Challenges under the Multi-Level Marketing Laws of Bangladesh

By Adiba Tarannum

In its broadest sense, “Multi-Level Marketing”, which is also sometimes referred to as network marketing, is a business model where an entity distributes products through a network of independent representatives. In such a structure, sellers generally earn money through two streams: direct sales to consumers and a percentage of sales generated by other people they recruit to join the business.

Within the jurisdiction of Bangladesh, the Multi-Level Marketing Activities (Control) Act, 2013 (hereinafter interchangeably referred to as the “Act” or “MLMACA 2013”) serves as the primary legislative framework governing the operation and regulation of multi-tiered marketing structures. Enacted to bring order and transparency to a sector which is often characterized as complex, the said Act provides a statutory definition of what constitutes multi-level marketing.

Under the MLMACA 2013, multi-level marketing is defined as a marketing activity conducted under a plan and promise of providing specific commission or profit or any other benefit through the creation of a network with two or more tiers for a product or service. Thus, as per the law, three essential components of multi level marketing activity can be identified as being (i) Existence of a product or service: There must be a tangible product or service that is being marketed; (ii) Hierarchical structure: The marketing system must have at least two levels or tiers, thereby establishing the “multi-level” nature of the activity and creating a network; and (iii) Promise of benefit: The activity must operate under a plan or promise to provide specific financial or other benefits (such as commissions, dividends, or similar incentives). A significant gap in this provision, however, is that while the definition states two or more tiers, the law does not clarify what constitutes as two tiers, and therefore, the practical application of this definition remains ambiguous, creating an ongoing risk of misuse. Another challenge that arises in this context is that the MLMACA 2013 defines the term benefit in very broad terms, without providing any further clarification or limitations on its scope, which may create uncertainty regarding the range of benefits intended to fall within the definition.

Furthermore, the legislation adopts an inclusive approach by defining "persons" to include both individual and corporate entities, whether domestic or foreign. This ensures that the regulatory net is cast wide enough to capture all participants, including manufacturers, sellers, and "buyer-distributors" who act as both consumers and intermediaries. It is worth noting here that while the MLMACA 2013 defines a buyer, seller, and buyer-distributor, these terms do not factor into the legal definition of a 'Multi-Level Marketing Activity.' Essentially, an entity's status as a buyer, seller, or distributor is irrelevant when determining whether it is actually engaging in a multi-level marketing activity.

To help mitigate these vulnerabilities, the MLMACA 2013 relies heavily on robust administrative oversight. By establishing a strict licensing requirement, the Act empowers the Government to oversee the distribution of a wide range of goods—from household electronics and telecommunications to agricultural products and training services. MLMACA 2013 provides that all multi-level marketing activities must be conducted only under a valid license, and further empowers the Government to amend, by notification in the Official Gazette, the list of products or services that may be marketed under such schemes. Operating a multi-level marketing business without a valid license carries severe penalties, including imprisonment for five to ten years and a fine of up to 50 lakh taka. However, despite the strict regulatory framework, it is often seen that several multi-level marketing and Ponzi-style schemes operate without valid licenses.

Multi-Level Marketing in Bangladesh is highly regulated due to a history of major financial scams and the MLMACA 2013 was enacted to protect consumers and distributors from fraudulent pyramid selling. However, while the Act stipulates a much-needed foundation for consumer protection and corporate accountability, the practical application of the law remains a subject of rigorous academic and legal scrutiny. Despite its comprehensive definitions of market participants, the MLMACA 2013’s effectiveness is often weighed against the conceptual clarity of its core provisions.

In the past, several organizations have committed fraud by illegally collecting public deposits or investments under the guise of referral-based commissions and promises of abnormally high and illogical returns. Additionally, there have been instances of public deception through the sale of products on various e-commerce platforms using unusual price cuts or discounts. The provision of such abnormal and illogical returns, and referral-based commissions, is considered to be a core characteristic of pyramid or ponzi schemes and multi-level marketing. The Government of Bangladesh considers these to be extremely risky, as there are precedents of customers losing their entire investments.

Therefore, while the MLMACA 2013 establishes a comprehensive legal framework to regulate multi-level marketing activities and protect consumers from fraudulent schemes, certain ambiguities within its substantive provisions continue to present practical and interpretative challenges. Addressing these gaps through greater legislative clarity and consistent enforcement would further strengthen the effectiveness of the regulatory framework in achieving its intended objectives.