

FEDERAL RESERVE BANK OF DALLAS

FISCAL AGENT OF THE UNITED STATES

Dallas, Texas, February 18, 1955

CHAIN-LETTER SCHEMES INVOLVING SAVINGS BONDS

**To all Qualified Issuing Agents
in the Eleventh Federal Reserve District:**

The Treasury Department has today released a press statement issued by the Post Office Department concerning the current chain-letter scheme involving savings bonds. The Treasury has requested that all issuing agents be advised that it authorizes and requests them to reject applications for the purchase of savings bonds where the applicant states, or where the agent has reason to believe, that the applications are made as part of the chain-letter scheme. The authority for this position is contained in Section 316.20 (b) of Department Circular No. 653, which reads as follows:

“The Secretary of the Treasury reserves the right to reject any application for Series E Bonds, in whole or in part, and to refuse to issue or permit to be issued hereunder any such bonds in any case or any class or classes of cases if he deems such action to be in the public interest, and his action in any such respect shall be final.”

The statement issued by the Post Office Department is quoted below:

POST OFFICE DEPARTMENT WARNS OF CHAIN LETTER PARTICIPATION

“Postmaster General Arthur E. Summerfield moved today to head off what purports to be another wave of chain letters sweeping through the nation.

“In making this announcement, Postmaster General Summerfield said that this new chain letter scheme differs from those encountered in past years in that U. S. savings bonds or, in some instances, receipts for the purchase of bonds are being transmitted through the mails without the accompanying list of names. The list itself is circulated from hand to hand.

“A typical endless chain ‘chart’ being circulated in the conduct of these schemes is one entitled ‘This is a give-away-your-wealth campaign (possible return of \$38,400 or \$51,200 if you wait 10 years).’ Participants in this scheme obtain the list by giving a receipt for purchase of a \$25.00 savings bond to the person supplying the list. In the latter’s presence, the purchaser is also to mail to the individual whose name appears at the top of the list a receipt for purchase of a second \$25.00 savings bond. Two copies of the list are then to be made, eliminating the first name and adding the name of the purchaser, who then endeavors to continue the chain by selling the list to two others willing to comply with the same conditions of purchase.

"The Postmaster General has advised that each scheme of this character will be investigated fully and submitted to the Department of Justice for its consideration of possible violation of Federal criminal statutes. He also stated that the Internal Revenue Service is studying the matter to determine whether this scheme involves a violation of the wagering tax statutes and other internal revenue laws.

"The experience of the Post Office Department with such endless chain schemes over a period of many years is that in some instances a few persons entering the scheme at the outset receive more than they put in, but never receive the large sums promised; and that many participants receive nothing at all, but lose their entire investment. Such an outcome is inevitable inasmuch as the supply of interested persons is soon exhausted; and the greater the amount to be invested, the sooner the saturation point will be reached."

Additional copies of this circular letter or of this bank's letter of January 31, 1955, relating to the chain-letter scheme, may be obtained upon request.

Yours very truly,

WATROUS H. IRONS

President