

## Sri Lanka's Government Responds

The Central Bank of Sri Lanka (equivalent in purposes and mission to the US Federal Reserve) made “combating pyramid schemes” the theme of its 2005 Regional Conference, attended by bankers from six nations. Pyramid Scheme Alert President, Robert FitzPatrick, was invited to help facilitate the seminar and to make a [formal presentation](#). The other presenter was Mr. Chris Jarvis from the International Monetary Fund.



Prior to the seminar, Sri Lanka's president, Chandrik Kumaratunga, had issued a national warning about “network marketing” schemes. She pledged support of new laws to ban them outright.

The Central Bank applied current laws prohibiting the loaning of credit card usage. Investigators had discovered that many investors were being misled into loaning the usage of their credit cards to other people for the scheme's \$400 investment.

The Central Bank also persuaded banks not to facilitate transactions related to the scheme.

### Sri Lanka's New Anti-Pyramid Act, Enacted in 2005

(1) No person shall directly or indirectly initiate, offer, promote, advertise, conduct, finance, manage conduct or direct a Scheme where a participant is required to contribute or pay money or monetary value and the benefits earned by the participant are largely dependent on

(a) increase in the number of participants in the Scheme; or

(b) increase in the contributions made by the participants in the Scheme.

For the purpose of this subsection “money” means a monetary unit or a medium of exchange that is issued, established, authorized or adopted by Sri Lanka or a foreign government; and “monetary value” means a medium of exchange whether or not redeemable in money, including in the form of stored value, payment instrument or credit to account and shall also include gold coin and gold bullion.

(2) Any person who contravenes the provisions of subsection (1) shall be guilty of an offence and shall be liable on conviction after summary trial before a Magistrate to imprisonment of either description for a term not exceeding three years or to a fine not exceeding rupees one million or to both such imprisonment and fine. Where the offense is committed willfully or knowingly, or with knowledge that the act will cause damage or harm to any other person, to rigorous imprisonment for a term not less than three years and not more than five years and to a fine of rupees two million or twice the aggregate amount in Sri Lanka currency revealed or divulged to have been received from the participants in the scheme, whichever is higher.