to become one to participate in training or collective boarding against his/her will

11. representing an unregistered Multilevel Marketing Agent as one in his/her employment or allowing an unregistered Multilevel Marketing Agent to work under one's supervision

12. conducting business in the absence of an insurance policy to protect against consumer damage pursuant to Article 34

13. selling Goods, etc. to a Purchasing Party for a price higher than a limit specified by a presidential decree

14. using information about a Consumer without his/her permission or for purposes other than those the Consumer has consented to, except for the following cases

a. cases specified by a presidential decree, in which consumer information is needed to perform a sales contract with a Consumer as in shipping the purchased Goods, etc.,

- b. cases in which consumer information is needed to settle payment for transacted Goods, etc.
- c. cases specified by a presidential decree, in which consumer information is needed to verify the identity of the Consumer in order to prevent identity theft
- d. cases in which consumer information is needed for other inevitable purposes pursuant to statutory regulations

15. transferring or acquiring a Multilevel Marketing organization or the status of a Multilevel Marketing Agent, except when one is inheriting the status of a Multilevel Marketing Agent or in the case of business transfer, acquisition or merger

(2) No one shall use a Multilevel Marketing organization or a similar organization made of multiple levels of sales agents to conduct financial transactions without trading Goods, etc. or disguising what is actually a financial transaction as a transaction in Goods, etc. Specific cases of disguising a practically financial transaction as a transaction in Goods, etc. shall be determined by a presidential decree. <Amended 1-19-2007>

(3) A Multilevel Marketing Business Operator shall not induce a Multilevel Marketing Agent to engage in prohibited acts as specified in paragraph (1) or (2) or assist him/her in doing so.

(4) The Fair Trade Commission may establish and make public criteria to be observed by Multilevel Marketers in order to prevent violations of this Act and injury to Consumers.

Article 24 (Request for Stopping an Act of Infringement on Consumer's Interests)

A Consumer whose interests are infringed on or in danger of being infringed on by a Multilevel Marketing Business Operator engaged in any of the prohibited acts prescribed in Article 23 or a consumer organization specified by a presidential decree, upon determination that such an act is inflicting or is likely to inflict serious injury on the person, may request the Fair Trade Commission take measures to stop the act of infringement in a manner specified by a presidential decree.

Article 25 (Withdrawal/Cancellation of Sales Contracts during Business Suspension, etc.)

(1) A Multilevel Marketing Business Operator shall, during a voluntary or judicially imposed suspension of business, continue to operate his/her business relating to Withdrawal/Cancellation of sales contracts pursuant to Article 8-(1) or -(3) as applied by Article 17-(1) or Article 18-(1) or -(3).

(2) If a Multilevel Marketing Business Operator has terminated his/her business or has had his/her business registration canceled, when a Multilevel Marketing Agent has sold the Goods, etc. left in the Multilevel Marketing Business Operator's inventory at the time of business termination or registration cancellation, the Multilevel Marketing Agent shall take returns of the Goods, etc., upon Withdrawal/Cancellation of a sales contract and refund the payment received within 3 days after the date of the arrival of the returned Goods, etc.

(3) If a Multilevel Marketing Business Operator registered with the Fair Trade Commission or a Mayor/Governor pursuant to Article 13-(1) is judged practically incapable of carrying on business, as when he/she has been declared bankrupt with his/her registration still active, the relevant authority may cancel his/her registration.

Article 26 (Public Notice of Change of Address, etc.)

If any of the following changes has occurred to the status of a Multilevel Marketing Business Operator, the Fair Trade Commission or Mayor/Governor shall give public notice of the facts in a manner specified by a Prime Minister's decree.

1. change of his/her business title or the address/telephone number of his/her main place of business

2. a voluntary suspension or termination of business reported pursuant to Article 13-(3)

3. a judicially imposed suspension or business or a registration cancellation pursuant to Article 42-

(4)

Article 27 (Responsibilities of Multilevel Marketing Business Operators)

(1) A Multilevel Marketing Business Operator shall notify, by letter or email, his/her Multilevel Marketing Agents of provisions of Article 23 prescribing prohibited acts to prevent violating said provisions in recruiting marketing agents under their supervision or selling Goods, etc. to Consumers.

(2) If a Multilevel Marketing Business Operator has neglected the obligation of notification prescribed

in paragraph (1), he/she shall be liable for the damage a Multilevel Marketing Agent has caused to another Multilevel Marketing Agent or a Consumer in violation of the provisions of Article 23 prescribing prohibited acts.

(3) Criteria for assessing compensation pursuant to paragraph (2) shall be specified by a presidential decree, the provision of paragraph (2) shall not restrict a Multilevel Marketing Business Operator's right to indemnity against a Multilevel Marketing Agent.

Chapter 4 Specified Continuous Service Offers, etc.

