

DIRECT  
SELLING  
COMPLIANCE  
OFFICERS  
**HANDBOOK**



# INTRODUCTION

Compliance is critical for any company. The unique challenges for direct selling companies at the corporate level is ensuring compliance of the millions of independent salesforce members. This compliance officer handbook seeks to help companies stay compliant by offering best practices, tips and suggestions if you are just starting a compliance program at your company, looking for ways to improve an existing compliance program, or onboarding new compliance professionals.

Incorporated in this handbook are also the seven well established elements of any effective compliance program across any trade, practice or industry:

1. Implementing Written Policies and Procedures
2. Designating a Compliance Officer and Compliance Committee
3. Conducting Effective Training and Education
4. Developing Effective Lines of Communication
5. Conducting Internal Monitoring and Auditing
6. Enforcing Standards Through Well-Publicized Guidelines
7. Responding Promptly to Detected Problems and Undertaking Corrective Action

Specifically for direct sellers, the Federal Trade Commission has said a compliance program should ensure that companies and independent salespeople accurately represent the business they are offering, be reflective of the experience of typical distributors participating in that business if there are not appropriate disclaimers or disclosures, and ensure compensation is based on actual sales to real customers.

The contents of this handbook do not need to be implemented exactly as written and are meant to be adaptable within every individual and company circumstance. Adherence to this handbook will not protect your company from regulatory or self-regulatory action or inquiry but can be helpful to minimize the outcomes of such an action or inquiry.

This handbook is meant to be a guide for everyone engaged in direct selling regardless of membership in any organization. We hope it is helpful to establish a general baseline of best compliance practices that will improve the experience for our companies, independent salespeople and consumers.

# CREATING YOUR COMPLIANCE TEAM

## A Culture of Compliance Across

### All Corporate Departments

Effective compliance requires an active commitment from the entire organization. Therefore, the compliance program's success depends on a culture of compliance that permeates throughout the Board, senior management, corporate employees, and distributors. The Board and executive team must set the appropriate tone at the top, treating compliance as a critical component of the organization's values, and ensuring the compliance team has the appropriate authority and resources to effectuate a successful compliance program.

In turn, the compliance team must actively communicate with the various stakeholders to create alignment around the appropriate compliance tone and effectively communicate the reasons why a culture of compliance means success for the organization as a whole and for each of the stakeholders. Ultimately, the role of the compliance function and its objectives should be valued throughout the organization as essential to successfully achieving the organization's strategies and goals.

### Creating & Reinforcing Core Values for Your Compliance Team

Developing a successful compliance culture requires: (a) setting a clear set of published values, (b) actively implementing and abiding by those values, (c) consistently treating similar actions in the same way regardless of position, and (d) mentoring, coaching, and leading by example. It is advisable to create an orientation program that emphasizes compliance and the organization's values and then follow-up that orientation program with ongoing trainings and communications on compliance matters. The orientation and trainings should be provided both to corporate employees and the field.

### Choosing the Right Roles and Reporting Structure

There is no one right way to structure your compliance team. Much will depend on your organization

and field. Many organizations have their compliance team sit within the legal department and report to the Chief Legal Officer or General Counsel. Others have the compliance team sit separate from the legal department and have a Chief Compliance Officer that reports directly to the Chief Executive Officer. Depending on the size of the organization, some compliance officers may wear many cross-functional hats. Regardless of the organizational structure, the most material factor is that the compliance team has the right support from the Board and senior management, as well as the authority and resources to implement the compliance program as approved by those bodies.

### Establishing Key Relationships with Other Corporate Teams

Creating positive and collaborative relationships with the various stakeholders can make all the difference between a successful or failed compliance program. The field and the internal stakeholders, like the sales and marketing teams, should feel like the compliance team is their partner not their roadblock. This boils down to developing partnerships through continuous communication and cross-collaboration, as appropriate.

In addition, creating alignment around the organization's risk tolerance is critical. The Board and senior management set the risk tolerance for the organization. The compliance program should align with the organization's risk tolerance and consider such items as likelihood of occurrence, possible financial impacts to the organization, possible impacts to customers, or risks by association with third-party suppliers.

