



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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RBI cautions Public against Multi Level Marketing Activities

The Reserve Bank of India has cautioned the public against Multi-level Marketing (MLM) activities so that investors do not fall prey to unscrupulous entities.

Explaining the functioning of these entities, the Reserve Bank stated that MLM/Chain Marketing/Pyramid Structure schemes promise easy or quick money upon enrolment of members. Income under such schemes majorly comes from enrolling more and more members from whom hefty subscription fees are taken rather than from the sale of products they offer. It is incumbent upon all members to enroll more members, as a portion of the subscription amounts so collected is distributed among the members at the top of the pyramid. Any break in the chain leads to the collapse of the pyramid, and the members lower down in the pyramid are the ones that are affected the most.

The Reserve Bank has advised that members of public should not be tempted by promises of high returns offered by entities running Multi-level Marketing/Chain Marketing/Pyramid Structure Schemes. The Reserve Bank has reiterated that falling prey to such offers can result in direct financial losses and they, in their own interest, should refrain from responding to such offers in any manner.

The Reserve Bank has also said that acceptance of money under Money Circulation/Multi-level Marketing/Pyramid structures is a cognizable offence under the Prize Chit and Money Circulation (Banning) Act 1978. Members of public coming across such offers should immediately lodge a complaint with the State Police.

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