Article 28 (Requirements for Information Provision Prior to Conclusion of Contract and Issuance of a Copy of Contract upon Conclusion of Contract)

(1) A person (hereinafter referred to as "Continuous Service Offers Business Operator") who receives income from specified continuous service offers or business offer soliciting transactions (hereinafter referred to as "Continuous Service Offer, etc."), in case he/she concludes a Continuous Service Offers, etc. contract with a Consumer for a value and duration exceeding limits specified by a presidential decree, shall explain the following items to the Consumer so that the Consumer will understand the contents of the contract and issue to the Consumer a copy of a sales contract containing the following items.

1. the name of the Continuous Service Offers Business Operator (or the name of the representative, in case of a corporation), his/her business title, address, telephone number and email address

2. the names, types and contents of Goods, etc. sold through Continuous Service Offers (including other Goods, etc. that need to be purchased separately in connection with a Continuous Service Offer, etc., if there is a such need) or of Goods, etc. sold through Business Offer Soliciting Transactions.

3. the amount of money payable for Goods, etc. (which is the amount of money paid for the transaction of the Goods, etc., no matter what it is called - induction fee, installation fee, etc.) and payment date and method

4. method, duration and dates of transaction of Goods, etc

5. terms of transaction regarding the business offered, which are specified by a presidential decree, in the case of Business Offer Soliciting Transactions

6. matters concerning rescission of a contract under Article 29, its method and effect, and forms to be filled out for exercising the right to rescission of a contract

7. matters concerning remedies for consumer injury and resolution of consumer complaints or disputes between Consumer and business operator

8. provisions of the contract

9. other conditions of transactions that affect a Consumer's decision-making or matters necessary for remedies for consumer injury as specified by a presidential decree

(2) If a Continuous Service Offers Business Operator, etc. enters into a contract with a minor pursuant to paragraph (1), Article 7-(3) shall apply mutatis mutandis.

(3) A Continuous Service Offers Business Operator, etc. shall comply in good faith with the conditions of the transaction as indicated or notified to a Consumer pursuant to paragraph (1).

Article 29 (Termination of Contract)

A Consumer who has entered into a Continuous Service Offer, etc. contract with a Continuous Service Offers Business Operator, etc. may terminate the contract at any time during the duration of the contract; provided that this provision shall not apply to cases stipulated differently by other statutes or specified by a presidential decree for the security of transaction.

Article 30 (Effect of Termination or Cancellation of Contract & Penalties)

(1) If a Continuous Service Offer, etc. contract is canceled or terminated early due to no fault on the part of a Continuous Service Offers Business Operator, etc. (excluding the cases of withdrawn applications for a sales contract pursuant to Article 8 and 17), the Continuous Service Offers Business Operator, etc. shall not charge the Consumer a penalty greatly in excess of the losses incurred from the cancellation or termination, nor shall he/she deny the Consumer a refund of the payments already received that exceed the value of the Goods, etc. supplied, irrespective of what the payments

are called – sign-up fee, registration fee, etc.

(2) If a Continuous Service Offer contract, etc. is canceled or terminated early, the Consumer may return whatever parts of the Goods, etc. that are returnable to the Continuous Service Offers Business Operator, etc., and the Continuous Service Offers Business Operator, etc. shall take measures to reimburse the Consumer for the returned Goods, etc. by refunding payment or reducing the penalty.

(3) If a Continuous Service Offer, etc. contract is canceled or terminated early due to no fault on the part of a Continuous Service Offers Business Operator, etc., when the total payments received under the contract exceed the sum of the value of the Goods supplied to the Consumer and the penalty assessed (including the refundable amount for returned Goods, etc.), the Continuous Service Offers Business Operator, etc. shall refund the difference to the Consumer. When a refund is delayed in such a case, Compensation for Delayed Payment shall be added to the refund for the delayed period in a manner specified by a Prime Minister's decree.

(4) If disputes arise over a Consumer's accountability for a cancellation or early termination of a contract or refund of payment pursuant to paragraph (1), facts and dates relating to the conclusion of a contract, and facts and dates relating to the delivery of Goods, etc., the burden of proof shall lie with the Continuous Service Offers Business Operator, etc.

(5) The Fair Trade Commission may establish and make public criteria for assessing penalties pursuant to paragraph (1) and refunds or reductions in penalties pursuant to paragraph (2) in order to prevent disputes over such matters.

Article 31 (Viewing of Transaction Records, etc.)

A Continuous Service Offers Business Operator, etc. shall make his/her records of transactions of Goods, etc. available for inspection by a Consumer in a manner specified by a presidential decree.

Article 32 (Prohibited Acts)

(1) A Continuous Service Offers Business Operator, etc. shall not engage in any of the following acts.