For example, a program with more focus on compliance in areas of high risk and high likelihood to occur is more effective than a program with more focus on areas of low risk and likelihood. The compliance team helps create alignment on the risk tolerance by enforcing the overall compliance program and explaining the reasons behind why compliance is important to mitigate the organization's risks.

# ESTABLISHING POLICIES & PROCEDURES ALONG WITH STANDARDS OF CONDUCT

## Creating Written Policies and Procedures

Whether you're the first member of your company's compliance team or taking on a new compliance role within your corporate organization, establishing policies and procedures is the first critical step to creating a culture focused on compliance. Within direct selling, there are examples of policies that can help define best practices for your own organization, being mindful that each company has their own level of risk tolerance driving decision making, especially where it comes to matters of discipline. Reaching these goals rely on the support of your executive team.

Executives who understand and buy into the merits of compliance and the policies and procedures communicating compliance can organically influence the actions of the salesforce; as your distributors, especially those with less direct selling experience, will tend to mimic the behavior they see coming from the company they've partnered with. As such it is best practice that policies and procedures be reviewed annually by the compliance team, the applicable corporate organization, and senior management to ensure all information communicated is accurate and relevant.

A company which can effectively demonstrate fair and transparent standards has a better opportunity to teach the salesforce the benefits of ethical behavior and respectful business relationships. A compliance team which can gain the trust and respect of the salesforce will have a better opportunity to positively influence the choices their distributors make as they set out to grow their organizations and achieve the business milestones they've set for themselves.

Your compliance team can have a positive impact on the reputation your company strives to maintain. You will be presented with opportunities to collaborate with distributors and may be called on to assist with concerns raised by consumers, as well as regulatory agencies. A compliance team who has the support of both in-house counsel as well as the backing of the senior management can more confidently make decisions which benefit the overall goals of the organization.

## Promoting The Compensation Plan Properly

Having a compensation plan that is both effective in delivering a desirable income opportunity to your distributors and simple enough to educate the salesforce on can present a challenge. Direct sales companies offer a variety of different plans. Each company is bound to take a slightly different approach to the triggers that may offer different forms of earnings beyond the standard retail commission.

Ensuring that policies and procedures exist and are readily available to the salesforce and that the salesforce is properly trained on what they are and are not permitted to say regarding earning potential under

the plan is a necessary part of building a strong compliance program.

The compliance team is typically not responsible for educating the salesforce on the compensation plan; however, compliance professionals will likely field questions from the salesforce when they are seeking guidance on posts that could be considered earnings claims, and they could be seeking approval to promote the business to prospective team members. Making the salesforce understand the importance of presenting disclaimers, providing a statement of earnings showing how much a typical distributor earns in the business, and training them to proactively reach out to the compliance team to review presentations before they host meetings will significantly mitigate compliance risks.

As compliance professionals consider what policies should be written regarding potential earnings, it may be educational to review plans of other established direct selling companies, as well as to consult with other professional resources such as the Direct Selling Association (DSA), the Direct Selling Self-Regulatory Council (DSSRC) and legal professionals who specialize in this industry.

## Establishing Proper Claims for Products and Earnings

Teaching your salesforce effective communication skills, including any legal language they must incorporate into their content, is one of the key responsibilities of the compliance team. This is another point where the support of your senior management is vital. The compliance team can sometimes be affectionately known as the sales prevention team; however, it's important for your fellow corporate colleagues to understand that your focus is on protecting the company, not placing a barrier to new distributor enrollments or retail sales.

There are two opportunities where your compliance team can have a very important impact regarding claims and disclaimers. The first is having a direct role in reviewing company materials which promote both the business and products or services sold. Your company establishes their own standards for a product disclaimer, but there could be additional requirements depending on the category of goods. For example, some categories are regulated by federal agencies, such as the Food and Drug Administration. Compliance teams need to be mindful of those laws and regulations to ensure their products are being properly marketed.

The second opportunity is having direct responsibility to review claims made by your distributors and ask for corrective action when warranted. Whether a distributor is making a claim about a product's efficacy or the opportunity to earn income, it will be a priority to review claims from your field on a daily basis. Creating effective training resources is an important part of ensuring that key messaging is included in your



distributor's communication—whether they are presenting live and in-person, or posting on social media, or by some other means of technology.

