

Standard Operating Procedure (SOP)

Detection and Prevention of Pyramid Schemes

1. Purpose

This SOP establishes a structured and coordinated framework for government agencies to identify, investigate, prevent and take appropriate action against pyramid schemes and related fraudulent financial models. It aims to ensure consumer protection, safeguard financial stability, and uphold market integrity.

2. Scope

This SOP applies to all processes and activities relating to the detection, investigation, prevention, enforcement and monitoring of pyramid schemes operating within Bhutan.

3. Definitions

- **Pyramid Scheme:** Any scheme in which participants derive financial gains primarily from the recruitment of new members rather than from the sale of legitimate products or services.

4. Responsible agencies and their roles

| Agency | Role |
|--|--|
| Competition and Consumer Affairs Authority (CCAA) | Lead agency for coordination, detection, investigation, enforcement, consumer redressal, and public awareness. |
| Royal Monetary Authority (RMA) | Trace and monitor financial transactions, freeze suspect accounts, and prevent unauthorized fund transfers. |
| Department of Law and Order (DLO) | Support public awareness campaigns, ensure compliance cessation, and assist with law enforcement coordination. |
| Department of Revenue and Customs (DRC) | Monitor taxation compliance of promoters and investigate tax evasion. |
| Department of Trade (DoT) / Department of Industry (DoI) | Assess business licensing compliance and review suspicious business registrations. |

Note: Agency involvement depends on the scale, nature, and impact of the scheme.

5. Process Framework

5.1 Detection Phase

- Receive complaints, tips, or intelligence from the public, media, or stakeholders.
- Proactive monitoring:
 - Market surveillance of promotional activities.
 - Online/social media scanning for suspicious schemes.
 - Monitoring cross-border remittances for unusual flows.

5.2 Investigation Phase

- The CCAA will lead the investigation with inter-agency support.
- It will collect evidence - contracts, promotional materials, advertisements, consumer testimonies, financial and tax records.
- During this phase, other agencies' support roles are as follows:

| Agency | Role |
|----------|---|
| RMA | Trace financial transactions and identify fund flows, Freeze promoter accounts temporarily (with due process) |
| DRC | Review tax compliance and past filings |
| DOT/ DOI | Verify business licensing legitimacy |
| DLO | Provide additional intelligence on the promoters activities in the community |

5.3 Post-Investigation Actions

- Upon confirmation of a pyramid scheme, CCAA shall:
 - Issue formal ban and cease order.
 - Publish public advisories through print, broadcast and digital media.
 - Provide grievance redressal support, where possible
- Other agencies shall:

| Agency | Role |
|----------|---|
| DLO | Support law enforcement monitoring and community-level awareness |
| DRC | Recover unpaid taxes or penalize as per taxation laws |
| DOT/ DOI | Revoke if any, licenses that are used to operate the scheme and prevent re-registration under new names |
| RMA | Block unauthorized fund transfers and take actions as per its laws |

6. Enforcement Mechanisms and Governance

- Enforcement shall be carried out under the Consumer Protection Act of Bhutan, 2012 and relevant trade/ tax laws in the country.
- The CCAA serves as the nodal authority for inter-agency coordination and monitoring of pyramid schemes.
- The SOP effectiveness shall be reviewed as and when required, with updates based on emerging risks or legal amendments.

7. Amendment of SOP

The CCAA in consultation with relevant stakeholders, amend the SOP as and when deemed necessary.