1. coercing a Consumer to enter into a contract or intimidating a Consumer in order to prevent him/her from terminating or canceling a sales contract

2. misrepresenting or exaggerating facts, soliciting a contract from a Consumer by deceptive practices or conducting acts aimed at preventing a Consumer from terminating or canceling a contract

3. compelling a Consumer to purchase Goods, etc. under a contract at prices far higher than the

4. delaying, or refusing to implement, measures necessary to follow up on a termination or cancellation of a contract by a Consumer

5. altering one's address or telephone number for the purpose of preventing a Consumer from terminating or canceling a contract

6. leaving unattended for a considerable period of time deficiencies in personnel or facilities needed to handle consumer complaints or disputes, thereby causing harm to a Consumer

7. delivering Goods, etc. to a Consumer and demanding payment for it, when there has been no application from the Consumer for a sales contract

8. coercing a Consumer by telephone, facsimile or computer communications to purchase goods or services, although he/she has indicated that he/she has no intention to purchase such goods or services

(2) The Fair Trade Commission may establish and make public criteria to be observed by Continuous Service Offers Business Operators, etc. in order to prevent violations of this Act and injury to Consumers.

Chapter 5 Protection of Consumer Rights

Article 33 (Establishment of Consumer Protection Guidelines, etc.)

(1) The Fair Trade Commission may set up guidelines for protecting consumer rights (hereinafter referred to as "Consumer Protection Guidelines") in Door-to-door Sales, Telemarketing, Multilevel Marketing and Specified Continuous Service Offers (hereinafter referred to as "Special Sales") by listening to major stakeholders, relevant organizations and induce business operators to observe the

guidelines on an autonomous basis with a view to establishing a sound order of trade in those markets.

(2) A person who receives income from Special Sales (hereinafter referred to as a "Special Sales Business Operator") shall indicate or notify to a Consumer, in a manner easily noticeable by the Consumer, any provisions in the contract he/she uses, which are more disadvantageous to Consumers than what is recommended by the Consumer Protection Guidelines.

Article 34 (Consumer Indemnity Insurance Contract, etc.)

(1) A Multilevel Marketer, who wants to register his/her business pursuant to Article 13-(1), shall conclude all of the following contracts (hereinafter referred to as "Consumer Indemnity Insurance Contract, etc.")

1. a contract with an insurance company for payment of indemnity for consumer injury
2. a debt payment guarantee contract with a bank, aimed at protecting consumers against delayed payment of redress for injury
3. a contract with a mutual aid cooperative established pursuant to Article 35

(2) The Fair Trade Commission may strongly encourage business operators in Door-to-door Sales, Telemarketing and Continuous Service Offers to enter into a Consumer Indemnity Insurance Contract, etc..

(3) A Consumer Indemnity Insurance Contract, etc. shall be of sufficient size to cover redress for consumer injury occurring from violations of this Act. Specific criteria for such contracts shall be specified by a presidential decree.

(4) A party liable to pay redress to a Consumer under a Consumer Indemnity Insurance Contract, etc. shall make payment without delay once a cause for it arises. In the event of a delay in such payment, the payer shall pay Compensation for Delayed Payment as well.

(5) A business operator shall not provide false information about his/her business such as sales figures to suppliers of a Consumer Indemnity Insurance Contract, etc. to enter into or maintain such contracts. <Amended 1-19-2007>

(6) A business operator covered by a Consumer Indemnity Insurance Contract, etc. may use a mark announcing that fact.

(7) A business operator not covered by a Consumer Indemnity Insurance Contract, etc. shall not use a mark prescribed in paragraph (6), nor shall he/she make or use a fake mark.

Article 35 (Establishment of Mutual Aid Cooperatives)

(1) A business operator who has reported or registered his/her business pursuant to Article 5 and 13 respectively may, upon approval by the Fair Trade Commission, establish a mutual aid cooperative (hereinafter referred to as "Mutual Aid Cooperative") to conduct co-op activities prescribed in Article 34-(1)-3, including an insurance business for paying injury damages to Consumers. Specific criteria for approval of a Mutual Aid Cooperative shall be determined by a presidential decree.

(2) A Mutual Aid Cooperative shall be a corporation, and it shall come into existence by registering its business with the public registry of the region in which its main office is located.

(3) A member of a Mutual Aid Cooperative shall make the required capital contribution to the Cooperative, which is used to finance co-op activities.

(4) The basic assets of a Mutual Aid Cooperative will principally come from the capital investments made by its members; provided that the Government may invest in, or provide financial assistance, to a Mutual Aid Cooperative, within a budget set for such purpose.

(5) Matters concerning the qualifications of co-op members, officers and criteria for capital investments shall be specified by the articles of incorporation.