If your organization expands beyond a single country, there could arise a need to customize the product and income disclaimers you create to ensure their suitability to each market. Ensuring that you have a local expert available to review your suggested statements is critical to ensure that you are meeting all laws, rules, and regulations of that county. As your company continues to expand its global footprint, it's even more important that your distributors are provided ongoing training to prepare them as their own organizations become more global.

### **Addressing Standards for Enrollment, Sales and Money Back Guarantees**

Whether at the outset of a new direct sales business, or as an ongoing matter of review, it's helpful to regularly review your standards for a new distributor's enrollment, how your distributors may make product available for sale, and for any money back guarantee your company offers.

When it comes to the standards you have for a new salesforce member joining your company, it's important to review the applicable local and federal laws which apply, to determine the guidelines required related to the maintenance of private information provided at the time an individual joins as a distributor, and to ensure that the application process is clear, and contains all necessary legal disclosures. Thorough testing of a new enrollment flow, or application—including the suitability of all associated terms and conditions—should be included in your review.

And while you may be focused on the functionality of the enrollment website or offer, it's just as important to train your distributors on the enrollment process to help them navigate some of the questions they may receive from prospects they approach. An inaccurate offer made by a distributor relative to the opportunity they are presenting can be just as damaging as an enrollment application missing a key disclosure.

As a new distributor begins to focus more on his/her business, the simplest first steps are often to sell product to friends and family. As they offer product for sale, you will need to collaborate with the marketing and sales teams within your corporate organization to provide applicable product references, sales receipts, and other training materials.

Making that training content approachable, using conversational language in place of legalese, and collaborating with other key corporate teams to review all content for accuracy will help your distributor communicate all details about the product, service, or business opportunity compliantly. A resource of this kind can help your distributor tell a valid story about the efficacy of a product or the suitability of a service, especially where it may be a product or service they are otherwise inexperienced with.

As your most loyal distributors often begin as consumers of your product, establishing a reliable reputation when it comes to customer service and product guarantees (including any money-back guarantee policy you establish), can help lessen the risk of purchase disputes or product complaints. Consumers look for the reassurance of a money-back guarantee as a type of insurance for the investment they are making. Whether your customers are purchasing product as a one-time purchase or on a continuity plan, you need to designate the terms of any return policy including the money-back guarantee you offer.

While that information is key for your distributors and your customers, it's just as vital for your customer service team to understand the requirements of the guarantee you are offering, so they can make proper judgments on requests they may receive that fall outside of the stated policy. While your compliance team is not the corporate representative who would traditionally define your return or refund policies, having those policies reviewed by a qualified member of your legal department will help ensure your standards are compliant with local, state and federal guidelines.

The time spent focusing on the suitability and accuracy of these details can help lower the risk of complaints both online in public forums and potentially with other regulators. Your customer service team will need clear standards set for their decision making, so they are able to appropriately escalate a concern or complaint to a more experienced team member when necessary.

### **Establishing a Standard for Disciplinary Measures**

While it's always the hope of any compliance team that their field of distributors conducts their business with the utmost respect for the company's values and policies, it is to be expected that challenges will arise based on claims, offers or other activities. Creating an effective, appropriate process by which your compliance team can consistently enforce and uphold the policies you provide is critical to your team's success.

Teaching your salesforce that the compliance team is there to be an advocate in their business, and that you can be a partner with them as they grow their business can help them not be reticent to proactively reach out for help. Being available to your distributors, showing them how user friendly your training resources are, how willing you are to engage with them one-on-one, or offering more targeted training for their team can help break down some of the hesitation a distributor may feel about collaborating with someone they may initially see as their foe, rather than their friend.

Your policies and procedures document will need to clearly explain both your standards and the potential disciplinary actions your team can assess against the distributor's business. Part of having an effective action plan for your compliance team is the communication you have with other corporate teams who constantly interact with the salesforce.

Your colleagues in the marketing and sales team at your company are important allies when it comes to times where discipline beyond a policy reminder is necessary. The compliance team needs to be assured that their decisions will not be undermined by another colleague, so aligning on appropriate measures ahead of time is always key.

