



Franchising and Licensing Association (Singapore)

Code of Ethics

COMPLIANCE WITH LAWS

1. Members shall abide by all applicable laws and regulations.

WRITTEN AGREEMENT

2. All matters material to the franchise relationship shall be contained in one or more written document, which shall clearly set forth the terms of the relationship and the respective rights and obligations of the parties. (Aust)

NO MISLEADING PROMOTION

3. No member shall offer, sell or promote the sale of any franchise, product or service by means of any explicit implied representation which has a tendency to deceive or mislead prospective purchasers of such franchise, product or service. When promoting a franchise, any reference, directly or indirectly, to performance records, figures or data with respect to income or earnings of franchisees:
 - (a) shall be indicated as projections based on available data, and
 - (b) shall, if necessary to avoid deception, be accurately qualified as to geographical area and time periods covered. (Aust)

FULL INFORMATION ON INVESTMENT REQUIREMENTS

4. The investment requirements of a franchise shall be as detailed as necessary to avoid being misleading in any way and shall be specific with respect to whether the stated amount is partial or the full cost of the franchise, the items paid for by the stated amounts, financing requirements and other related costs. (Aust)

DISCLOSURE

5. A franchisor shall disclose to the franchisee at least 7 days prior to the execution of the franchise agreement, its current operations, the investment required, performance records and any other information reasonably required by the franchisee that are material to the franchise relationship including the details that are set forth in Appendix A. (adapted H.K.)

LEGAL ADVICE

6. A franchisor shall advise a prospective franchisee to seek professional legal and financial advice before commitment. (H.K.)

CONTACT EXISTING FRANCHISEES

7. To the extent possible a franchisor shall encourage a prospective franchisee to contact existing franchisees to gain a better understanding of the franchise business. (H.K.) Upon request by a prospective franchisee, the franchisor shall provide to the prospective franchisee a list of existing franchisees (including address and phone number of each and year of commencement of franchise) unless prevented by contract or otherwise from doing so. (Australian Code)

NO IMITATION OF OTHER'S TRADE MARK

8. No member shall imitate the trade mark, trade name, corporate name, advertising slogan, or other mark of identification of another business in any manner or form that would have the capacity or tendency to mislead or deceive. (Aust)

PROPER SELECTION OF FRANCHISEES

9. A franchisor shall only select and accept a franchisee who upon reasonable investigation appear to possess the basic skills, education, personal qualities and financial resources adequate to perform and fulfill the needs and requirements of the franchise. (H.K.)

PROVISION OF PROPER TRAINING

10. A franchisor shall encourage and/or provide training designed to help franchisees improve their abilities to conduct their franchises. (Aust)

BUSINESS GUIDANCE

11. A franchisor shall provide reasonable guidance over the business activities of franchisees for the purpose of maintaining the integrity of the entire franchise system for the benefit of all parties having an interest in it. (Aust)

ACCESSIBILITY OF FRANCHISOR

12. A franchisor shall be conveniently accessible and responsive to communications from franchisees, and shall provide a mechanism by which ideas may be exchanged and areas of concern discussed for the purpose of improving mutual understanding and reaffirming mutuality of interest. (Aust)

TRANSFERABILITY OF FRANCHISE

13. Except with respect to franchises that are expressly non-transferable, a franchisor shall not withhold approval of a proposed transfer of a franchise when the following criteria are met:
- (a) the transferring franchisee is in compliance with the terms of the franchise agreement;
 - (b) the proposed transferee meets the then current qualifications of the franchisor;
 - (c) the terms of the transfer meet the then current requirements of the franchisor and the transfer provisions of the franchise agreement; and
 - (d) the franchisor determines not to exercise the right of first refusal in accordance with the franchise or other agreement. (U.S.A.)

STANDARDS OF CONDUCT

14. Fairness shall characterise all dealings between a franchisor and its franchisees. A franchisor shall not participate in unconscionable conduct, which is unlawful, in relation to franchise arrangements. A franchisor shall act in an ethical, honest and lawful manner and endeavour to pursue best franchise business practice of the time and place and should in its dealings with franchisees or prospective franchisees avoid the following conduct, where such conduct would cause significant detriment to the franchisees or prospective franchisees:
- (a) substantial and unreasonable overvaluation of fees and prices;
 - (b) conduct which is unnecessary and unreasonable in relation to the risks to be incurred; and
 - (c) conduct that is not reasonably necessary for the protection of the legitimate business interests of the franchisor, franchisee or the franchise system. (Australian Code)

NOTICE OF BREACH AND TIME FOR REMEDY

15. To the extent reasonably appropriate under the circumstances, a franchisor shall give to its franchisees notice of any contractual breach and grant reasonable time to remedy default. (Aust)

TERMINATION ONLY WITH GOOD CAUSE

16. A franchise agreement may only be terminated for good cause, which includes the failure of a franchisee to comply with any lawful requirement of the franchise agreement. (U.S.A.)

