

FEDERAL RESERVE BANK
OF NEW YORK
Fiscal Agent of the United States

[Circular No. 6958]
June 21, 1972

Reappearance of Chain Letters Involving United States Savings Bonds

*To All Issuing Agents for United States Savings Bonds
in the Second Federal Reserve District:*

The Treasury Department has asked us to bring the following statement to your attention:

The Department of the Treasury has received information that chain letter schemes involving the use of United States Savings Bonds have reappeared throughout the Second Federal Reserve District. Despite its long and continuing efforts, in association with the U. S. Postal Service, the Federal Reserve Banks and issuing agents, to stop such activities, these schemes continue to appear and may be expected to reappear from time to time.

This reminder is being issued to reiterate and to emphasize the Treasury's opposition to such schemes, and to solicit your cooperation to refuse applications for the purchase of savings bonds where you know or have reason to believe that the bonds are being purchased in connection with a chain letter scheme.

Where purchasers question your refusal to sell bonds, or when inquiries are received about the matter, they may be furnished the following information received from the Postal Service:

Chain letter schemes are regarded as violations of the Postal lottery and fraud laws (Title 18, United States Code, Sections 1302, 1341) if they call for the sending of money or some other thing of value upon a promise of a return, the realization of which depends upon the activities of those who follow in the chain. The schemes violate the lottery law because the amount of one's benefit is dependent upon chance. The fraud statute comes into play because of the misrepresentation of the potential of such ventures.

The penalty for violation of Section 1302, as defined in the statutes, is a fine of not more than \$1,000.00 or imprisonment for not more than two years, or both. The penalty for violation of Section 1341 is a fine of not more than \$1,000.00 or imprisonment for not more than five years, or both.

It is also noted, inasmuch as statements are usually made by those seeking to further those schemes that the mails are not used, that the Postal Service has stated: "It makes no difference whether the lists of participants are circulated through the mails or passed from hand to hand; so long as the money, bonds or receipts are mailed, the scheme is illegal." The Treasury is aware that because of the very nature of their operation it is inevitable that in virtually all cases the mails would have to be utilized in order to make delivery of the bonds.

If any issuing agent receives information about the operation of a chain letter scheme in its area, such information should be promptly transmitted to the Office of the Commissioner of the Public Debt, Treasury Department, Washington, D. C. 20220, or at its discretion, to the Office of the Postal Inspector, through the local postmaster. In cases where evidence is uncovered showing the active operation of chain letters, it may prove more expeditious to refer such matters to the latter office.

Additional copies of this circular will be furnished upon request.

ALFRED HAYES,
President.