

Commissioner of Securities and Insurance

Troy Downing
Commissioner



Office of the
Montana State Auditor

INFORMATIONAL BULLETIN

To: All Interested Persons

From: Troy Downing
Commissioner of Securities and Insurance, Montana State Auditor

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State Auditor and Securities Commissioner Troy Downing Announces an Amnesty Program for Multi-Level Marketing Companies Operating in Violation of Montana Law

The office of the Montana State Auditor, Commissioner of Securities and Insurance (CSI) announces an Amnesty Program for multi-level marketing companies currently transacting business in Montana in violation of the Montana Securities Act.

A multi-level marketing company (MLM) is one that sells, distributes, or supplies goods or services through agents, contractors, or distributors at different levels of distribution. MLMs also include companies that compensate participants, in part, based on purchases, sales, or the recruitment of other participants in the MLM. There are more than 1,000 MLMs operating in the US.

MLMs are required pursuant to Montana Code Annotated § 30-10-327 to maintain an annual registration with the CSI. These forms are available on CSI's website through this link: [MLD-2-2-2018D.pdf \(csimt.gov\)](#). MLMs that fail to register can be fined up to \$5,000 per violation. Currently, only 14 MLMs are properly registered with the CSI. Companies that are a member of the Direct Selling Association are not required to register with the CSI. The CSI estimates there are hundreds of MLMs currently operating in Montana in violation of the law.

Recently the CSI initiated legal action against six MLMs illegally operating in Montana. These companies' products included cryptocurrency, cleaning supplies, magnetic jewelry, clothing and accessories, home décor, and adult products. One of these companies reported having nearly 3500 Montana participants. The CSI has already settled five of the cases for a total of over \$20,000 in fines and almost \$10,000 in restitution.

Under the Amnesty Program, MLMs that come forward and self-report their failure to register by December 15, 2021 will receive a reduced fine of \$1,000 and the CSI will assist the company in becoming compliant with the law. Once the Amnesty Program expires, the CSI will actively investigate and hold MLMs fully accountable for violating the law, including the imposition of the full fine amount and restitution.

More than 20 million adults across the country are current or former participants in MLMs. Most people who join do so with the hopes of earning extra money or achieving financial freedom. Many Montana residents are currently participating in a MLM that is operating illegally in this state. Once the Amnesty Program expires, the CSI will publish and keep current on its website, www.csimt.gov, the list of companies that are properly filed in Montana or are a member of the Direct Selling Association.