

For discussion on
3 November 2011

**Bills Committee on Pyramid Schemes Prohibition Bill
Administration's Responses to Issues raised at the Meeting held on
18 October 2011**

Purpose

This paper informs Members of the Administration's responses to issues raised by the Bills Committee at its meeting held on 18 October 2011.

Participants' Liability

2. At the meeting, Members asked for information on the regulatory reach of anti-pyramid schemes legislation in other jurisdictions, in particular whether participants are held liable. We set out in the table at ----- Annex A the relevant offences in a number of other jurisdictions. Most of the jurisdictions do sanction participants.

Clause 4(1)(b)

3. At the meeting, Members suggested that consideration be given to simplifying the text of clause 4(1)(b) for the benefit of the general readership. Members also suggested that we should consider another ----- Chinese rendition (currently “著墨”) for “emphasis”. We attach at Annex B draft amendments to clause 4(1)(b) which we intend to move at Committee stage. The revised formulation is easier to read while maintaining the original meaning.

Clause 1(2)

4. The proposed Committee Stage amendment to clause 1(2) is also attached at Annex B.

Commerce, Industry and Tourism Branch
Commerce and Economic Development Bureau
October 2011

Regulatory Reach of Anti-Pyramid Scheme Legislation in Outside Jurisdictions

Jurisdiction	Who are liable?		
Australia	Participate in, meaning “establish, promote, take part in”		Induce or attempt to induce others to participate in
Canada	Establish, operate, advertise, promote		
Ireland	Establish, operate, promote	Knowingly participate in	Induce or attempt to induce others to participate in
The UK	Establish, operate, promote		
Macao	Promote, organize		Induce others to participate in
Mainland ¹	Organize and plan	Participate in	Introduce, fraudulently induce or coerce others to participate in
Singapore ²	Promote	Participate in	
Pyramid Schemes Prohibition Bill	Knowingly promote, meaning “establish, advertise, manage or assist in the management”	Knows or ought reasonably to know that any benefits that the person may get from participating in the scheme would be entirely or substantially derived from the introduction to the scheme of new participants, AND induces or attempts to induce another person to participate in the scheme	

¹ Applicable to direct marketing schemes

² Applicable to multi-level marketing schemes

Pyramid Schemes Prohibition Bill

Committee Stage

Amendments to be moved by the Secretary for Commerce and Economic
Development

<u>Clause</u>	<u>Amendment Proposed</u>
1(2)	In the English text, by adding “by notice published in the Gazette” after “Development”.
4(1)	By deleting paragraph (b) and substituting – “(b) the relative emphasis given in the promotion of the scheme to the new participant’s entitlement – (i) to the supply of goods or services; and (ii) to a recruitment payment.”.