

DEPARTMENT ADMINISTRATIVE ORDER NO. 22-04
Series of 2022

SUBJECT : AMENDMENT TO DEPARTMENT ADMINISTRATIVE ORDER NO. 21-09 SERIES OF 2021 ON THE GRANT OF THE DTI SEAL OF LEGITIMACY FOR LEGITIMATE DIRECT SELLING AND MULTI-LEVEL MARKETING

WHEREAS, the Department of Trade and Industry (DTI) established a voluntary DTI Seal of Legitimacy for companies engaged in direct selling (DS) and multi-level marketing (MLM);

WHEREAS, in the interest of procedural due process and to encourage companies to apply for the Seal, there is a need to prescribe guidelines on the procedure for disapproval, revocation, and appeal, among others;

NOW THEREFORE, the following amendments to DAO 21-09 are hereby prescribed for the information and guidance of all concerned.

Section 1. Section 5 (5.1) of the DAO is hereby amended as follows:

5.1 Completely filled-out application form and Notarized Representations and Undertaking signed by the company President or its authorized officer;

Section 2. Section 5 of the DAO is hereby amended by adding a sub-section which shall be read as follows:

5.13. Copy of registration/license/certification or its equivalent from concerned regulatory government agency should the products sold be regulated.

Applicants shall submit all documentary requirements in both soft and hard copies to the Consumer Policy and Advocacy Bureau (CPAB).

Section 3. Section 6 Evaluation of Application of the DAO is hereby amended by adding sub-sections which shall be read as follows:

6.3 Allowance for Corrective Action. If after the presentation of the marketing and compensation plan and the Evaluation Committee determines that the said plan of the applicant company needs to be modified to be eligible for the Seal, the Evaluation Committee shall notify the company of any corrective action that needs to be undertaken or any document that needs to be submitted. Proof of corrective action or any required document shall be

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submitted to the Evaluation Committee within a period of seven (7) working days from receipt of the notice. The company may request for an extension in writing subject to the Evaluation Committee's approval.

6.4 Processing Time/Period. After presentation of the compensation and marketing plan, or compliance with the Evaluation Committee's recommendation or submission of any required documents or the lapse of the period for corrective action, the Evaluation Committee shall proceed to decide on the application and the Consumer Protection Group (CPG) Undersecretary to approve/disapprove the same within 20 working days. The decision of the CPG Undersecretary shall be final.

Section 4. A new section 6-A is inserted after Section 6 of the DAO 21-09 which shall read as follows:

Section 6-A Reportorial Requirements. MLM and DS companies granted the Seal of Legitimacy shall annually submit to the DTI-CPAB the following, reckoned from the date of the award of the Seal:

- a) Copy of the Latest General Information Sheet (GIS) or list of officers, members, business address, and email address;
- b) Information on the total registered, active, and newly registered distributors;
- c) Copy of the existing compensation plan and marketing plan;
- d) Notarized certification that the company's compensation plan and marketing plan did not change;
- e) Updated list of products offered for sale, and for regulated products, a copy of the registration/license/certification or its equivalent from concerned regulatory government agency;
- f) Copy of the latest audited financial statement of the company duly received by the BIR.

In case of failure to submit the aforesaid documents, the company may be the subject of an audit pursuant to Section 8 of DAO 21-09.

Section 5. Section 9.2. of DAO 21-09 is hereby amended as follows:

- 9.2 The Seal shall automatically be cancelled on the following grounds:
- a. dissolution of the business, whether voluntary or involuntary
 - b. cancellation or change in the registered name of business; or
 - c. cancellation of the business registration and business permit.

Corporations or cooperatives, the registered name of which was changed/amended, and which was approved by either the SEC or CDA, may still retain their Seal and have the same amended upon. The corporation or cooperative shall submit a request to amend the Seal, a certification of change in corporate or cooperative name or an amended license from the SEC or CDA, and a notarized certification that there is no change or there is a change in their marketing and compensation plan.

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Any change in the marketing and compensation plan shall require the recommendation of the Evaluation Committee and the approval of the CPG Undersecretary for the company to retain its SOL. The decision of the CPG Undersecretary shall be final.

Section 6. Section 9 of the DAO is hereby amended by adding sub-sections which shall be read as follows:

9.5 **Procedure for Cancellation.** The following are the procedures in the cancellation of the DTI Seal of Legitimacy:

9.5.1 **Voluntary Cancellation.** A company may voluntarily cancel its DTI Seal of Legitimacy by informing the Evaluation Committee through the submission of a notarized Board Resolution or a notarized letter of intent to cancel the issued Seal of Legitimacy signed by the owner, the company President or its authorized representative.

9.5.2 **Compulsory Cancellation.** A company that is compulsorily dissolved, has changed or cancelled its registered name, or which the business permit has been cancelled or revoked shall be notified by the Evaluation Committee that their Seal of Legitimacy shall be cancelled.

They shall be given seven (7) working days to produce satisfactory evidence of their continued authority to operate the business. Companies may request for an extended period to produce such evidence which shall be approved by the CPG Undersecretary upon the recommendation of the Evaluation Committee. After the lapse of the period given and the company has not produced satisfactory evidence, the CPG Undersecretary shall proceed to cancel the Seal.

Section 7. Procedure for Revocation. Should any of the grounds provided in Section 9.1 of the DAO to revoke a Seal be present, the Evaluation Committee through the DTI-CPAB shall send to the concerned company a Notice to Explain (NTE) through courier, registered or electronic mail. The company shall be given a period of seven (7) working days from receipt of the NTE to file an explanation, answer, or proof of compliance.

Should the explanation, answer, or proof of compliance be found unsatisfactory by the Evaluation Committee, it shall recommend the revocation of the Seal to the CPG Undersecretary. The company may appeal the revocation of the Seal to the Office of the Secretary within fifteen (15) working days from receipt of the notice. The appeal shall be accompanied by a concise statement of facts, the grounds for appeal, as well as supporting documents. Failure to file the appeal within the prescribed period shall render the decision of the Undersecretary final.

Section 8. Service of Notice. The DTI-CPAB may serve notices of the approval, disapproval, scheduled audit, cancellation, and revocation of the Seal through the electronic mail (e-mail) address provided in the application form and in their latest

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General Information Sheet (GIS). The notice shall be deemed received at the time it was electronically transmitted, unless, a notification was received on the non-transmission of the same.

Section 9. Public Advisory. The DTI-CPAB shall regularly release a public advisory on companies the Seal of Legitimacy of which was cancelled or revoked for the information and guidance of the public. The information of the MLM/DS company whose Seal was cancelled or revoked shall remain in the DTI database SOL system.

Section 10. Effectivity. This Order shall take effect upon publication and submission of a copy thereof to the Office of the National Administrative Register (ONAR) of the University of the Philippines.

Issued this 2nd day of June, 2022 in Makati City, Philippines.

APPROVED:



RAMON M. LOPEZ
Secretary

RECOMMENDING APPROVAL:

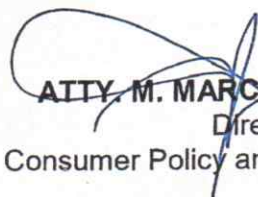


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