DISPUTE RESOLUTION

17. A franchisor shall make every effort to resolve complaints, grievances and disputes with its franchisees with good faith and goodwill through fair and reasonable direct communications and negotiation. (Aust)
18.
 - (a) Where a dispute arises between a franchisor and a franchisee, the complainant shall inform the other party of the nature of the dispute in writing.
 - (b) In the event that the franchisor and the franchisee shall be unable to resolve the dispute by mutual negotiation, the parties shall seek to have the dispute resolved by conciliation. In the event that the parties are not agreeable to having the dispute resolved by conciliation, the dispute shall be resolved by arbitration or whatever means as is agreed between the parties, and failing agreement, through litigation.
 - (c) In the event that the franchisor and franchisee agree to having the dispute resolved by conciliation but are unable to appoint a conciliator mutually acceptable to both, either party may refer to the Executive Committee which shall nominate an impartial conciliator.
 - (d) In the event that the parties agree to having the dispute resolved by conciliation, and have agreed on a conciliator, the parties shall take all steps to have the dispute resolved as soon as possible.
19. A franchisor and franchisee in dispute may adopt the following rules concerning the resolution of the dispute by conciliation:-
 - (a) the conciliator will have the right to determine procedures and may or may not allow the appearance of lawyers on behalf of the parties and may co-opt other expert assistance;

- (b) proceedings will be informal and the conciliator shall be allowed to communicate privately with the parties or their lawyers as the case may be;
- (c) all proceedings before the conciliator will be in confidence and in closed sessions;
- (d) all discussions are without prejudice to the full legal rights of the parties;
- (e) documents brought specifically into existence for the purpose of the conciliation process will not be called into evidence in any subsequent litigation by either party;
- (f) each party will have the opportunity to present their case;
- (g) the costs of the conciliation will be borne by the parties equally. In the event that one party has paid up for the full costs of the conciliation, the contribution by the other party shall be recoverable as a debt due from that party to the party that has paid up;
- (h) legal costs incurred by either party for the conciliation, if any, shall be the responsibility of that party;
- (i) both parties shall grant immunity to the conciliator;
- (j) the conciliator shall act in good faith and without bias with the purpose of seeking a resolution of the dispute. The conciliator shall have regard to the fairness and reasonableness of any matters pertaining to a dispute and the need for the franchisor to maintain the integrity of its name, image and the franchise system;
- (k) the conciliator will deal with any matter as expeditiously as possible but no later than 14 days after referral by the parties;
- (l) when the dispute is successfully resolved by conciliation, a settlement agreement may be drawn up by the conciliator or any person appointed by the conciliator, the cost of which shall be borne by the parties equally. Sub-paragraphs (g) and (h) shall apply mutatis mutandis;
- (m) the parties shall report back to the conciliator within 14 days of the resolution of the dispute on actions taken based on the outcome of the conciliation.
(adapted Australian Code)

INTERPRETATION

20. The headings used in this code of ethics are for convenience only and do not affect the interpretation of the various paragraphs.
 - (1) All references to a franchisor shall include a master franchisee and a prospective franchisor.
 - (2) Interpretations of this code of ethics will be made by the Executive Committee whose interpretations will be final and binding on all members. (U.S.A.)

APPENDIX A (3 pages)

FINANCIAL STATEMENT/FINANCIAL DATA DISCLOSURE BY FRANCHISORS

Standard Format For Financial Data Disclosure

ABC PTE LTD

BALANCE SHEET

AS AT _____ 19XX

(Currency – Singapore dollars unless otherwise stated)

	Note	19XX \$'000	19XX \$'000
Share capital and reserves	3		
Share capital			
Accumulated profits			
Represented by –			
Fixed assets	4		
Investments	5		
Other non-current assets	6		
Other intangibles	7		
Current assets			
Stocks	8		
Trade debtors	9		
Other debtors, deposits and prepayments	10		
Due from holding company			
Short term investments	11		
Fixed deposits			
Cash and bank balances			

The accompanying notes are an integral part of the financial statements.

BALANCE SHEET (Continued)

	Note	19XX \$'000	19XX \$'000
Less:			
Current liabilities			
Trade creditors			
Other creditors	12		
Provision for taxation			
Term loans – current portion	13		
Short term bank loans (unsecured)			
Bank overdrafts (unsecured)			
Proposed dividend			
Net current assets			
Less:			
Non-current liabilities			
Term loans	13		
Deferred taxation			

The accompanying notes are an integral part of the financial statements.

ABC PTE LTD

STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED _____ 19XX

(Currency – Singapore dollars unless otherwise stated)

	Note	19XX \$'000	19XX \$'000
Turnover	14		
Operating profit	15	_____	_____
Other income	16		
Profit before taxation		_____	_____
Taxation	17		
Profit after taxation		_____	_____
Extraordinary item	18		
Net profit		_____	_____
Accumulated profits, brought forward		_____	_____
Dividends	19		
Interim paid of X% (19XX:Y%) less tax			
Final proposed of X%(19XX:Y%)less tax			
Accumulated profits, carried forward		_____	_____

The accompanying notes are an integral part of the financial statements.