

# MULTI-LEVEL MARKETING AND PYRAMID SELLING (PROHIBITION) ACT

## (CHAPTER 190)

### MULTI-LEVEL MARKETING AND PYRAMID SELLING (EXCLUDED SCHEMES AND ARRANGEMENTS) ORDER 2000

In exercise of the powers conferred by section \*2 (1A) of the Multi-Level Marketing and Pyramid Selling (Prohibition) Act, the Minister for Trade and Industry hereby makes the following Order:

#### **Citation and commencement**

1. This Order may be cited as the Multi-Level Marketing and Pyramid Selling (Excluded Schemes and Arrangements) Order 2000 and shall come into operation on 01 June 2000.

#### **Excluded schemes and arrangements**

2. --(1) The definition of “pyramid selling scheme or arrangement” in section 2 of the Act shall be taken not to include any of the following schemes or arrangements:

- (a) any scheme or arrangement comprising insurance business, or any class of insurance business, so long as every insurer and every insurance intermediary participating in the scheme or arrangement is registered, licensed, approved or otherwise so entitled to act under the Insurance Act (Cap. 142), the Insurance Intermediaries Act 1999 (Act 31 of 1999), or the regulations made thereunder;
- (b) any master franchise scheme or arrangement, or any class of such scheme or arrangement, whereby a person is given the right to sub-franchise a franchise, subject to the scheme or arrangement satisfying the [terms and conditions in sub-paragraph \(c\)\(ii\), \(iii\), \(iv\) and \(vi\)](#);
- (c) any scheme or arrangement, or any class of such schemes or arrangements, which satisfies the following terms and conditions:
  - (i) a person shall not be required to provide any benefit or acquire any commodity in order to participate in the scheme or arrangement, other than the purchase of sales demonstration equipment or materials at a price not exceeding their cost which are not for resale and for which no commission, bonus or any other advantage will be given to any person;
  - (ii) any benefit received —
    - (A) by any promoter of, or participant in, the scheme or arrangement accrues as a result of the sale, lease, licence or other distribution of a commodity to any other person;

- (B) by any promoter of the scheme or arrangement accrues as a result of the performance of one or more participants in relation to the sale, lease, licence or other distribution of a commodity to any other person;
- (iii) subject to sub-paragraph (ii), no benefit shall be received by any person as a result of the introduction or recruitment of one or more persons to be participants in the scheme or arrangement;
- (iv) a promoter of the scheme or arrangement shall not make, or cause to be made, any representation to any person that benefits will accrue under the scheme or arrangement in a manner other than as specified in sub-paragraph (ii);
- (v) a promoter of the scheme or arrangement shall, in respect of any representation relating to the actual or potential accrual of any benefit under the scheme or arrangement, maintain fair and accurate records of the maximum, minimum, median, average and mode benefits that have accrued to the promoter and participants in the scheme or arrangement, duly audited by an auditor for each financial year;
- (vi) a promoter of the scheme or arrangement shall not, and shall take reasonable steps to ensure that participants in the scheme or arrangement do not —
  - (A) knowingly make, or cause or permit to be made, any representation relating to the scheme or arrangement or to the commodity which is false or misleading;
  - (B) knowingly omit, or cause or permit to be omitted, any material particular relating to the scheme or arrangement or to the commodity;
  - (C) knowingly engage in, or cause or permit, any conduct that is misleading or likely to mislead as to any material particular relating to the scheme or arrangement or to the commodity; or
  - (D) in promoting the scheme or arrangement or the commodity, use, or cause or permit to be used, fraud, coercion, harassment, or unconscionable or unlawful means;
- (vii) the commodity shall be distributed with a full refund or buy-back guarantee that is exercisable by every participant in the scheme or arrangement on reasonable commercial terms and within a period of at least 60 days from the date of distribution of the commodity to the participant; and
- (viii) every participant in the scheme or arrangement shall be informed in writing, at the time of the distribution of the commodity to the

participant, of the existence of the guarantee and the manner in which it can be exercised.

(2) For the purposes of sub-paragraph (1) (b), “franchise” has the same meaning as in section 107 (1) of the Companies Act (Cap. 50).

(3) For the purposes of sub-paragraph (1)(c) –

“cost”, in relation to sales demonstration equipment or materials, means the direct cost of production or the wholesale price of such equipment or materials;

“representation” includes any statement or claim.

**Made this 23<sup>rd</sup> day of May 2000.**

*Permanent Secretary,  
Ministry of Trade and Industry,  
Singapore.*

\* The empowering provision has been renumbered as section 2(2) in the 2000 Revised Edition of the Act.

Text in blue denotes the amendments made via the Multi-Level Marketing and Pyramid Selling (Excluded Schemes and Arrangements) Amendment Order 2001. These amendments were published in the Singapore Government Gazette *vide* S\_\_\_/2001 and take effect on 01 January 2002.