(6) Matters concerning procedures of approval for establishment of a Mutual Aid Cooperative, items to be included in the articles of incorporations and operation of a Mutual Aid Cooperative shall be specified by a presidential decree. <Amended 12-29-2005>

(7) If a Mutual Aid Cooperative wants to undertake mutual aid business pursuant to paragraph (1), it shall prepare business regulations, which shall be subject to approval by the Fair Trade Commission, as shall any later modifications to the regulations.

(8) The business regulations drawn up pursuant to Article 7 shall prescribe key issues relating to the operation of business such as the scope of business, premium rates and responsibility reserves for

financing business activities, etc.

(9) Other matters relating to Mutual Aid Cooperatives that are not specified by this Act shall be subject to the provisions of the Civil Act pertaining to corporations.

(10) The Insurance Business Act shall not be applicable to the business undertaken by Mutual Aid Cooperatives pursuant to this Act.

Article 35.2 (Supervision of Mutual Aid Cooperatives)

(1) The Fair Trade Commission may, if deemed necessary, order a Mutual Aid Cooperative to submit a report on its business or take other necessary actions or have public officials inspect the business of a Mutual Aid Cooperative or examine business records and documents including its account books.

(2) The Fair Trade Commission may order a Mutual Aid Cooperative to rectify activities that contradict statutes or its own articles of incorporation and demand that it take necessary actions to remedy consumer injury.

(3) A public official conducting inspections or examinations under paragraph (1) shall carry with him/her and present to the relevant counterparty a proof of his/her authority to undertake such actions.

[This Article Newly Added 12-29-2005]

Article 36 (Financial Assistance to Consumer Organizations related to Special Sales, etc.)

The Fair Trade Commission may provide financial assistance to agencies or organizations involved in activities aimed at establishing the fairness of trade and protecting consumer rights in Special Sales, within a budget set for such purpose.

Chapter 6 Investigations & Supervision

Article 37 (Investigation of Violations)

(1) If the Fair Trade Commission, Mayor/Governor, or mayor/county governor/ward chief has sufficient grounds for suspecting a violation of this Act, he/she may, by virtue of his/her office, initiate an investigation into the matter; provided that as for violations of the provisions concerning Multilevel Marketing, only the Fair Trade Commission or Mayor/Governor may initiate an investigation. <Amended 3-31-2005>

(2) If a Mayor/Governor or mayor/county governor/ward chief intends to initiate an investigation pursuant to paragraph (1), he/she shall notify the Fair Trade Commission of his/her intention. The Fair Trade Commission may request that the Mayor/Governor or mayor/county governor/ward chief discontinue such an investigation when it is likely to duplicate an investigation by the Commission. Upon such a request from the Commission, the Mayor/Governor or mayor/county governor/ward chief shall halt the investigation unless he/she has sufficiently justifiable grounds for rejecting it. <Amended 3-31-2005>

(3) If a Mayor/Governor or mayor/county governor/ward chief has undertaken an investigation pursuant to paragraph (1) or (2), he/she shall give the investigated party a written notification of the results of the investigation (including any corrective actions he/she intends to order). <Amended 3-31-2005>

(4) In case anyone suspects a violation of this Act, he/she may report it to the Fair Trade Commission, Mayor/Governor or mayor/county governor/ward chief; provided that such a report shall be made only to the Fair Trade Commission or Mayor/Governor when the violation involves Multilevel Marketing. <Amended 3-31-2005>

(5) When five years have passed from the date on which a violation of this Act has ended, the Fair Trade Commission shall not order corrective action against the violation pursuant to Article 42 or impose a monetary penalty on the offender pursuant to Article 44.

Article 38 (Disclosure of Information about Illegitimate Acts, etc.)

The Fair Trade Commission may disclose information about violations of this Act or other wrongful acts committed by a Special Sales Business Operator in a manner specified by a presidential decree, when such disclosure is considered necessary for establishing the fairness of trade and preventing

consumer injury in Special Sales.

Article 39 (Fairness in Assessment and Certification Business)

(1) A person who is in the business of assessing and certifying relevant business operators for the purpose of securing the fairness of trade and protecting consumer rights in Special Sales (hereinafter referred to as "Assessment and Certification Service Provider"), irrespective of what his/her business is called, shall give public notice of his/her criteria and methods of assessment and certification and carry out assessments and certifications in a fair manner compliant with such criteria.

(2) The criteria and methods of assessment and certification established pursuant to paragraph (1) shall be appropriate for delivering information about the efforts made by business operators to establish the fairness of trade and protect consumer rights and the achievements attained as a result of such efforts.

(3) The Fair Trade Commission may direct an Assessment and Certification Service Provider to submit data showing the current status of operation of his/her business.

