

FEDERAL RESERVE BANK OF DALLAS

FISCAL AGENT OF THE UNITED STATES

Dallas, Texas, January 17, 1961

REAPPEARANCE OF CHAIN LETTERS INVOLVING UNITED STATES SAVINGS BONDS

To All Qualified Issuing Agents and Others Concerned
in the Eleventh Federal Reserve District:

The Treasury Department has requested that we furnish all savings bond issuing agents and others concerned in this district the following statement relating to chain-letter schemes involving the use of savings bonds:

"The Treasury Department is aware that despite its efforts, in association with the Post Office Department, the Federal Reserve Banks, issuing agents, and others, to stop chain letter activities involving the use of United States Savings Bonds, these schemes continue to reappear and may be expected to reappear from time to time. The Treasury wishes to reiterate its opposition to such schemes.

"The bases for the Treasury's firm and continuing opposition to the chain letter have been declared on numerous occasions, but it may be advisable to restate them here so as to avoid any possible doubt.

"Chain letter schemes, including those involving United States Savings Bonds, which use the mails to facilitate their purpose, are considered by the Post Office Department as violative of the Postal lottery and fraud laws (18 U.S.C. 1302, 1341). Such schemes are deemed to be lotteries because the question as to whether the chain will be broken is a matter of chance. So, also, is it a matter of chance whether a participant will reap anything from his participation in these schemes. A savings bond purchased in connection with such schemes is deemed, under postal laws, to represent a share, or interest in or dependent upon the event of the lottery, and is, therefore, non-mailable.

"The fraud aspect enters into these schemes because representations are made that the participants will eventually receive substantial rewards. In the usual case, however, the chain of gullible persons soon vanishes, and there is no way by which a new participant can determine whether there is available a reservoir of interested persons sufficient to move his name to the top of the 'list.'

"Although participants in chain letter schemes have sometimes reported that the 'lists' used in these schemes are exchanged only by hand, it seems highly probable that since the number of individuals in a given locality interested in participating in a scheme is soon exhausted, the use of the mails will eventually be made to keep the scheme alive. **The Post Office authorities have warned that even though the lists of participants are not circulated in the mails, this does not alter the illegality of the operation since usually the bonds or other evidence of participation in the scheme are mailed.** Investigations are being made of these schemes as they come to the attention of postal officials, and whenever there appears to be a violation of the fraud and lottery statutes, the matter will be referred to the Department of Justice for possible prosecution.

"In addition to the fact that these chain letter schemes violate Federal law, the Treasury Department believes that the public should be made aware that these schemes, which are essentially get-rich-quick endeavors, do a distinct disservice to the savings bond program. Rather than encouraging persons to make genuine investments, they create the illusion that participants are both aiding their Government and themselves. Even in those rare cases where an individual receives a large return, it is likely that he would quickly redeem the bonds, thereby placing a further burden on the Treasury.

"For the foregoing reasons, the Treasury, as early as February 1955, asked the Federal Reserve Banks to advise all issuing agents that the Department had authorized and requested them to reject applications for purchases of savings bonds where the applicant states, or where the agent has reason to believe, that the applications are made in connection with a chain letter scheme. This request was made under authority reserved to the Secretary of the Treasury permitting him to authorize the rejection of any application for purchase of Series E bonds, in whole or in part, where he deems such action to be in the public interest. The Treasury's position in this regard remains unchanged."

Additional copies of this circular will be furnished upon request.

Yours very truly,

Watrous H. Irons

President