



NATIONAL RESERVE BANK OF TONGA

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General Public Awareness on Pyramid Schemes

It has come to the attention of The National Reserve Bank of Tonga (Reserve Bank) that the public is engaged in investing with schemes that could fall under the definition of a pyramid scheme.

Investment companies are classified as non-bank financial institutions and are under the functions of the Reserve Bank to regulate and supervise under section 4A (k) of the National Reserve Bank of Tonga Act. We allege that some of these schemes are not licensed by relevant authorities to conduct business in Tonga. As such, the Reserve Bank cannot assure the public of the risks involved in investing with various schemes that are now being introduced around the country.

A **Pyramid Scheme** is an unsustainable business model that involves promising participants payment, services, or commissions, **primarily** for enrolling other people into the scheme or training them to take part. Pyramid schemes are illegal pursuant to **Section 3A of the Financial Institutions Act**, which states that;

Any person, who directly or indirectly, initiates, offers, advertises, conducts, finances, manages, supervises, or directs a scheme where profits earned by participants in the scheme **largely depend** on increases in the number of participants in the scheme or the size of their contributions to the scheme, commits an offense and such person shall be liable upon conviction to a fine not exceeding \$1,000,000 or to imprisonment for a term not exceeding 30 years or both.

The Reserve Bank warns the general public against participating in any pyramid scheme. If you wish to still participate in such a scheme, it will be at your own risk.

For further details, please contact:

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