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FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6340

July 10, 1929.

SUBJECT: Misuse of Salvaged Postage Stamps.

Dear Sir:

There is enclosed herewith copy of a self-explanatory letter addressed to the Governor of the Board by the Postmaster General, with regard to the practice of certain of the Federal reserve banks of salvaging cancelled postage stamps and disposing of them to collectors and others.

The Board is inclined to agree with the Postmaster General that in view of the small amounts received from the sale of the used stamps, which would hardly appear to justify the expenditure in collecting them, and in view of the extensive misuse of such stamps, it would be well for the Federal reserve banks to have the salvaging and sale of cancelled stamps discontinued.

An expression from you regarding the matter would be appreciated.

By order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

Enclosure.

TO GOVERNORS OF ALL F. R. BANKS

COPY

X-6340a

OFFICE OF THE POSTMASTER GENERAL
Washington, D. C.

July 8, 1929.

Hon. Roy A. Young,
Governor, Federal Reserve Board,
Washington, D. C.

My dear Mr. Young:

This Department has been making extensive inquiries into the illegal traffic in postage stamps with particular reference to the removal of precanceled stamps from wrappers and the resale of them to stamp brokers and others. These inquiries indicate that the Department is losing an enormous amount annually in postal revenue through the reuse and resale of precanceled postage stamps.

In this connection it has been ascertained that for a number of years, Federal Reserve Banks have been salvaging and selling used postage stamps to stamp collectors and others, on the representations that they were to be used for philatelic purposes. The revenues derived from such sales are credited to the proceeds of the banks. It was found, however, that large quantities of such stamps had been washed, or otherwise treated and sold to various persons and firms for postage purposes.

The records show that Federal Reserve Banks at the following places have been disposing of canceled stamps as indicated:

<u>Location of Bank</u>	<u>Purchaser</u>
Boston, Mass.	Hub Stamp Company, Boston, Mass.
New York, N. Y.	Elmer Smith, Brooklyn, N. Y.
Philadelphia, Pa.	William H. Green, Camden, N. J.
Atlanta, Ga.	Various dealers, including an itinerant stamp collector believed to have been Wm. B. Hale.
Detroit, Mich.	Elmer Smith, Brooklyn, N. Y.
Kansas City, Mo.	Elmer Smith, Brooklyn, N. Y.
Dallas, Tex.	Elmer Smith, Brooklyn, N. Y.
Saint Louis, Mo.	A. C. Roessler, East Orange, N. J.
	R. R. Yates, Joliet, Ill.
	E. A. Mosely, Saint Louis, Mo.

<u>Location of Bank</u>	<u>Purchaser</u>
Chicago, Ill.	L. V. Phillips, Chicago, Ill.
Cleveland, Ohio.	L. J. Flerlage, Cincinnati, Ohio.
Cincinnati, Ohio.	L. J. Flerlage, Cincinnati, Ohio.

One of the most flagrant cases of the use of these stamps which has come to light is that of William H. Green, who was arrested at Camden, N. J., on June 7, 1929. He had been buying from the Federal Reserve Bank at Philadelphia, Pa., all of their canceled stamps, paying the bank \$10.00 per month for the same. He soaked the stamps off the tags and papers to which they were affixed, and sold them to various persons. Green, together with eight others were indicted at Charleston, S. C. on May 28, 1929, for washing used postage stamps with intent to reuse them for postage purposes, and conspiracy to commit such offenses. Among the others was William B. Hale, who was arrested in 1926 for similar offenses and sentenced to prison for one year and one day. Hale was again sentenced on June 6, 1929, to serve twenty months in the penitentiary. The cases against the others are pending. Hale received directly or indirectly, the canceled stamps obtained by stamp collectors from the Federal Reserve Banks at Philadelphia, Pa., Boston, Mass., New York, N. Y., Detroit, Mich., Kansas City, Mo., and Dallas, Tex.; he is believed to be the person who obtained many of the canceled stamps from the Federal Reserve Bank at Atlanta, Ga.

In February of this year it came to the attention of inspectors that postage stamps of high denominations on registered shipments of the Federal Reserve Bank at Cleveland, Ohio, were being lightly canceled and covered with transparent paper so that they could be recovered and returned to the Assistant Cashier of the bank, who, it was stated is an ardent philatelist. Obviously this practice afforded opportunity for the reuse of the stamps, and the temptation to do so would be increased by the fact that the stamps were of high denominations. Instructions were issued for the postal employees at the Contract Station located in the Federal Reserve Bank at Cleveland to take such action as may be necessary to protect the revenues on mailings emanating from the bank. The matter was recently taken up by inspectors with the Chairman of the Board of Directors of the Federal Reserve Bank at Cleveland, who is also a member of the national organization. He indicated that an independent investigation would be made and the results communicated to the inspectors; but so far the Department has not been advised of the results.

The subject was also taken up with the Cashier of the Federal Reserve Bank at Atlanta, Ga., and another officer of that institution, and they have promised to furnish the inspectors with available information as to the names of stamp collectors with whom they have had dealings.

In April of this year a report was received from an inspector covering the disposition of used precanceled stamps by the Federal Reserve Bank at Saint Louis, Mo. The Controller of the bank stated, however, that the small amount derived from the sale of the used stamps barely paid for the labor used in recovering them, and on April 3, 1929, he informed the inspector that instructions had been issued with a view to cooperating with the inspector and to prevent the improper use of such stamps.

From the foregoing it will be observed that the stamps used by Federal Reserve Banks, because of their high denominations, are of particular interest to persons who may use them for improper purposes. The small amounts received from the sale of the used stamps would not appear to justify the expenditure for the labor in collecting them, and in view of the extensive misuse of them in the past, it will be greatly appreciated if you will bring the matter to the attention of all Federal Reserve Banks and branches thereof, with a view to having the sale of salvaged used stamps discontinued and the stamps destroyed.

I shall be pleased to be advised of the action taken.

Very truly yours,

(Signed) Walter F. Brown

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