

## **BEWARE OF PYRAMID and MLM SCHEMES**

Certain companies and individuals in the market, engaged in the unethical business practices are deceiving general public by inducing to make easy money and earn sky-high returns in a short span of time through the schemes that seek referrals and recruitment of new participants. These Multi Level Marketing and Pyramid schemes are meant to fleece the hard earned money of individuals who fall prey to the incentives offered by the schemes. Companies and individuals associated with these schemes paint a very rosy picture of enormous profits and everlasting income.

Participants at the very first levels may benefit from the scheme and receive the promised income for some time while vast majority of the participants joining at the later stages would lose their entire investment without generating any income or profit. These schemes are devised in a manner that the new customer must get enrolled in a geometrical progression to endow profits to the existing members. As soon as these schemes reach a certain saturation size, and there is no substantial inflow of new members who are basically the only source of profits, the whole structure collapses. Only a few people on top of the pyramid make money, the rest lose.

The general public is cautioned not to be misled by advertisements of such lucrative schemes promising very high returns on referral or new participants joining basis, being launched in the print media, electronic media or through marketing executives. Such businesses pay hefty profits for a short period, but disappear after collecting large amounts from public.

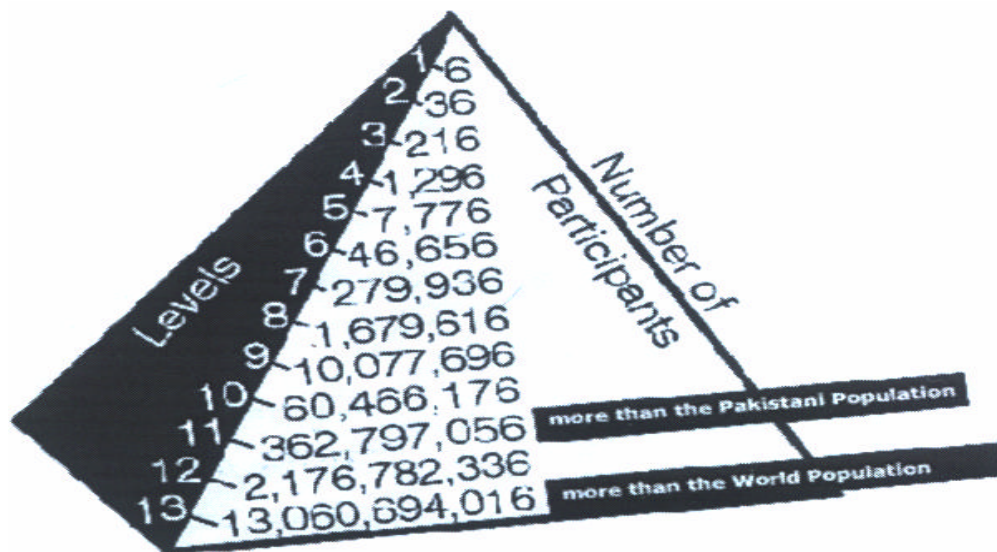
### **Pyramid Schemes and Multi-level Marketing:**

In a classic “pyramid” scheme, participants make money solely by recruiting new participants into the program. The hallmark of these schemes is the promise of sky-high returns in a short period of time for doing nothing other than handing over

your money to the scheme and getting others to do the same. Many ongoing multi-level marketing schemes are also built-in pyramids selling products through a network of distributing salespeople.

The pioneers of these schemes go to great lengths to make the program look like a marketing program for a group of products. They are neither manufacturers of any products nor dealers or distributors of any manufacturing concern. These businesses simply use the money coming in from new recruits to pay off early stage investors. As soon as these pyramid schemes reach a certain size when there is no substantial inflow of new members the whole structure collapses. At this point the schemes get too big, and the promoters cannot raise enough money from new investors to pay earlier investors.

The chart below indicates that a pyramid scheme can become impossible to sustain, and its participants will outnumber the total population of Pakistan before reaching the 11<sup>th</sup> level if it started with six participants in the first level.



In view of the above, the general public is advised in their own interest to beware of companies and individuals engaged in such business practices. It must be noted that no one can invite and accept deposits or offer loans to general public through

advertisements, unless duly authorized to do so under the law. It is recommended that you verify the status and legal authority of such entities from Securities and Exchange Commission of Pakistan or State Bank of Pakistan.

### **Guidelines from the Securities and Exchange Commission of Pakistan:**

The SEC suggests that the investors should use common sense, and the following five tips when making their investment decisions:

- Avoid any plan that includes commissions for recruiting additional distributors. It may be an illegal pyramid.
- Beware of plans that ask new distributors to purchase expensive inventory. These plans can collapse quickly, and can be thinly-disguised pyramids.
- Be cautious of plans that claim you will make money through continued growth of your down line (commissions on sales made by new distributors you recruit), rather than through sales of products you make your self.
- Beware of plans that claim to sell miracle products or promise enormous earnings.
- Beware of skills – “decoy” references paid by a plan’s promoter to describe their fictional success in earning money through the plan.

Provided below is a list of companies and businesses identified to be involved in multi-level marketing and pyramid scheme related activities.

- Dream Ways International (Pvt) Limited
- Dream in Life International (Pvt) Limited
- Earn IT Edu (Pvt.) Limited
- Troverz Marketing (Pvt) Limited
- Domains By MLM (Pvt.) Limited
- XIANLE Health Products (Pak) Co. Limited
- Aapna (Pvt) Limited

- Believe International (Pvt) Limited
- CNI-Chelate Net International Gold (Pvt) Limited
- Alpha Marketing Services
- Friends Marketing Services
- Sahara Scratch Card
- Dream Wizard International
- Xianle
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