

Statutory Notification (S.R.O)
GOVERNMENT OF PAKISTAN
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Islamabad, the 10th December, 2025

NOTIFICATION

S.R.O.2440(I)/2025. – The following draft Companies (Multi-Level Marketing, Referral Marketing, Pyramid & Ponzi Schemes) Regulations, 2025, proposed to be made by Securities and Exchange Commission of Pakistan in exercise of the powers conferred by sub-section (1) of section 512 read with Explanation I of section 301 of the Companies Act, 2017, (XIX of 2017), are hereby published for information of all persons likely to be affected thereby and notice is hereby given that objections or suggestions, if any, received within a period of fourteen days from the date of its publication in the Official Gazette, shall be taken into consideration by the Commission, namely:-

DRAFT REGULATIONS

PRELIMINARY

1. Short title and commencement. – (1) These regulations shall be called the Companies (Multi-Level Marketing, Referral Marketing, Pyramid & Ponzi Schemes) Regulations, 2025.

(2) They shall come into force at once.

(3) These regulations shall apply to all companies including foreign companies.

(2) The provisions of these regulations shall have effect notwithstanding anything contained in the memorandum or articles of a company, or in any contract or agreement executed by it, or in any resolution passed by the company in general meeting or by its directors, whether the same be registered, executed or passed, as the case may be.

2. Definitions. - (1) In these Regulations, unless there is anything repugnant in the subject or context, -

- (i) “Act” means the Companies Act, 2017 (XIX of 2017);
- (ii) “unlawful activity” includes Multi-Level Marketing (MLM), referral marketing, Pyramid and Ponzi Schemes prohibited under these regulations;
- (iii) “Multi-Level Marketing (MLM)” means any scheme or business as referred to regulation 3;
- (iv) “participant” means any person who joins a sales or marketing structure with the expectation of receiving benefits or commissions;
- (v) "Ponzi Scheme" means a scheme or business as referred to in regulation 4;
- (vi) “Pyramid Scheme” means any scheme or business activity as referred to in regulation 5; and
- (vii) “referral marketing” means an unlawful activity any scheme of business as referred to in regulation 6.

(2) All other words and expressions used but not defined in these regulations shall have the same meanings as are assigned to it in the Act.

3. Prohibition of MLM. – No company shall promote or carrying on of any scheme or business, including but not limited to,-

- (i) where income or benefits are derived primarily from the recruitment of new members rather than genuine sale of goods to end consumers;
- (ii) where there is little or no evidence of bona fide product sales to ultimate users, or where products are merely incidental or absent altogether;
- (iii) where goods offered lacks reasonable market demand, serving merely as a disguise for recruitment-driven rewards;
- (iv) where high joining fees, subscriptions, or payments unrelated to the actual cost of products are required as a condition for participation with such funds being used to provide returns to earlier participants;
- (v) where participants are compelled, directly or indirectly, to purchase large or unreasonable quantities of inventory in order to qualify for commissions, maintain rank, or secure continued participation;
- (vi) where exaggerated claims are made regarding income potential, financial returns, or the effectiveness and performance of products, creating unrealistic expectations for participants or consumers; and

- (vii) where there is no clear, accessible, and equitable policy for the repurchase, refund, or return of unsold products; and/or
- (viii) where products sold are unregistered, unapproved, or constitute illegal imports or smuggled goods:

Provided that this shall not restrict bona fide direct selling activities where compensation is primarily derived from actual product sales to end consumers.

4. Prohibition of Ponzi Schemes. - No company shall promote or carrying on of any scheme or business that:

- (i) pays returns to earlier investors from funds contributed by new investors, rather than profits from commercial, trading, or business activity;
- (ii) offers high, fixed, or guaranteed returns with little or no identifiable risk;
- (iii) has no identifiable underlying business, asset, or revenue-generating activity; and/or
- (iv) conceals, misrepresents or withholds information regarding the use or deployment of investor funds.

5. Prohibition of Pyramid Schemes. - No company shall promote or carrying on of any scheme or business that:

- (i) rewards participants primarily for enrolling or recruiting others rather than sales of genuine products;
- (ii) lacks clear written agreement or clear contractual terms governing participants rights and obligations;
- (iii) requires excessive, or unreasonable product purchases as a condition for joining or continuing participation;
- (iv) fails to provide fair, transparent or timely refund or absence of any buy-back policies; or
- (v) allows or encourages multiple participation positions for the purpose of generating additional recruitment-based rewards.

6. Referral Marketing. - No company shall promote or carrying on of any scheme or business that:

- (i) offers promises, or provides commissions, rewards, or benefits primarily for referring new participants, and
- (ii) exhibits any characteristic of a pyramid or Ponzi scheme.

7. Obligation of Companies.– (1) To promote responsible business conduct and protect consumers and participants, the Companies shall ensure strict compliance with these regulations while designing, operating or promoting any scheme; and

(2) General public is encouraged to report any unlawful activity prohibited under these regulations.

8. Penalty. – (1) Notwithstanding anything contained in sub-regulation (2), any company found to be engaged in any unlawful activity prohibited under these regulations shall be liable to be wound up in terms of section 301 of the Act.

(2) Whoever fails or refuses to comply with, or contravenes, any requirement of these regulations, including the company, directors and other officers, shall be punishable as provided under sub-section (2) of section 512 of the Act.

[F. No. SY/SECP/8/13]


(Bilal Rasul)
Secretary to the Commission