UOKIK TARGETS PYRAMID SCHEMES' SHILLS

* **President of UOKiK Tomasz Chróstny intends to penalize not only the originators of pyramid-type incentive schemes, but also those who advertise them.**
* **The President of the Office has initiated the first such proceedings - against YouTuber Damian Żukiewicz and managers of a NTIM company, i.e. Rafał Krakowiak and Wiktor Zajączkowski, who were soliciting to invest in schemes promising benefits depending on the recruitment of new people.**
* **As part of its proceedings, the Office investigates the operation of yourfitway.com, lucrias.com oraz AssetsPro, suspecting them of functioning in a pyramid scheme or using other unfair market practices.**

**[Warsaw, 9 November 2020]** President of the Office of Competition and Consumer Protection Tomasz Chróstny issued **first proceedings against individuals promoting pyramid-type incentive schemes.** These are systems in which the consumer is solicited to participate in the "project" as an "investor" in the sales system in exchange for the promise of remuneration or other material benefits, **which depend primarily on the recruitment of more people into the system** and not on the sales or consumption of goods. Such schemes typically involve **investments in tokens, cryptocurrencies, educational or language packages, apartments**, etc.

**Pyramid-type incentive systems constitute a very harmful, unfair market practice.** The President of UOKiK instigated proceedings against managers in companies promoting this type of schemes and against the so called shills, i.e. bloggers or celebrities who - on their own websites, in social media or in videos - solicit others to invest in such undertakings and recruit more people to them.

*“We must eliminate pyramid-type marketing schemes faster and more effectively. Promoting them constitutes an unfair market practice that violates the collective interests of consumers. We shall counter the efforts of those who encourage to invest and participate in such "projects". These people profit from shilling others into illegal schemes, deceive consumers, and beguile them with a vision of enormous profits. Had it not been for the shills' illegal practices, many financial losses, sufferings and sometimes human tragedies could have been avoided. We want to urge them to cease this vile business, as well as to warn consumers against such practices - such is the purpose of the first proceedings under which I have brought charges against individuals soliciting other into pyramid-type incentive schemes*,” says Tomasz Chróstny, President of UOKiK.

**For promoting pyramid-type incentive schemes, an entrepreneur faces a penalty of up to 10% of its previous year's turnover.** In this context, an entrepreneur is considered to be not only a person registered in Central Registration and Information on Business, but anyone - including bloggers, influencers - who in an organized and continuous manner actually runs a business and profits from launching, managing or promoting pyramid-type incentive schemes. The law also provides for **penalties for executives and managers who have deliberately violated the collective interests of consumers.** [**They may amount to maximum PLN 2 million**](https://www.uokik.gov.pl/news.php?news_id=15041)**.** A financial penalty may be imposed on company executive(s) by means of a decision in which the President of UOKiK will impose a penalty on the company managed by such a person.

**Shills**

The President of the Office of Competition and Consumer Protection instigated 2 proceedings for infringement of collective consumer interests **against Damian Żukiewicz, also operating under the name of INVESTPROVIDER - Damian Żukiewicz in Wrocław**. This is a famous YouTuber, who profits from soliciting others into a number of investments. President of UOKiK Tomasz Chróstny charged him with promoting the following pyramid-type incentive schemes:

* run by companies FUTURENET UKRAINE from Lviv and BCU Trading from Dubai and operating on the FutureNet website and the FutureAdPro advertising platform,
* a network of independent representatives called NetLeaders, established by CL Singapore from Singapore.

On his website <http://zukiewicz.com> and in the videos available on YouTube, Damian Żukiewicz was soliciting his viewers to register on FutureNet and FutureAdPro websites promising profits for recruiting new people to the scheme. For example, he would write that he was "the best FutureNet partner worldwide" and recommended to every interested person the possibility of "passive earning", including a minimum income of 100 PLN per day. FutureNet and FutureAdPro websites were luring consumers with "profits" for soliciting others to buy membership shares or statuses that cost between USD 10 and USD 1000. The benefits depended primarily on the recruitment of new members into the scheme. UOKiK [warned](https://www.uokik.gov.pl/news.php?news_id=15304) against them already in March 2019. In July 2020 President of the Office Tomasz Chróstny issued a [decision](https://decyzje.uokik.gov.pl/bp/dec_prez.nsf/43104c28a7a1be23c1257eac006d8dd4/194d9726c1b8c3e2c12585c3002b2d1d/%24FILE/decyzja%20nr%20RGD.4-2020%20z%20dnia%206%20lipca%202020%20-%20BCU%20%28FutureNet%20i%20Future%20Ad%20pro%29%20-%20wersja%20jawna.pdf), in which he recognised that these were illegal pyramid-type incentive schemes.

Damian Żukiewicz might have used similar methods to promote the NetLeaders network of independent representatives. It is an initiative of CL Singapore company, aimed at marketing the DasCoin cryptocurrency.The company offers licenses that cost from EUR 100 to EUR 25 thousand and promises profits if someone solicits other people to invest the money. UOKiK [warned](https://www.uokik.gov.pl/news.php?news_id=15398) against CL Singapore in March 2019, and in December 2019 the UOKiK issued a [decision](https://decyzje.uokik.gov.pl/bp/dec_prez.nsf/43104c28a7a1be23c1257eac006d8dd4/910708c2e6d8d3a3c12584d30030b664/%24FILE/dectzja%20z%20dn.%2014%20grudnia%202019%20r.%20nr%20RGD.%208.2019%20Netleaders%20Singapore_zikwersja%20jawana.pdf), in which he recognised that it was a pyramid-type incentive scheme.