As regulatory standards within the industry are created or modified, it's important that this knowledge not stay only within the legal team, but be shared with the corporate team at large, as they must be just as current about key drivers affecting the business. As you consider creating or modifying policies that are not driven by any outside legal or regulatory requirement, collaborating with other corporate teams to determine a more comprehensive policy can offer helpful perspective. While the compliance team may have the final say in issuing disciplinary sanctions, doing so having the full support of your corporate colleagues makes some of the more challenging decisions easier to navigate.

Where it comes to the penalties you may assess, having a clear schedule of any fines you may impose against a distributor's earnings will help in the communication and enforcement of any disciplinary action. In creating those standards, you may find that if your company operates in more than one country, certain

local legal requirements may change the kind of penalties you can assess or may force you to follow a certain number of steps in warning or bringing discipline against a distributor. Ensure that your penalties and communication of such are aligned with the regulatory requirements local to the country, city or state the distributor is operating in. You will also want to weigh the effects of penalties on the long-term viability of a distributor's business.

When you establish policies, you must be certain you can and will enforce those standards. When it comes to assessing more serious penalties, up to and including the termination of a distributor's account, having a multi-disciplinary review and documentation of the account history will provide the compliance team with feedback from other colleagues who may know other key details of a salesforce member's activity or intentions.

The compliance team must be confident when delivering disciplinary decisions but must balance those conversations with respect and compassion. There will always be opportunities to help a distributor course correct, and hopefully the challenging conversations will yield a stronger, more trustworthy relationship with the individuals who represent your brand day in and day out.

# TRAINING AND EDUCATION

## Creating Materials for Corporate Team Members—All Levels of Responsibility

Creating training materials for corporate team members at all levels of responsibility to ensure a strong understanding and standard ethical language is vital. This common knowledge translates into a culture prepared to guide all individuals associated with your company towards best practices.

Impactful trainings developed for specific audiences should occur regularly. A senior-level employee, or one who often works with the sales force, must be confident in their knowledge of key industry guidelines and the terms and policies for the organization. It is also beneficial for all employees to understand why investing in compliance is important.

A mandatory certification for all employees joining the organization builds common knowledge from the start of employment and shows a deep commitment to integrity. Documented completion of regular trainings demonstrates to regulators a strong commitment to integrate ethical business practices into the corporate culture.

Additionally, content that clarifies the legal documents, breaking down complex rules into understandable concepts, shows a shared responsibility to support ethical business practices at every level of the organization. This reference library should be located on an intranet or learning management system to enable easy updating and tracking of engagement.

Live trainings at onboarding and other milestones are also a great opportunity for ethics staff to be relatable and visible to the organization—eliminating the mystery and fear around ethics and legal and identifies them as partners in the advancement and protection of the brand.

## Creating Materials for Distributors—Customizable by Market

Most distributors start their entrepreneurial journey understanding little about how industry regulations and the company's policies and procedures apply to their day-to-day businesses. Establishing a strong, proactive education strategy empowers distributors to confidently share products and assures their first interaction with compliance is not to discuss a violation.

The goal is to create, maintain, and promote a library of dynamic content that can be utilized around

the world. There are usually specific country regulations for international companies but given the global nature of social media and connections of your sales force across markets, it is advisable to create and promote training materials that meet the standard of the highest regulated market in your company. For example, an improper product claim in the Philippines can create regulatory scrutiny in the United States if it can be accessed here so this should be kept in consideration for standards and training content in foreign markets.

A strong technology platform will enable on-demand trainings to be accessible at any time, from any location, from any device, and from any platform. Salesforce members who can access material when they are ready to learn, have a specific question, or are required to complete training to qualify for an event or reward, are more likely to repeatedly engage content.

When creating training material, it is important to keep in mind that everyone learns differently. In fact, there are three major learning styles—learning by watching, by listening, or by doing. Offering training utilizing all of these methods ensures the message of compliance is grasped by all learners.

A strong social media community puts ethical content directly into daily view of the salesforce. Short and fun microlearning videos, infographics, and GIFs expose them to daily ethical training with little effort on their part.

Compliance leadership at sales events and conventions reinforces ethical business practices as a benefit to the sales strategy versus a distractor from sales. Highlighting how distributors can be both compliant and successful is the goal of a good educational program. Strong relationships with each market's sales teams, working in partnership with compliance to educate, inform, and collaborate on salesforce training and retention, will create innovative, value-driven educational opportunities that the salesforce will want to master.

