



International Distribution Institute

Compliance Issues in Franchise Disclosure

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What is compliance?

- A compliance system tries to protect franchise network and its reputation from civil and criminal liability by
 - Detecting
 - Investigating
 - Punishing

breaches of law by its employees, franchisees and/or intermediaries.

Consequences of compliance breaches

- Internally
 - Criminal investigations against responsible employee
 - Termination of employment
- Externally
 - Disclosure obligation??

Critical areas

- IT and customer data
 - electronic correspondence
 - ERP System
 - Server

Duty to disclose?

Right to disclose?

Critical areas

- Franchisee's POS
 - Operational standards
 - Safety
 - Hygiene
- Compliance with employment laws
 - Social security requirements
 - Minimum wages
 - Work time
 - Discrimination

Critical areas

- Data protection
 - Background checks on prospects?
 - Storage of and access to prospect's data before signing
 - Use of franchisees' performance and/or financials in the selling process and during investor search?

Critical areas

- Franchise headquarter's employees
 - Internal investigations
 - Duty to disclose to prospects
 - When?
 - Reporting duties to authorities?
 - Key personnel moves to competitor
 - Know-how transfer
 - Duty to disclose to franchisees?
 - Duty to disclose to prospects?

Critical areas

- Non-compliant business practices
 - Key money in real estate
 - Accellarating payments
 - Corruption
 - Bribery in brokerage



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Thank you!

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