

*Hidden, Obscured and Denied...***Truth #7: MLM is unregulated; according to the FTC, there is no way for a consumer to know if an MLM is a fraud.**

Consumers are *on their own* for evaluating MLM solicitations and avoiding pyramid fraud by MLMs. There is no “consumer protection” from deception and harm at the hands of MLM recruiters. MLMs operate without regulation. There is no federal law that includes the terms, “multi-level marketing” or “pyramid scheme.” The Federal Trade Commission (FTC) has become the primary law enforcement agency that prosecutes MLMs as “pyramid schemes” but the FTC has never conducted a survey of the “industry” to see whether fraud is predominant. In the past 35 years, FTC has prosecuted less than 30 MLMs for pyramid fraud; all have been small MLM companies. The FTC advises consumers that “MLM is legitimate” but also warns that “some” MLMs are pyramid frauds. Yet, the FTC also states that it is unlikely ordinary consumers can distinguish what it defines as “legitimate MLM” from a pyramid fraud, claiming it would require “complex economic analysis.”



Meanwhile, there is not even an FTC requirement for MLMs to make financial *disclosures* in solicitations, as there is for franchising, which is a legitimate and sustainable business model. The FTC actually *exempts* MLMs from disclosing *any financial information at all* — e.g., loss rates, average incomes, saturation, operating costs, etc., — to consumers when they solicit money.

Even when MLMs are prosecuted as pyramid schemes, the offense is treated only as “unfair and deceptive *business practice*,” not criminal fraud, even though thousands of people are harmed and consumer losses may involve billions of dollars. By defining a “pyramid scheme” as only a civil offense or at most a misdemeanor, some “anti-pyramid scheme” state statutes and *occasional* FTC prosecutions effectively *protect* MLMs and shield MLM leaders from doing jail time while also allowing deceptive schemes to continue and multiply.