Rewards or rank advancements tied to training requirements means your company sees the way you earn as equally important to how much you earn. Awards for ethical business practices and training engagement should be included in the company's annual recognition strategies.

# EFFECTIVE COMMUNICATION

## Maintaining Clear and Nimble

### Lines of Communication

Compliance and guidelines that define what is or isn't compliant, can be a very confusing and difficult subject to understand, but even more difficult to teach. It is even more challenging teaching it to distributors who do not have expertise or extensive knowledge.

Companies could consider having a brief 2-3 minute training during the distributor on-boarding process that explains the key compliance concerns of the company and how to avoid violating key provisions of the distributor policy and procedures. For example, highlighting what would be a misleading claim. The training could also explain the value of creating a relationship with the compliance department.

By communicating regularly with your salesforce this will help to keep them up to date on current guidelines as well as any new or updated requirements. Compliance should always proactively stop non-compliant activity.

- **Compliance Newsletters:** Newsletters that keep your distributors engaged and informed such as, focusing on a specific compliance topic, or clarifying a confusing policy can really benefit your team by helping to address questions or confusion before it's a problem. It's also a great way to provide the latest news or updates in the industry relating to compliance and how it applies to your distributors business.
- **Social Media Posts:** This can be an alternative to newsletters when the information may not be as in depth, or you just need to relay a quick update. A blurb in a corporate social media page or one that your distributors frequently visit, is a great tool to keep your field in the know.
- **Compliance Do's and Don'ts:** This can be a very valuable resource for your field as they share testimonials and promote the product and business opportunity. By providing basic guidelines of high-risk claims and more compliant alternatives, this will empower your field to promote the business in a more compliant way.
- **Live Trainings:** Doing a live training is another way to deliver important information or updates. Depending on the content, this can sometimes be a more effective method of communicating and based on a preferred learning style, it can help with retention of the information. Whether it be an in-person training, Facebook live, or a Zoom, this is a great way to do a deeper dive into a topic and in some cases interact or answer questions.
- **Compliance Emails:** Emails can be one of the most convenient ways to communicate. An email can allow you to articulate your message clearly so that the recipient has all the information they need and even be used by the distributor for future

reference. Emails also serve as an important piece of documentation when it comes to building your compliance case.

- **Text Messages:** As convenient as emails can be, sometimes they can be overlooked or sent to a spam folder and never seen. Text messages can be more effective and more likely to be viewed before an email. This will allow you to do a quick heads up to a distributor letting them know you sent an email. By doing this you could alleviate future issues of having to follow-up with distributors who don't respond because they never saw the email. It can also be a perfect time to establish a personal connection and introduce yourself.

As important as it is to create these clear lines of proactive communication it is equally important to create an open line or forum that your field can contact the compliance team for questions or feedback. Having a dedicated email inbox or a platform that they can submit compliance questions to and easily access the compliance team will encourage your field to reach out and utilize the compliance team and resources. Of course, the email inbox must be closely monitored, and salesforce questions must be promptly addressed.

## Approaching your Salesforce with Partnership and Compassion

When your salesforce understands the mission or purpose of the compliance team, they are more likely to see the team as a partner who is protecting their business and ensuring the longevity of the company. Helping your salesforce understand the requirements according to applicable rules, laws, and regulations and how they apply to them is the first step. It is critical to explain the repercussions of not following these requirements and how it will affect the company, their business, and potentially them personally. If they have a high-level understanding of their responsibilities, and that the compliance team is there to support them, it is easy to see the partnership.

It is important your compliance team can explain how the products should be marketed consistent with regulatory standards and to stay up to date with those regulations. While the distributors can be focused on building their businesses, the compliance team is focused on explaining how these laws and regulations apply to them and create easy guidelines for them to follow.

Letting your salesforce know they may be contacted by the compliance team if they become aware of any potential noncompliance activity is vital. The compliance team should remind them they are reaching out as a partner in their business, not as an admonition.

A compliance team also needs to show compassion and empathy for the journey of every distributor. Every distributor has a product or business story that is unique. They are proud of this and want to share it.