*“These schemes are aimed at ensuring the exponential growth of their members. As a rule, most of the money goes to the pyramid's initiators and people responsible for its promotion. Sooner or later, however, further growth in the number of users becomes impossible and the scheme collapses, and consumers lose their money,”* explains President of UOKiK Tomasz Chróstny.

The investigation into FutureNet and FutureAdPro under the Ref. No. PO 2 Ds. 63.2016 is conducted by the District Prosecutor's Office in Wrocław, which [requests wronged parties to report in order to testify](http://www.wroclaw.po.gov.pl/txt/informacja-dla-pokrzywdzonych-do-sprawy-po-ii-ds-632016-dot-dzialalnosci-futurenet). The District Prosecutor's Office in Warsaw, on the other hand, conducts investigations against CL both Singapore (Ref. No. PO 5 Ds. 33.2017), and Netleaders/DasCoin (Ref. No. PO III Ds. 176.2018).

**Managers**

President of UOKiK Tomasz Chróstny has also brought charges of violating the collective interests of consumers against NTIM from Wrocław, whereas against its managers: **Rafał Krakowiak and Wiktor Zajączkowski** initiated proceedings to impose a financial penalty. **NTIM company promoted Shields scheme in Poland.** It enabled a person registered on the internet platform rockwall.investments, which is used to offer cryptocurrency-related products to receive remuneration depending primarily on the recruitment of new members. In the opinion of the President of UOKiK it could have been a pyramid-type incentive scheme.

The second charge concerns misleading consumers about the owners and managers of the rockwall.investments web platform. In marketing materials and on the Internet, it was introduced as "a Polish company founded by Rafał Krakowiak and Wiktor Zajączkowski", which, due to legal and financial issues, was based outside Poland. Consumers were assured, however, that the capital and managers came from Poland. In fact, however, the website's owner, administrator and service provider was Perfect Lion Solutions company based in Charlestown on the island of Nevis in the Caribbean Sea, and NTIM only provided marketing and IT services to the web portal.

*“The information about the names of the owners of the rockwall.investments web platform, who were supposed to be young Poles, Rafał Krakowiak and Wiktor Zajączkowski, was to instil trust in consumers. Potential investors might have thought that if they had renounced their participation in the project they would have been able to file their claims with Polish web platform owners. If they had known that this was capital located on an exotic island, many of them would have probably looked for a safer investment. Promoting a pyramid scheme and misleading consumers are unfair and unacceptable market practices. If the allegations are confirmed, I intend to impose financial sanctions on both NTIM and its managers. No one who participates in such a illegal scheme and solicits others to join it and thus exposes them to losses should feel safe,”* says Tomasz Chróstny, President of UOKiK.

**Explanatory proceedings**

UOKiK also monitors new projects that may turn out to be a pyramid-like incentive scheme or otherwise threaten the financial interests of consumers, and examines the role of the shills and managers who are behind a given project. The President of the Office wants to first examine whether the operating principles of these projects may result in a violation of the collective interests of consumers. For this reason, he initiated explanatory proceedings against:

* **yourfitway.com web platform** - a paid application motivating people to be active, which offers profits for recommending it to new users,
* **lucrias.com web platform**, which offers the purchase of CoinCasso and AssetsPro tokens. In order to use the platform, you need to pay a membership fee, which ranges from USD 100 to USD 1000. The project offers passive income depending on payments made by people recruited into the system,
* **AssetsPro** – a company that is supposed to invest in real estate in Zanzibar. Through the lucrias.com web platform, it offers the purchase of tokens that are to be equivalent to "digital shares" and guarantee profits to their holders.

**Notifications to the Prosecutor's Office**

The Office has also notified the Prosecutor's Office about two other controversial undertakings which are promoted in Poland in social media. These are:

* **AdEx (advertisexchange.com) advertising platform** offering profits for those who have recommended it to other users,
* **Weed Profit System**, which advertises itself as a platform for trading "marijuana junk stocks”. Its organizers promise a high profit due to the legalization of marijuana in Canada. The entry threshold for the project is USD 250, and the user's job is to promote and recommend the project to other users. The platform is promoted in social media and YouTube advertising.

**How to recognize a pyramid scheme**

The pyramid-type incentive scheme operates in the following manner: you pay in money and recommend others, for which you receive remuneration if they join in. It comes from the contributions of the persons which you recommended either directly or indirectly. This way **it is you, your friends and acquaintances who finance the scheme.** However, after a certain period of time the system collapses since the **money that you pay are not invested in any assets and do not yield any profits**. **Such schemes are simply shilling to join the "projects" that only pretend to be real investments.** The money goes to their organizers and people in the top position in the chain. The scheme works as long as more money is paid in than paid out. The condition, however, is that the number of people participating in the project is growing exponentially, and this is impossible in the long run. As a result, the pyramid-type incentive scheme collapses, **you lose your money, and if you have introduced your friends, they lose money too.** You cannot contact the owners anymore. Pyramid-type incentive schemes are hidden under the slogans “programme”, “investments”, “making money on the Internet”, “work from home”, “advertising platform”. They are often credited by famous celebs, who take part in events promoting fraudulent projects, organized by scheme owners and shills.

Some such undertakings may also have the character of the so-called financial pyramid, i.e. fraud (Art. 286 of the Penal Code), which takes place in an organized manner. In such a situation it is best to inform the law enforcement authorities (police, prosecutor's office).

**Consumer support:**

Phone: +48 801 440 220 or +48 22 290 89 16 – consumer helpline
Email: porady@dlakonsumentow.pl
[Consumer ombudsmen](https://uokik.gov.pl/pomoc.php) – in your town or district