Article 40 (Reporting & Supervision)

(1) When a Mayor/Governor or mayor/county governor/ward chief has recommended or ordered corrective action pursuant to Article 41 and 42 respectively, he/she shall report the fact to the Fair Trade Commission in a manner specified by a presidential decree. <Amended 3-31-2005>

(2) The Fair Trade Commission may, if deemed necessary for effective enforcement of this Act, require the competent Mayor/Governor or mayor/county governor/ward chief to undertake an investigation, verify facts or submit data or to take necessary corrective action against a business operator. In such case, the Mayor/Governor or mayor/county governor/ward chief shall comply with the demand unless he/she has special reasons for not doing so. <Amended 3-31-2005>

Chapter 7 Corrective Actions and Monetary Penalties

Article 41 (Recommendation of Corrective Actions)

(1) If the Fair Trade Commission, Mayor/Governor or mayor/county governor/ward chief finds a business operator in violation of this Act or negligent in carrying out his/her obligations under this Act, he/she may recommend corrective actions to the business operator, prior to issuing an order of corrective actions pursuant to Article 42, strongly encouraging him/her to halt the violation act or fulfill his/her obligations under this Act. In such case, the recommendation shall be accompanied by a notification that if the business operator accepts the recommended actions, it will be construed as having fulfilled an order of corrective actions issued pursuant to paragraph (3). <Amended 3-31-2005>

(2) A business operator who has received a recommendation of corrective actions pursuant to paragraph (1) shall have 10 days to reply to the relevant authority, indicating whether or not he/she accepts the recommendation.

(3) In a case in which a business operator who has received a recommendation of corrective actions pursuant to paragraph (1) accepts the recommendation, it shall be construed as having fulfilled an order of corrective actions issued pursuant to Article 42.

Article 42 (Corrective Actions)

(1) The Fair Trade Commission may order corrective actions be made by a business operator who has engaged in any of the following acts or neglected fulfilling his/her obligations under this Act. <Amended 1-19-2007>

1. an act in violation of Article 5-(1) or -(3), Article 6, Article 7-(1) or -(3) and -(5), Article 8-(6), Article 9, Article 10-(1), Article 12-(1), Article 13-(1) or -(3) and -(5), Article 14 or 23, Article 25-(1) and -(2), Article 27-(1) and -(2), Article 28, Article 30-(1) or -(3), Article 31, Article 33-(2), Article 34-(1), -(4), -(5) and -(7), Article 39-(1) and -(2), or Article 48.

2. an act prohibited by Article 11-(1), Article 23-(1) and Article 32-(1)

(2) Corrective actions that can be ordered pursuant to paragraph (1) shall include the following.

1. cessation of the violation in question

2. fulfillment of obligations under this Act
 3. issuing public notice of the fact that corrective actions have been ordered
 4. other measures necessary to correct the violation
- (3) Matters relating to the process of giving public notice of facts about corrective actions ordered pursuant to paragraph (2)-3 shall be specified by a presidential decree.
- (4) If a business operator repeats a violation after corrective actions have been ordered pursuant to paragraph (1) or fails to carry out such ordered corrective actions, the Fair Trade Commission may order his/her business suspended partially or fully for a period of less than a year; provided that the Fair Trade Commission may revoke the registration of a business operator in any of the following circumstances.
1. when the business operator obtained registration under Article 13-(1) by deception or other illegitimate methods
 2. when the business operator falls under any of the disqualifying conditions provided in Article 14
 3. when the business operator has lost any of the Consumer Indemnity Insurance Contract, etc. provided in Article 34-(1)

Article 43 (Request for Consumer Dispute Mediation)

- (1) When a Consumer has requested remedies for injury in Special Sales suffered from a violation of this Act, the Fair Trade Commission, Mayor/Governor or mayor/county governor/ward chief may, prior to recommending or ordering corrective actions to the business operator concerned pursuant to Article 41 and 42 respectively, refer the case to an agency or organization dedicated to consumer protection in Special Sales or other consumer dispute settlement organizations specified by a presidential decree for resolution. <Amended 3-31-2005>
- (2) The Fair Trade Commission, Mayor/Governor or mayor/county governor/ward chief shall notify the business operator involved in a case referred to a consumer organization pursuant to paragraph (1) that if he/she accepts the settlement recommended or mediated by the aforementioned organization, he/she shall be exempt from corrective actions that can be ordered under Article 42. <Amended 3-31-2005>
- (3) In a case referred to a consumer organization pursuant to paragraph (1), the Fair Trade Commission, Mayor/Governor or mayor/county governor/ward chief shall not order corrective actions be made by the business operator involved under Article 42, if he/she accepts a resolution recommended or mediated by the aforementioned organization. In this case, Article 37-(5) shall not apply.
- (4) When referring a consumer dispute to a consumer organization for mediation under paragraph (1), the Fair Trade Commission may provide the organization with financial assistance needed to discharge the case, within a budget set for such purpose.

