

FEDERAL RESERVE BANK  
OF NEW YORK

Fiscal Agent of the United States

[ Circular No. 4523 ]  
October 25, 1957 ]

CHAIN-LETTER SCHEME USING SAVINGS BONDS

*To All Issuing Agents in the Second Federal Reserve District  
Qualified for Sale of United States Savings Bonds, Series E:*

We have had reports that chain-letter schemes involving the use of Savings bonds are in progress in the State of New York. The schemes seem to be similar to those that appeared in several parts of the country early in 1955. At that time, the Post Office and Treasury Departments issued statements disapproving the schemes. These statements have application today. Portions of them are printed on the reverse side of this circular.

To prevent the spread of these schemes, the Treasury Department has asked us to advise you that the Treasury authorizes and requests you to reject any application for the purchase of Savings bonds where the applicant states, or where you have reason to believe, that the application is made as part of a chain-letter scheme. Authority for this action is in Treasury Department Circular No. 653, Fourth Revision:

Sec. 316.18 (b) *Reservation as to issue of bonds.*—The Secretary of the Treasury reserves the right to reject any application for bonds of Series E, 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.

Additional copies of this circular will be furnished upon request.

ALFRED HAYES,  
*President.*

(OVER)

POST OFFICE DEPARTMENT, FEBRUARY 10, 1955

. . . , 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 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 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.

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TREASURY DEPARTMENT, SAVINGS BONDS DIVISION, JANUARY 19, 1955

The Treasury's National Savings Bonds Director, Earl O. Shreve, cautioned Americans today about becoming involved in chain letter or similar schemes to get rich quick with Savings bonds.

He stated that the Treasury Department disapproves of the use of Savings bonds and Savings stamps as prizes or awards in lotteries or games of chance involving the element of personal profit. "This has been a policy of long standing," he pointed out. The Treasury has no objection, however, to the use of Savings bonds and stamps in contests of knowledge or skill, such as quiz programs and athletic events.

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Mr. Shreve pointed out that the Treasury's objection is based upon consideration of public policy and in no way involves the legality or illegality of this or any device or method employed.

"The purchase and distribution of Savings bonds through the so-called 'chain-letter' arrangement, which has been brought to my attention by newspaper articles and personal inquiries to the Treasury Department, is contrary to the policy of the Treasury's intended purpose for which such Savings bonds are sold by the Government.

"United States Savings Bonds are issued by the Treasury to permit our citizens to invest in securities of the Government and through their savings put aside regularly something for future use and benefit. . . ."