Compliance professionals should recognize this and begin each review with an open mind. Understanding a salesperson's story and celebrating with them can have a positive impact on the relationship between the compliance team and the salesforce. If distributors feel validated and not disregarded, they will learn to trust the compliance team.

### **Demonstrating the Benefits of Proactive Communication Between Compliance and Distributors with Partnership and Compassion**

One of the benefits of establishing a partnership with the salesforce is the trust that can be built. If there is trust, the salesforce is more likely to seek guidance from corporate compliance executives before acting on disseminating claims or other uncertain actions. This contributes to the overall perception that the compliance team that it is helping with growth strategy in the business and not preventing sales. It also provides the opportunity to work with a distributor one-on-one so that they learn more about acting compliantly. Establishing these relationships and proactive education will minimize the company's overall risk.

Another benefit of creating a partnership with the salesforce is if a non-compliant situation is identified, it is understood that the intention of the discussion is not to be punitive. If distributors have trust with the compliance team and executives, they will be more receptive to the recommendations that are made.

### **Engaging Regularly with Top Distributors**

One of the most challenging areas of compliance is communicating the message of compliance and

making sure the entire salesforce is aware of it. It is difficult to reach every distributor, especially if many are joining the company daily. This is when your seasoned distributors, especially your top salespeople, serve as an invaluable resource. They are shining examples of how to grow a business compliantly, so keeping them up to date and engaged to share with other distributors is an important aspect of communicating.

They can also be an invaluable resource if a member of their specific organization is identified as the source of a non-compliant action. Involving a top distributor when reviewing actions of a member of his/her specific organization may lead to a more beneficial and quicker resolution. This will also emphasize that compliance is important even with top distributors.

### **Other Communications to the Salesforce**

Public relations are extremely important to protecting or enhancing your company reputation. Every company is different and should determine what information is disseminated to their field when it comes to other issues not directly related to compliance. These are issues that could have an impact on the organization connected to a crisis or negative event relating to the company and is in the public sphere. Other issues such as current events, politics, or other controversial topics that could have a direct impact on your field, should also be considered. These are topics that are not typically addressed by the compliance team and should be communicated by public relations specialist.

# MONITORING AND AUDITING YOUR SALESFORCE

## Monitoring Using Available Internal Resources

Effective and robust compliance programs need to be proactive, not reactive. There must be overt monitoring of company and field comments, claims and actions to discover violations.

A risk assessment and associated plan for corrective action for each policy or rule, should be carefully planned out ahead of time with compliance leadership, the legal team, and executives as needed. It should be in place as a guide to direct your monitoring efforts. This assessment should be used to develop priorities in your internal monitoring.

A standard of reasonable efforts is used to evaluate an effective, robust compliance program based on the company's size and compared to the cost and efforts spent in other highly important areas of the company. Overall, the exercise of due diligence is required, to detect violations of law, policies and rules and to promote an organizational culture that encourages ethical conduct and a commitment to compliance.

Using internal resources to manually search through frontline search engines with key words or phrases, is a good starting point. Expanding to Boolean search wording can also narrow the search to reduce false positive findings.

Specific services offered through certain platforms such as "Google," can automatically search on content containing your brand name or registered trademark and alert you (e.g., Google alerts) to the contents found. These services are also helpful to find other content written about your brand whether associated with violations or not.

## Monitoring Using Third-party Resources

There are several third-party monitoring services available that have excellent programs for monitoring the field. Third party monitoring does have challenges such as non-disclosure, privacy, responsibility, and responsibility of third-party actions among others. Therefore, make sure that the correct internal teams, like compliance, legal, and privacy, are fully vetting the third party and have the appropriate agreements and disclaimers in place.

## Manipulation of Compensation Monitoring

Your monitoring should also include tracking sales patterns of the salesforce to detect any manipulation of the compensation plan or other activities outside the acceptable behavior of selling your products and services. This will also be important in discovering problematic individuals or sales groups prone to looking for the loopholes or gray areas, thus directing your focus.

Some companies separate individuals only interested in buying the products with those who want to build a business. Restricting sales to the salesforce only designated for personal use or requiring sales receipts are possible strategies to achieve this goal that have been included in government settlements with direct selling companies. Regulators in the United States have said there needs to be transparency in terms of who is ultimately using the products. However, there is no one size fits all approach and companies should implement systems they believe will achieve this goal.

