



Government  
of Canada

Gouvernement  
du Canada

# *Multi-level Marketing and Pyramid Selling*

<http://competition.ic.gc.ca>

Canada



COMPETITION  
BUREAU

## ***What Is the Competition Bureau?***

The Competition Bureau (the Bureau) is part of Industry Canada and is headed by the Commissioner of Competition. The Commissioner is responsible for the administration and enforcement of the *Competition Act*, as well as three statutes concerning the accuracy and adequacy of information provided to consumers: the *Consumer Packaging and Labelling Act*, the *Textile Labelling Act* and the *Precious Metals Marking Act*.

## ***What Is the Competition Act?***

The *Competition Act* is a federal law governing business conduct in Canada. It aims to promote competition in the marketplace by stopping anti-competitive practices. Most businesses, both small and large, are governed by this Act, which contains both criminal and civil provisions.

## ***Multi-level Marketing Plans and Schemes of Pyramid Selling***

The *Competition Act* explains the differences between multi-level marketing plans and schemes of pyramid selling, and sets out the responsibilities for operators and participants in these types of plans. Multi-level marketing, when it operates within the limits set by the *Competition Act*, is a legal business activity, while a scheme of pyramid selling is illegal as defined by the law.

## ***What Is Multi-level Marketing?***

Multi-level marketing is a plan for the distribution of products whereby participants earn money by supplying products to other participants in the same plan. They, in turn, make their money by supplying the same products to other participants.

## ***What Should I Look Out For?***

Although multi-level marketing plans, as defined in the *Competition Act*, are a legal business activity, there are certain things you should be aware of before joining such a plan.

It is illegal for operators or participants in a multi-level marketing plan to make exaggerated representations of compensation or earnings, as such representations can lead potential recruits to believe that it will be easy to make large amounts of money.

As well, operators of, and participants in, a multi-level marketing plan should ensure that any representations made about the plan are — or include information that is — fair, reasonable and timely as the plan relates to:

- the different levels of earnings or compensation received by participants in the plan;
- the amount of money earned by a typical participant; and
- the time and effort required to reach specific levels of income.

## ***What Is a Scheme of Pyramid Selling?***

A scheme of pyramid selling is a multi-level marketing plan that incorporates any one of a number of specified marketing practices that make it a criminal offence under the *Competition Act*.

It is illegal if:

- participants pay money for the right to receive compensation for recruiting new participants;
- a participant is required to buy a specific quantity of products, other than at cost price for the purpose of advertising, before the participant is allowed to join the plan or advance within the plan;

- participants are knowingly sold commercially unreasonable quantities of the product or products (this practice is called inventory loading); or
- participants are not allowed to return products on reasonable commercial terms.

### ***What Are the Possible Penalties?***

People who contravene the multi-level marketing or scheme of pyramid selling provisions of the *Competition Act* can be convicted and sentenced to a fine at the discretion of the court or a prison term of up to five years, or both.

### ***How Do I Make a Complaint About a Multi-level Marketing Plan or a Scheme of Pyramid Selling?***

If you are the victim of an unlawful multi-level marketing plan or a scheme of pyramid selling, or have information concerning one, contact the Competition Bureau.

The Bureau conducts its investigations in private and keeps confidential the identity of the source and the information provided. However, if someone has important evidence about an offence under the *Competition Act*, that person may be asked to testify in court.

### ***Advisory Opinions***

The Competition Bureau facilitates compliance with the law by providing various types of advisory opinions subject to fees. Company officials, lawyers and others are encouraged to request an opinion on whether the implementation of a proposed business plan or practice would raise an issue under the *Competition Act*. A specific opinion will be based on information provided by the requestor and will take into account previous case law, prior opinions and the stated policies of the Bureau.

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*The Bureau produces videos and publications on various aspects of the Competition Act, the Consumer Packaging and Labelling Act, the Textile Labelling Act and the Precious Metals Marking Act. To find out more about our videos and publications, contact the Information Centre:*

Information Centre  
Competition Bureau  
Industry Canada  
50 Victoria Street  
Hull QC K1A 0C9

*Toll-free:* 1-800-348-5358

*National Capital Region:* (819) 997-4282

*TDD (for hearing impaired):* 1-800-642-3844

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*E-mail:* [compbureau@ic.gc.ca](mailto:compbureau@ic.gc.ca)

*Web site:* <http://competition.ic.gc.ca>

*This publication is only a guide. It provides basic information about the Competition Bureau and the Competition Act. For further information, you should refer to the full text of the Competition Act or contact the Competition Bureau at one of the numbers listed above.*

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