

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. **2930**



Introduced by **REPRESENTATIVE AUDREY KAY T. ZUBIRI**

AN ACT
PROHIBITING THE USE OF PYRAMID SCHEMES OR CHAIN DISTRIBUTION
PLANS IN DOING BUSINESS AND PROVIDING PENALTIES THEREFORE AND
FOR OTHER PURPOSES

EXPLANATORY NOTE

Pyramid sales schemes or chain distribution plans have proliferated in the Philippines for years, preying on the hopes and aspirations of ordinary Filipinos seeking legitimate means of livelihood. With about 67% Filipinos encountering financial scams each month¹, these fraudulent schemes lure individuals with promises of quick and high returns, requiring them to invest substantial sums of money with the condition of recruiting others into the same plan.

Often disguised as legitimate multi-level marketing (MLM) or networking businesses, these operations derive profit not from the actual sale of goods or services, but primarily from recruitment and entry fees, thereby causing significant financial losses to unsuspecting victims.

While Republic Act No. 7394 or the “Consumer Act of the Philippines” expressly prohibits the employment of pyramid sales schemes in sale of consumer products, the existing laws still lack of a clear and comprehensive legal framework regulating these pyramid sales schemes. This has allowed these illegal schemes to persist, evolve, and target more victims, especially those in vulnerable economic situations

¹<https://www.bworldonline.com/spotlight/2024/11/11/634054/67-of-filipinos-still-dont-report-scams-to-authorities-gasa-study/>

This bill seeks to institutionalize safeguards against pyramid sales schemes through the proposed “Anti-Pyramiding Act of 2025.” The measure clearly defines what constitutes a pyramid scheme or chain distribution plan, distinguishes these from legitimate multi-level marketing practices, and provides measurable parameters for determining the legality of marketing models. It sets penalties for violators, empowers the Department of Trade and Industry (DTI) to regulate and monitor MLM companies, and establishes a mechanism for early detection and immediate response to suspected fraudulent operations.

Among the salient features of this bill are:

- a. The clear definition and identification of pyramid sales schemes;
- b. The requirement for MLM companies to register their marketing plans with the DTI;
- c. The authority of the DTI to issue cease and desist orders pending investigation;
- d. The imposition of stringent penalties including imprisonment, fines, cancellation of business licenses, and restitution to victims;
- e. The creation of a DTI-led Task Force to oversee enforcement and regulatory implementation.

With this proposed measure, the State affirms its mandate to promote fair, equitable, and honest business practices, in accordance with Section 9, Article XVI of the 1987 Constitution which mandates the protection of consumers from trade malpractices.²

In view of the foregoing, the immediate passage of this measure is earnestly sought.


AUDREY KAY T. ZUBIRI
Representative, 3rd District of Bukidnon

² 1987 Philippine Constitution, Article XVI, Sec. 9. The State shall protect consumers from trade malpractices and from substandard or hazardous products.

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Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

1 **SECTION 1. Short Title.** — This Act shall be known as the "*Anti-Pyramiding Act of*
2 2025".

3
4 **SEC. 2. Declaration of Policy.** — It is the policy of the State to promote and support
5 fair and honest business transactions and prevent the employment of pyramid schemes or chain
6 distribution plans which continue to wreck the economic lives of countless Filipinos who
7 aspire to have a thriving business of their own. To this end, the State shall implement measures
8 to achieve the following objectives:

9
10 a) To define pyramid schemes or chain distribution plans and differentiate such illegal
11 activities from multi-level marketing or networking as a legitimate way of doing business;

12 b) To provide indicators and parameters to identify pyramid schemes or chain
13 distribution plans;

14 c) To establish a mechanism to monitor and prevent pyramid schemes or chain
15 distribution plans; and

16 d) To impose stiffer penalties for violations of the provisions of this Act.

