



How the “Anti”-Pyramid Promotional Scheme Act of 2003 Is Seeking to Legalize Pyramid Schemes in America

① It changes the definition of “Consideration”:

“Consideration” refers to the various ways a victim is induced to pay into the pyramid scheme in order to gain a position. Consideration establishes the source of the ill-gotten money

This definition of “consideration” means the perpetrator is allowed to use pyramid marketing to induce months or even years of a victim’s time and effort which are “excluded” from the definition.

The new definition also clears the way for the most notorious harm caused by the pyramid marketers, that is, selling bogus “success tools” such as books and seminars at “cost.” These “tools” serve as a huge profit center for the perpetrators. The bill excludes these expenses, along with the victim’s time and labor from being viewed as payments made to gain the falsely promised rewards.



Text of Bill: “Consideration” does not include-

1. The purchase of goods or services furnished at cost to be used in making sales and not for resale; or
2. Time and effort spent in pursuit of sales or recruiting activities.

Industry Bill Seeks to Legalize Pyramid Schemes by Redefining Pyramid Scheme

Text of Bill: PYRAMID PROMOTIONAL SCHEME. -The term “pyramid promotional scheme” means any plan or operation by which a participant gives consideration for the opportunity to receive compensation that is derived primarily from the introduction of other persons into the plan or operation rather than from the sale and consumption of goods, services, or intangible property by a participant or other persons introduced into the plan or operation so long as the plan or organization does not promote inventory loading and implements an appropriate inventory repurchase program.

② Changes the definition of “Compensation”:

“Compensation” refers to how the perpetrators get paid in the pyramid scheme. This new definition of “compensation” means that a perpetrator can be paid to introduce people into a pyramid scheme as long as the money is laundered as an override on goods or services purchased by the victim. Goods purchased for so called “actual use or consumption” – and never resold – serve as the pyramid’s currency of exchange.



Text of Bill: “Compensation”... does not include payment based on sale of a product to a person, including a participant, who purchases the product for actual use or consumption.

③ Redefines “Retailing”: The new definition includes wholesale sales to the scheme’s own sales representatives as “retail” and thereby establishes the classic pyramid scheme pattern – a closed system with fixed prices/fees to join the scheme. Without retailing, the business changes from a sales company to a pyramid recruitment scheme in which product purchases are part of the price to gain and hold a position on the chain.

④ Redefines the main harm of a pyramid as “inventory loading:”

The financial damage caused by a pyramid scheme is far greater than some unreturned inventory. The true and main harm are the deception used to induce purchases in the first place and the inevitable, predetermined financial failure of 99% of all participants. These harms are actually protected by the bill. Victims are deceptively lured to invest months or years of effort, to give up careers, and to take on debt. They are induced to buy products monthly, pay for costly training, seminars and marketing materials - as the price to be in the scheme. While appearing to help consumers the bill protects pyramid perpetrators, some of which have been prosecuted by the government while belonging to the group that is now sponsoring this bill.