FOURTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES )
First Regular Session

8 JUN -3 ΛΠ :59

SENATE

RECEIVED BY: _____

S. No. 2368

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Introduced by Senator Manny Villar

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## EXPLANATORY NOTE

This bill seeks to curb the growing threat of pyramid schemes as a way of defrauding individuals and groups of their hard earned money. In the Philippines, multinational corporations and local companies have engaged in this scheme in the form of multi-level marketing. Pyramiding is deceptive because it is based on the premise that investments could be recouped by way of recruiting additional participants, with the money flowing upward to the top. Representations used to promote pyramid schemes often emphasize the quick and sizable profits but what is not disclosed is the fact that when potential recruits diminish and the point of saturation reached, many late entrants lose their investments.

The present version of the Consumer Act of the Philippines was inadequate to protect Filipino consumers. Revisions should be made in order to directly address this issue and so that the gaps in the law will not be exploited by unscrupulous individuals or groups.

Hence, the immediate approval of this measure is earnestly requested.

MANNY VILLAR

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AN ACT AMENDING CERTAIN PROVISIONS OF REPUBLIC ACT 7394, OTHERWISE KNOWN AS THE CONSUMER ACT OF THE PHILIPPINES, DEFINING FOR THE PURPOSE THE CRIME OF PSEUDO-INVESTMENTS, PROVIDING PENALTIES THEREFORE AND FOR OTHER PURPOSES.

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

SECTION 1. The following provisions of the Consumer Act are hereby amended to read as follows;

Title Article 4(k) Pseudo-Investments refer to but are not limited to
(1) "Pyramid sales scheme or "chain distribution plan" ,refers to sales devices whereby a person. upon condition that he makes an investment by way of purchasing goods or paying a fee, is panted by the manufacturer or Ms representative a right to sell products and services as well as recruit one or more additional persons who will afro be granted such right to recruit upon condition of making similar investments;

(2) Ponzi schemes" refers to a business structure similar to the pyramid scheme operated by a person or group, natural or Juridica4 where there is no true product or service being offered in exchange for the investment and where the money tendered by new investors are paid to earlier investors;

(3) "Telemarketing fraud" refers to a scheme where high pressure tactics are made over the phone with the intent to make the investor buy into a fraudulent or non-existent investment offering;

(4) "Technology fraud" refers to a scheme wherein investors are lulled into making purchases or investments of non-existent products through the Internet home or cyber shopping .

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Title III Chapter 1 Article 53. Pseudo-In vestment Schemes.

Pseudo-Investment Schemes as defined in Title I Article 4(k) of this Act shall not be employed in the sale of consumer products and services.

Article 60. Penalties. Any person who shall violate the provisions of Title III Chapter 1, shall upon conviction, be subject to a fine not less than (fine Hundred Thousand Pesos (P 104000.00) [Five Hundred Pesos (P 500.00)] but not more than Five Hundred Thousand Pesos (P 500,000.00) [Ten Thousand Pesos (P 10,000.00)) And [or) Imprisonment of not less than Two (2) Years [ five (5) months] but not more than Four (4) Years [one (1) year] [or both] upon the discretion of the court.

SECTION 2. Repealing Clause — All laws, decrees, executive orders, rules and regulations or parts thereof contrary to, or inconsistent with this act are hereby modified or repealed accordingly.

SECTION 3. Effectivity — This Act shall take effect fifteen (15) days following the completion of Its publication in the Official Gazette or in two (2) national newspapers of general circulation.

Approved,