17
18 **SEC. 3. Definition of Terms.** — For purposes of this Act, the following term shall be
19 defined as:

1 a) "**Binary MLM Plan**" refers to a binary plan or a multi-level marketing compensation
2 plan which allows independent distributors to have only two front line distributors in the
3 binary tree. If a distributor sponsors more than two distributors, the excess are placed at levels
4 below the front line of the sponsoring distributors in a binary tree. To be legitimate, distributors
5 can earn by balancing sales volume and not balancing number of recruits which is not allowed
6 as the latter is construed as "*headhunting*" wherein commissions are paid by the mere act of
7 recruitment under the two legs.

8 b) "**Consideration**" refers to payment of money or its equivalent, or purchase of goods,
9 services, credits or intangible property but excluding purchase of goods or services furnished
10 at cost to be used in making sales, and time and effort spent in pursuit of sales or recruiting
11 activities;

12 c) "**Drawback Policy**" refers to definitive guidelines for the return of marketable
13 products within a reasonable time;

14 d) "**Fair Market Value**" refers to the amount a willing and reasonable buyer would pay
15 for goods in a competitive marketplace;

16 e) "**Front Inventory Loading**" refers to purchase of more products than what can
17 reasonably be used or sold to retail customers in a month;

18 f) "**Headhunting Fee**" refers to amount paid to the direct sponsor of each successful
19 recruit to a network marketing company;

20 g) "**Investment**" refers to any acquisition, for consideration other than personal
21 services, of property, tangible or intangible, and includes without limitation, franchises,
22 business opportunities and services, and any other means, medium, form or channel for the
23 transfer of funds, whether or not related to production or distribution of goods or services;

24 h) "**Joining, Registration, or Entry Fee**" refers to a required amount to be paid by a
25 person to become a member of an independent sales force of a multi-level marketing company,
26 regardless of whether such person receives products or not;

27 i) "**Match or pair recruits**" refers to pairing of recruits on the left and right legs of a
28 binary tree to qualify for a commission;

29 j) "**MLM Company's Plan**" refers to a company's Compensation Plan outlining earning
30 opportunities available to members;

31 k) "**Multi-level Marketing**" (MLM) or "**Network Marketing**" refers to a legitimate
32 sales device whereby any person, firm, corporation, association or other business entity, who
33 sells, distributes, manufactures or supplies, for valuable consideration, goods or services
34 through independent agents, contractors or distributors, at different rank levels, wherein such

1 participants may recruit other participants without requiring payment charges, fees, or
2 contributions, as a pre-requisite for acceptance, and wherein commissions, bonuses, refunds,
3 discounts, dividends or other considerations in the program are or may be paid as a result of
4 the sale of such goods or services by the independent agents, contractors or distributors or
5 other people they bring into the business. Multi-level Marketing shall also refer to a form of
6 Direct Selling whereby goods or services are sold on a person-to-person basis;

7 l) "**Multiple registration fees**" refers to an amount paid for the acquisition of multiple
8 slots or positions;

9 m) "**Multiple slots or positions**" refers to enrollment of the same person in several
10 positions in the same binary and enrollment trees;

11 n) "**Participants**" refers to members of an independent sales force of the network
12 marketing company;

13 o) "**Pyramid Scheme**" or "**Chain Distribution Plan**" refers to a sales device whereby a
14 person, upon condition that such person makes an investment is granted by a business entity,
15 distributor, supplier, manufacturer or a representative, a right to recruit for profit one or more
16 additional persons who will also be granted such right to recruit upon condition of making
17 similar investments: *Provided*, That the profits of a person employing such a plan are derived
18 primarily from the recruitment and investment of other persons into the plan rather than from
19 the sale of consumer products, services, and credit; *Provided further*, That a limitation as to
20 the number of persons who may participate or the presence of additional conditions affecting
21 the eligibility for the right to recruit or receive profits therefrom, does not change the nature
22 of the plan;

23 p) "**Recruitment Bonus**" refers to bonus or commission paid for each successful
24 personal recruit made; and

25 q) "**Sponsorship**" refers to direct recruitment of members to join a network marketing
26 company.

