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FOR IMMEDIATE RELEASE

## KARATBARS INTERNATIONAL DECLARED A PYRAMID SCHEME

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1. The Banking Institutions Act, 1998 (Act No. 2 of 1998), mandates the Bank of Namibia (BoN) to investigate persons or businesses whose business activities and operations are suspected of contravening the Banking Institutions Act, especially section 5 and 55A of the Act. In carrying out this mandate, the Bank, investigated the business operations of *Karatbars International*, to establish whether its business activities constitute a pyramid scheme in terms of section 55A of the Banking Institutions Act, as amended.
2. *Karatbars International* is an e-commerce company that apparently specialises in the sale of small gold bars and gift items in gold bullion. However, participants in the business are encouraged to introduce new members to the referral network to earn monetary rewards and progress in status. Funds allocated to participants as part of the reward system principally come from the joining fees received from newly recruited members.
3. The outcome of the investigation by the BoN has revealed that the business activities of *Karatbars* contravene section 55A of the Act for the following reasons:
  - 3.1 Members income is earned based on the successful recruitment of new participants to purchase new small gold embedded cards for which money is accepted as a regular feature of joining the business.
  - 3.2 The business practice does not have tangible products for sale to prospective members or affiliates, except for the small gold embedded card. The fees paid for the small gold embedded card is used to render legitimacy to the business practice. However, the real attraction of new participants to *Karatbars* is not the purchase of the gold card, but the desire to earn money through the introduction of new members to the business practice.
  - 3.3 The business practice is not sustainable without the continuous recruitment of new participants who are eligible to pay a joining fee.

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4. In view of the above stated reasons, the Bank advises promoters and participants of *Karatbars* to stop conducting such business activities. The promoters are further advised to refrain from recruiting new members on the promise of earning a commission for recruiting new members to the business.
5. Should *Karatbars* and its promoters wish to continue with the sale of gold embedded cards and gold related products, then such products should be sold directly to customers. The products should also be the primary source of income, that is, the commission should be earned based on the products sold, and not on the recruitment of new members as is currently the case.
6. Any enquiry relating to the above findings of the investigation made, should be addressed to the Bank of Namibia, at telephone: 061 283 5114, or email: [info@bon.com.na](mailto:info@bon.com.na).

Issued by:



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