

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

[ Circular No. 7835 ]  
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## 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:

Postal authorities today [February 24, 1976] were notified of the reappearance of chain-letter schemes involving the use of United States Savings Bonds in several areas of the country.

H. J. Hintgen, Commissioner of the Treasury Department's Bureau of Public Debt, said information received indicates that some promoters of the letters are motivating participation in their schemes by falsely claiming the Treasury's endorsement, and by cloaking their appeals in bicentennial and other patriotic labels.

"Many years of experience with chain-letter operations indicates that most participants lose their entire investment," Mr. Hintgen said. "This outcome is inevitable because the supply of interested persons is soon exhausted."

Mr. Hintgen pointed out that the use of the mails to facilitate participation and transactions in chain letters is considered a violation of postal lottery and fraud laws. There is also the possibility, he said, that such schemes violate local anti-lottery laws, even if the mails are not used in any way.

Chain-letter schemes hurt, rather than help 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 the rare case where an individual receives some return, it is likely that he would quickly redeem the bonds, thereby placing a further burden on the Treasury," according to Commissioner Hintgen.

Banks and other issuing agencies are authorized by the Treasury to refuse applications where there is reason to believe the bonds will be used in a chain-letter scheme. Information on reappearance of chain-letter activity involving Savings Bonds have been reported from several areas of Florida, Massachusetts, and in parts of Richmond, Baltimore, and the Mid-West.

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. 20226, or at its discretion, to the Office of the Postal Inspector, through the local postmaster.

Additional copies of this circular will be furnished upon request.

PAUL A. VOLCKER,  
*President.*