27
28 **SEC. 4. Prohibiting Pyramid Sales Schemes.** — No person, natural or juridical, shall
29 establish, operate, advertise or promote pyramid sales schemes or chain distribution plans in
30 its business operations.

31
32 **SEC. 5. Other forms of Pyramid Sales Schemes.** — Without limiting the coverage of
33 pyramid schemes as defined in Section 3(a) of this Act, companies, sales or marketing plans
34 or schemes shall be considered Pyramid Schemes or Chain Distribution Plans if:

1 A) A promoter persuades recruits to purchase products, services, credit, title or rank
2 whereby such recruits receive income primarily from the mere introduction, recruitment or
3 sponsorship of other participants into a pyramid scheme or chain distribution plan rather than
4 from marketing and sale of products; or

5
6 B) The profits of a person are derived primarily from recruitment of other persons into
7 a pyramid scheme or chain distribution plan rather than from sale of consumer products,
8 services and credit. Such plan or scheme shall include but not be limited to one or more of the
9 following attributes:

10
11 a) Revenue or income is derived mainly from the entry fees of the participants
12 of such companies;

13 b) Participants must sponsor a fixed number of other participants in order to
14 earn, each of whom must in turn sponsor a fixed number of participants, as in a pyramid
15 scheme compensating participants by balancing number of recruits rather than number
16 of sales volumes;

17 c) Income of participant is dependent primarily upon a slot or position within
18 the company as determined by the time, date and order of participation;

19 d) Participants are not allowed to return marketable and unused products for
20 refund within a period of six (6) months from the time of purchase;

21 e) There is no fair market value for the goods received;

22 f) Participants are allowed to purchase multiple slots or positions by paying
23 multiple registration fees;

24 g) MLM company operates without valid licenses, permits or authorizations
25 from concerned national government agencies or local government units; and

26 h) MLM company fails to submit its marketing plan to DTI.

27
28 **SEC. 6. Monitoring and Regulation of MLM companies. —**

29
30 A) Corporations or partnerships using multi-level marketing or networking in carrying
31 out the purposes of their business shall disclose such information in their Articles of
32 Incorporation or Partnership. Sole proprietorships shall likewise disclose in their registration
33 with DTI if they use multi-level marketing or networking in the conduct of their business.
34 Failure to comply herewith shall be a ground for the cancellation of SEC or DTI registration.

1 B) Registered multi-level marketing companies shall register and file their MLM plans
2 with the DTI within sixty (60) days prior to start of business operations: *Provided*, That all
3 existing companies engaged in multi-level marketing or networking shall submit their MLM
4 plans with the DTI within ninety (90) days from the effectivity of this Act; *Provided further*,
5 That in case there are revisions, amendments or modifications in the MLM plans, companies
6 shall submit a report to DTI within sixty(60) days prior to the implementation thereof;
7 *Provided finally*, That failure to comply herewith shall be a ground for cancellation of
8 registration with the DTI and the SEC.

9
10 C) The DTI shall monitor and regulate multi-level marketing plans and set indicators
11 and parameters in order to determine whether there is prima facie evidence that a company is
12 engaged in pyramid schemes or chain distribution plans, such as but not limited to the
13 following:

- 14
15 a. Prohibitive entry requirements or headhunting fees and/or joining fees. The entire
16 joining fee that is paid to participate in a plan is considered as entry or registration fee,
17 notwithstanding the inclusion of products as part of the registration fee;
- 18 b. Undisclosed drawback policy;
- 19 c. Front inventory loading;
- 20 d. Profits of a company or independent sales force primarily derived from recruitment;
- 21 e. Unjust claims of unusually large returns on investments;
- 22 f. Absence of real market for a product;
- 23 g. Payment of recruitment bonus such as in a scheme compensating independent
24 distributors who are able to "match/pair" recruits;
- 25 h. Absence, undisclosed or unreasonable product return policy;
- 26 i. Sale of multiple slots or positions through the payment of multiple registration fees
27 by one independent distributor; and
- 28 j. Such other activities which the DTI may deem pyramid schemes or chain distribution
29 plans.
- 30

31 **SEC. 7. DTI's Jurisdiction Over Prosecution.** — The DTI shall have original
32 jurisdiction over complaints on pyramid sales schemes and shall conduct investigations on
33 companies engaging in, any, some or all of the foregoing prohibited practices that may come
34 to its knowledge, with or without a formal complaint filed.

