



# Multi-level Marketing Plans and Schemes of Pyramid Selling

## MULTI-LEVEL MARKETING PLANS AND SCHEMES OF PYRAMID SELLING

A multi-level marketing (MLM) plan is a legal business model for selling goods and services. A scheme of pyramid selling, on the other hand, is illegal under the *Competition Act*.

### ☐ MULTI-LEVEL MARKETING PLANS CAN BE LEGITIMATE

An MLM plan promotes the supply of a product to participants in the plan. Participants earn compensation based on supplying products to other participants and/or customers. A legitimate MLM plan has three or more levels of participants.

It is illegal for operators or participants in an MLM plan to make any representations about compensation, unless the representations constitute or include fair, reasonable and timely disclosure to prospective participants of the amount of money actually or likely earned by a typical participant.

### ☐ PYRAMID SELLING IS A CRIMINAL OFFENCE

A scheme of pyramid selling focuses primarily on generating profits by recruiting others and not from the sale of products. These schemes may offer products; however, the products may have very little value or the plan may offer limited incentives for their sale.

It is a criminal offence to establish, operate, advertise or promote a scheme of pyramid selling.

To learn more, see our **Enforcement Guidelines** on *Multi-level Marketing Plans and Schemes of Pyramid Selling* on the Bureau's website.

The Competition Bureau, as an independent law enforcement agency, ensures that Canadian businesses and consumers prosper in a competitive and innovative marketplace.

Headed by the Commissioner of Competition, the Bureau is responsible for the administration and enforcement of the *Competition Act*, the *Consumer Packaging and Labelling Act*, the *Textile Labelling Act* and the *Precious Metals Marking Act*.

#### Legal Actions

We have the ability to refer criminal matters to the Director of Public Prosecutions, who then decides whether to prosecute before the courts. We also have the power to bring civil matters before the Competition Tribunal or the courts, depending on the conduct in question and applicable legal provisions.

#### Written Opinions

The Commissioner has the discretion to provide a binding written opinion to businesses seeking to comply with the *Competition Act*. Any person may request written opinions on whether proposed business plans and practices could raise concerns under the Act.

#### Questions or Complaints

If you believe any of the laws under the Bureau's jurisdiction have been breached, please fill out our online form, call, fax or write.

We are required by law to conduct our investigations in private. We keep the identity of the source and the information provided confidential, subject to certain exceptions.

This publication is also available online in HTML at:

[www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/03799.html](http://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/03799.html)

**Aussi offert en français sous le titre :**

Commercialisation à paliers multiples et systèmes de vente pyramidale

#### For More Information:



[www.competitionbureau.gc.ca](http://www.competitionbureau.gc.ca)



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This publication is intended to provide basic information only. To learn more, please refer to the full text of the Acts or contact the Competition Bureau.