Article 44 (Monetary Penalties)

- (1) If a Special Sales Business Operator repeats a violation of this Act after corrective actions have been ordered pursuant to Article 42 or if corrective actions alone are not considered sufficient to prevent consumer injury caused by such an act, the Fair Trade Commission may order his/her business suspended partially or fully for a period less than a year or impose on the business operator a monetary penalty not exceeding the value of sales associated with the violation as specified by a presidential decree. In such case, when no sales are associated with such a violation or such sales are impossible to assess, the Fair Trade Commission may set the monetary penalty at an amount not exceeding 50 million won.
- (2) The Fair Trade Commission shall consider the following in assessing a monetary penalty pursuant to paragraph (1).
1. the amount of consumer injury caused by the violation
 2. the extent of efforts made by the business operator to compensate Consumers for the injury they suffered
 3. the amount of profits gained from the violation
 4. the nature of the violation, the duration which it has persisted, and its frequency
- (3) If the company of a Special Sales Business Operator responsible for a violation of this Act is

merged with another company, the Fair Trade Commission may hold the surviving or newly created company from the merger liable for the violation and thereby impose a monetary penalty on it.

(4) Article 55.4 and Article 55.6 of the Monopoly Regulation and Fair Trade Act shall apply mutatis mutandis to the extension of the payment due date for a monetary penalty, the payment of a monetary penalty in installments, the collection and refunding of monetary penalties and the determination of actions on nonpayment of monetary penalties under paragraph (1). <Amended 12-31-2004>

Chapter 8 Supplementary Provisions

Article 45 (Prohibition of Sales Contracts Disadvantageous to Consumers)

Any provision in a contract which violates Article 7 or 10, Article 16 or 19, or Article 28 or 30 and is disadvantageous to a Consumer shall be invalid.

Article 46 (Jurisdiction of Trial Court)

Any lawsuit brought against a Special Sales Business Operator under this Act shall fall under the jurisdiction of the regional court of the district in which the plaintiff Consumer has his/her address or his/her domicile in the absence of such address; provided that this provision shall not apply when it is difficult to establish the plaintiff's address or domicile.

Article 47 (Registration of Trade association, etc.)

(1) A trade association established for the purposes of assisting the sound development of Special Sales, improving consumer confidence in Special Sales and advancing other common interests of its members may register with the Fair Trade Commission in a manner specified by a presidential decree.

(2) Matters relating to requirements for, methods and procedures of, and registration pursuant to paragraph (1) shall be specified by a presidential decree.

Article 48 (Prevention of Misuse, Abuse & Theft of Information about Consumers)

Article 11 of the Act for Consumer Protection in Electronic Commerce, etc. shall apply mutatis mutandis to Special Sales Business Operators regarding their collection and use of information about Consumers. In such case, "Electronic Commerce or Mail-order Sales" shall be construed as meaning "Special Sales".

Article 49 (Delegation & Entrusting of Powers)

(1) The Fair Trade Commission may delegate part of its powers established under this Act to the head of the competent government agency or Mayor/Governor or entrust it to the head of other relevant administrative agencies in a manner specified by a presidential decree.

(2) A Mayor/Governor may delegate part of his/her powers established under this Act to the competent mayor/county governor/ward chief in a manner specified by a presidential decree. <Amended 3-31-2005>

(3) The Fair Trade Commission may, if deemed necessary for ensuring the effective enforcement of this Act, entrust part of its activities to a trade association registered pursuant to Article 47.

(4) The officers and staff of a trade association to which the Fair Trade Commission has entrusted its activities under paragraph (3) shall be deemed public officials to the extent that the Penal Provisions of Article 129 or 132 apply to them.

Article 50 (Application of Monopoly Regulation and Fair Trade Act)

(1) Article 42 or 45 and Article 52 of the Monopoly Regulation and Fair Trade Act shall apply mutatis mutandis to the deliberation on, and resolution of, matters by the Fair Trade Commission under this Act.

(2) Article 50-(1) or -(4) of the Monopoly Regulation and Fair Trade Act shall apply mutatis mutandis to an investigation undertaken by the Fair Trade Commission, Mayor/Governor, or mayor/county governor/ward chief into an act in violation of this Act. <Amended 3-31-2005>

(3) Article 53, Article 53.2, Article 54, Article 55 and Article 55.2 of the Monopoly Regulation and Fair

Trade Act shall apply mutatis mutandis to the determination of the regional court with jurisdiction over a lawsuit brought to protest corrective actions ordered by the Fair Trade Commission or by the Mayor/Governor under the powers delegated to by the Fair Trade Commission pursuant to Article 49 or to have the execution of such actions suspended by the court.