1 The jurisdiction of DTI on complaints about pyramid activities, however, shall not
2 exclude other government institutions of jurisdiction granted to them by existing laws on
3 matters related to pyramid activities or prosecution of cases under existing laws before the
4 competent courts.

5
6 **SEC. 8. *Creation of a Task Force.*** — There shall be created a Task Force to be
7 spearhead and organized by the DTI to identify emerging pyramid schemes or chain
8 distribution plans and formulate rules and regulations to facilitate the investigation and
9 prosecution of companies employing pyramiding sales schemes and chain distribution plans.
10 The DTI may designate private sector representatives as members of the Task Force.

11
12 **SEC. 9. *Cease and Desist Order.*** — Pending investigation of a company suspected of
13 employing a pyramiding scheme or chain distribution plan, a cease-and-desist order shall be
14 issued against the company from continuing its business operations.

15
16 **SEC. 10. *Penalties.*** -

17
18 a) Any person, natural or juridical, engaged in pyramiding schemes or chain
19 distribution plans shall, upon conviction, be imposed with a penalty of imprisonment of twelve
20 (12) years to twenty (20) years and/or a fine of not less than One Million Pesos
21 (P1,000,000.00) but not more than Five Million Pesos (P5,000,000.00): *Provided*, That in case
22 the violation is committed by a corporation, association or partnership, the penalty of
23 imprisonment shall be imposed on the members of the board, partners, officers and individuals
24 personally responsible, notwithstanding other remedies available to the victims and other
25 penalties imposed by existing laws; *Provided further*, That such violation shall be non-bailable
26 offenses;

27
28 b) All business licenses, permits and authorizations issued by government agencies
29 shall be revoked;

30
31 c) All persons found guilty for pyramiding shall be ordered to return any and all
32 considerations given by the victims, with interest computed from the time payments were
33 made. The victims shall be deemed preferred creditors as provided for in the New Civil Code
34 of the Philippines.

1 **SEC. 11. *Prescriptive Period.*** — All claims or actions against pyramiding schemes
2 shall prescribe within five (5) years from the time the pyramiding acts and practices have been
3 employed or upon discovery thereof.

4
5 **SEC. 12. *Appropriations.*** - The amount of Twenty Million Pesos (P20,000,000.00) as
6 additional funding for DTI to be charged against the unexpended Contingency Fund of the
7 Office of the President is hereby appropriated for the initial implementation of this Act.
8 Thereafter, the amount needed for the implementation of this Act shall be included in the
9 annual General Appropriations Act.

10
11 **SEC. 13. *Implementing Rules and Regulations.*** - The Department of Trade and Industry
12 shall, in consultation with concerned government agencies, issue the Implementing Rules and
13 Regulations within ninety (90) days from the effectivity of this Act.

14
15 **SEC. 14. *Separability Clause.*** — If any provision of this Act is subsequently declared
16 unconstitutional, the validity' of the remaining provisions hereof shall remain in full force and
17 effect.

18
19 **SEC. 15. *Repealing Clause.*** — All laws, decrees, orders, and issuances, or portions
20 thereof, which are inconsistent with the provisions of this Act, are hereby repealed, amended
21 or modified accordingly.

22
23 **SEC. 16. *Effectivity Clause.*** -This Act shall take effect immediately after its complete
24 publication in the Official Gazette or in a newspaper of general circulation in the Philippines.

Approved,