## Establishing Relationships with Industry Resources

For companies who are members of the DSA, the Compliance Officers Council acts as a forum for compliance officers to share best practices that result in effective compliance by companies and distributors to abide by federal law, DSA Code of Ethics, and self-regulatory body guidance. The Compliance Officers Council monitors current legal standards to develop recommendations for effective implementation into company and industry compliance policies. It serves a great resource to discuss and network with other compliance professionals in the industry to share best practices and brainstorm.

The DSSRC was launched in 2019 as third party, independent self-regulatory program administered by the non-profit organization BBB National Programs and funded by the DSA. The DSSRC is a proactive effort to identify and eliminate product and earnings claims that are eroding the reputation of the direct selling industry. To be successful, effective self-regulation requires ongoing commitment and participation from companies and salesforce members from across the industry. DSSRC also has an active role in educating companies on proper and improper earnings and income claims. In addition to resources such as the Earnings Claims Guidance, they are available as a resource in these subject areas.

Companies may also choose to be involved with their local Better Business Bureau. In addition to being responsive to consumer complaints filed with the local BBB, becoming a member of the organization or Board of Directors can also help shape policies.

A rising tide floats all boats and the same is true regarding compliance. Executives at direct selling with compliance responsibilities should utilize external resources that will help in the ongoing challenge of compliance at their companies and within their salesforce.

# REPORTING AND INVESTIGATIONS

## Establishing Investigatory Standards to Ensure Consistent Application within the Field

Keeping the company's risk assessment and corrective plans at the forefront will help assure the actions taken are unbiased and consistent. The issue being addressed will be handled the same based on the risk to the company as a whole and the enforcement will be carried out in accordance to the same risk.

Investigation and documentation should be done in tandem. As you discover what has occurred, it is critical to document everything discovered for your record as it is occurring. Some information or evidence may be gone after a period of time. Use this documentation to refer to as you piece the total evidential story together.

This information could include:

- Date of infraction
- Date the infraction was discovered
- How it was discovered (complaint and who complained vs. proactive monitoring)
- If on the internet; the URL where the claim resides, screenshots highlighting the problem,
- Identify each Distributor involved (one or more and how many)
- Identify the policies or rules violated and the Risk associated with the infraction (having already completed a risk assessment and associated plan for corrective action for each policy or rule).
- Distributor information (ID, contact info. [protect private personal information], how many past infractions, status, rank)
- The type of infraction (was there recent training on the subject?)
- There may be other information to note, if the violation is part of a trend, or other contextual factors.

Referencing your risk assessment and associated plan for each corrective plan, policy, or rule, will be a starting point to establish how to resolve any matter

fairly and consistently in a way that will prevent or deter future violations. Also, look for aggravating and mitigating circumstances that will affect how to take the appropriate action.

It is important to determine where the violation falls in the risk assessment. Making this determination may be helpful as to the importance in addressing it and how often. If so, the violator may have already been put on notice, so to speak and should know better.

One other factor also worth assessing is how long has the salesforce member has been involved in the business. Individuals who have just recently joined the business may still be learning the intricacies of the law and the rules and policies set up to protect against violations. Salesforces that have been in business much longer, should have been exposed to many discussions and participated in training directed at ethical compliance to the laws rules and policies.

Repeat offenders either do not fully understand the full range of compliance issues or have not prioritized it. It is important to find out which one it is. A lack of understanding would require training whereas apathy may require other actions.

The level of salesforce member is also an important consideration. Similar to the length of time in the business, a high-level salesforce member has usually been in executive discussions about compliance issues and may have been asked to serve as role models for other salespeople and could be held to a higher standard.

## Types Of Enforcement Consequences

There are various ways to first get the attention of a non-compliant distributor and keeping him/her from becoming a repeat offender. It could take several communications among various means to find a resolution. The most common first level of discipline include mandatory or additional training. Other remedial measures such as not allowing the distributor to buy product or holding commissions can be effective. Fining, suspending, or even terminating the contractual agreement of the distributor should also be considered, but should be discussed with your legal team prior to effectuating. As stated earlier, available disciplinary sanctions should be included in the company's discipline policy or procedure and should be applied consistently across the salesforce.