(4) Article 62 of the Monopoly Regulation and Fair Trade Act shall apply mutatis mutandis to the Commissioners of the Fair Trade Commission or public officials who are engaged or used to be engaged in the activities prescribed by this Act.

Chapter 9 Penal Provisions

Article 51 (Penal Provisions)

(1) A person falling under any of the following categories shall be punishable by imprisonment for not more than 7 years and/or a fine not more than 200 million won. In such case, when the sum of total sales or transacted money associated with the violation multiplied by 3 exceeds 200 million won, the perpetrator shall be punishable by imprisonment for not more than 7 years and/or a fine not more than an amount equal to three times the value of total sales or transacted money.

1. a person who, in violation of Article 13-(1), establishes, manages or operates a Multilevel Marketing organization without obtaining registration (including cases in which the registration has been canceled pursuant to Article 42-(4))

2. a person who establishes, manages or operates a Multilevel Marketing organization with registration obtained by deception or other illegitimate methods (as well as a person who has committed the prohibited act prescribed in Article 23-(1)-12)

(2) The imprisonment and fine penalties prescribed in paragraph (1) may both be applied together..

Article 52 (Penal Provisions)

(1) A person falling under any of the following categories shall be punishable by imprisonment for not more than 5 years and/or a fine not more than 150 million won.

1. a person who has violated Article 22-(2)

2. a person who has committed any of the acts prohibited by Article 23-(1)-1, -2, -3 and -4

3. a person who, in violation of Article 23-(2), has engaged in financial transactions without trade of Goods or who has practically engaged in financial transactions by disguising them as trade of Goods

(2) The imprisonment and fine penalties prescribed in paragraph (1) may both be applied together.

Article 53 (Penal Provisions)

(1) A person falling under any of the following categories shall be punishable by imprisonment for not more than 3 years and/or a fine not more than 100 million won. <Amended 1-19-2007>

1. a person who, in violation of Article 13-(2) or -(3), has obtained registration by deceptive practices

2. a person who, in violation of Article 15-(5), has included false information in a Multilevel Marketing Agent's manual

3. a person who, in violation of Article 18-(2), has failed to refund the payment of Goods, etc

4. a person who has violated Article 20-(3) or -(5)

5. a person who has violated Article 21-(1) or -(3)

6. a person who has violated Article 22-(1) or -(4)

7. a person who has committed any of the acts prohibited by Article 23-(1)-5, -7, -9, 10, -11 or -15

8. a Multilevel Marketing Business Operator who, in violation of Article 34-(5), has used false information and data for entering into and maintaining a Consumer Indemnity Insurance Contract, etc., etc

9. a person who, in violation of Article 34-(7), has used the mark provided in Article 43-(6) or made or used a counterfeit mark.

10. a person who, in violation of Article 42-(1), has failed to comply with an order of corrective actions

11. a person who has continued to do business in violation of an order of suspended business

issued under Article 42-(4)

(2) The imprisonment and fine penalties prescribed in paragraph (1) may both be applied together.

Article 54 (Penal Provisions)

(1) A person falling under any of the following categories shall be punishable by imprisonment for not more than 2 years and/or a fine not more than 50 million won.

1. a person who has committed any of the acts prohibited by Article 11-(1), -(2) or -(5)
2. a person who, in violation of Article 13-(2) or -(3), has failed to do the required reporting
3. a person who has committed any of the acts prohibited by Article 32-(1)-1, -2, or -5

(2) The imprisonment and fine penalties prescribed in paragraph (1) may both be applied together..

Article 55 (Penal Provisions)

(1) A person falling under any of the following categories shall be punishable by imprisonment for not more than 1 year or a fine not more than 30 million won. <Amended 1-19-2007>

1. a person who, in violation of Article 5-(1), has failed to file the require report or filed a false report
2. a person who has committed the act prohibited by Article 11-(1)-3
3. a person who, in violation of Article 12-(1) or 25-(1), has failed to carry on business activities that must be continued during a voluntary or judicially imposed suspension of business
- 3.2. a person who, in violation of Article 13-(5), has failed to comply with a request for provision of data or submitted false data
4. a person who, in violation of Article 15-(2)-1, 2 or 4, has recruited as a Multilevel Marketing Agent a person unqualified to register as such
5. a person who has recorded false information on a Multilevel Marketing Agent's registration card provided in Article 15-(3)
6. a person who, in violation of Article 15-(4), has made a false registration record of Multilevel Marketing Agents
7. a person who has committed the act prohibited by Article 23-(1)-13
8. a person who, in violation of Article 31, has made a false record of transactions of Goods, etc

Article 56 (Penal Provisions)

(1) A person falling under any of the following categories shall be punishable by a fine not more than 10 million won.

1. a person who, in violation of Article 6-(3), has given false information about his/her name, etc
2. a person who has issued a copy of a contract containing false information under the requirements of Article 7-(1), Article 16 or Article 28-(1)
3. a person who has committed any of the acts prohibited by Article 11-(1)-4 or -7
4. a person who has committed any of the acts prohibited by Article 32-(1)-3, -4 or -7

Article 57 (Punishment of Both Parties)

(1) If a representative of a corporation, or an agent, employee or any worker of a corporation or a person violates Article 51 or 56, the fine under each Article shall be imposed on such corporation or a person in addition to the punishment of the offender.

(2) A person who has violated Article 51 or 56 or a corporation or a person fined under paragraph (1) may have their penalties under Article 51 or 56 reduced or exempted, if they have already been punished by the Fair Trade Commission or Mayor/Governor with corrective actions or if they have compensated the Consumers for their injuries.

Article 58 (Administrative Fines)

(1) A person falling under any of the following categories shall be punishable by an administrative fine not more than 10 million won.

1. a person who, in violation of Article 9, has failed to make the required refund or take necessary measures to do so
2. a person who has committed any of the acts prohibited by Article 11-(1)-6 or Article 23-(1)-6, Article 32-(1)-6

3. a person who has committed any of the acts prohibited by Article 11-(1)-8 or Article 23-(1)-8, Article 32-(1)-8

4. a person who has failed to issue a registration card or a manual to a Multilevel Marketing Agent pursuant to Article 15-(3) and Article 15-(5) respectively

5. a person who has failed to make a registration record of Multilevel Marketing Agents pursuant to Article 15-(4)

6. a person who, in violation of Article 30, has levied an excessive penalty for termination or Cancellation of a contract or refused to make the required fund

7. a person who has violated Article 50-(1)-1 of the Monopoly Regulation and Fair Trade Act, which applies to Article 50-(2), by not complying with an order to appear before the Fair Trade Commission more than twice without just cause

8. a person who has refused to submit the required report, data or materials or by submitting a false report, data or materials under Article 50-(1)-3 or -(3) of the Monopoly Regulation and Fair Trade Act as it applies to Article 50-(2)

9. a person who has rejected, impeded or evaded an investigation initiated under Article 50-(2) of the Monopoly Regulation and Fair Trade Act as it applies mutatis mutandis to Article 50-(2)

(2) A person falling under any of the following categories shall be punishable by an administrative fine not more than 10 million won.

1. a person who has failed to file the required report or filed a false report under Article 5-(2) and (3)

2. a person who, in violation of Article 6-(1) or (3), has failed to keep a record of Multilevel Marketing Agents on file

3. a person who has failed to issue a copy of a contract as required by Article 7-(1), Article 16, or Article 28-(1)

4. a person who has modified the criteria for calculation and payment of Commissions in a manner inconsistent with Article 20-(2)

5. a person who, in violation of Article 20-(4), has refused to allow his/her Commission payment records or criteria to be viewed by Multilevel Marketing Agents on the latter's request

6. a person who, in violation of Article 31, has refused to allow his/her records of Goods, etc. transactions to be viewed by Consumers on the latter's request

(3) Administrative fines under paragraph (1) or (2) shall be levied and collected by the Fair Trade Commission, Mayor/Governor or mayor/county governor/ward chief (hereinafter referred to as "Levier"); provided that the authority to levy and collect administrative fines relating to Multilevel Marketing shall rest only with the Fair Trade Commission or Mayor/Governor. <Amended 3-31-2005>

(4) Criteria for the assessment of administrative fines under paragraph (2) and (2) shall be specified by a presidential decree.

(5) A person who wants to protest an administrative fine imposed on him/her under paragraph (1) or (2) shall do so to the Levier within 30 days of notification of the administrative act. <Amended 3-31-2005>

(6) If a person who has been ordered to pay an administrative fine under paragraphs (1) and (2) protests the action pursuant to paragraph (5), the Levier shall without delay serve notice of the fact to the court of law with jurisdiction over the case. The court, upon such notification, shall try the case under the Non-Contentious Case Litigation Procedure Act. <Amended 3-31-2005>

(7) When a levied administrative fine is not paid without being protested within the period specified in paragraph (5), the amount shall be collected in accordance with the standard procedures for collecting delinquent national taxes, if the fine was levied by the Fair Trade Commission, or in accordance with the standard procedures for collecting delinquent provincial taxes, if the fine was levied by a Mayor/Governor or mayor/county governor/ward chief. <Amended 3-31.2005>

Addenda <No. 8537, 7-19-2007>

(1) (Date of Enforcement)

This Act shall come into force three months after its promulgation:

(2) (Application)

Any amendment to the provisions of Article 2-(11), Article 14-(1)-2 and -3 shall apply beginning the moment the first Multilevel Marketing Business Operator files registration after the promulgation of this Act.