



**TTB** Alcohol and Tobacco  
Tax and Trade Bureau  
U.S. Department of the Treasury

# Trade Practices

We are committed to creating a fair and level playing field nationwide for alcohol beverage industry members of all sizes through a strong regulatory compliance program and active enforcement of the trade practice provisions of the Federal Alcohol Administration Act (FAA Act).

To prevent monopolistic practices and unfair methods of competition, the FAA Act prohibits four trade practices for beverage alcohol producers, wholesalers, and importers:

- Tied House
- Exclusive Outlet
- Commercial Bribery
- Consignment Sales

Industry members who engage in these anti-competitive practices damage other, law-abiding businesses and prevent consumers from enjoying a wide selection of products.

## Federal Alcohol Administration (FAA) Act

On December 5, 1933, the 21st Amendment to the U.S. Constitution repealed the 18th Amendment, which mandated a nationwide prohibition on alcohol.

Congress wanted to avoid the problems that led to prohibition, as well as the problems caused by prohibition. Specifically, they wanted a closely-regulated industry, free of certain unfair industry **trade practices**. They also wanted to ensure fair competition, keep the criminal element out of the alcohol beverage industry, and protect the consumer. Thus, on August 29, 1935, Congress passed the **Federal Alcohol Administration Act**.

The FAA Act regulates alcohol beverage industry members to ensure the integrity of the industry, to protect consumers, and to preclude unfair trade practices.



# Prohibited Trade Practices

## Tied House

An industry member induces (directly or indirectly) a retailer to purchase its alcohol beverages.

**It is unlawful for an industry member to induce a retailer—such as through providing services, money or other things of value—to purchase alcohol beverages from the industry member to the exclusion of alcohol beverages offered for sale by other persons.**

## Commercial Bribery

An industry member induces (directly or indirectly) employees, officers, or representatives of a wholesaler or retailer (trade buyer) to purchase its alcohol beverages.

**It is unlawful for an industry member to induce a trade buyer—such as through gifts or secret payments to their employees—to buy the industry member's product, to the exclusion of a competitor's product.**

## Exclusive Outlet

An industry member requires (directly or indirectly) a retailer to purchase its alcohol beverages.

**It is unlawful for an industry member to require a retailer—such as by written or verbal agreement or by threat—to purchase alcohol from that industry member to the exclusion of alcohol offered for sale by other persons.**

## Consignment Sales

An industry member sells or trade buyer purchases product on consignment, with privilege of return, under conditional sale, etc.

**It is unlawful for an industry member to sell, offer to sell, or contract to sell alcohol beverages to trade buyer (or for trade buyer to purchase or offer/contract to purchase):**

- On consignment,
- Under conditional sale,
- With the privilege of return,
- On any basis other than a bona fide sale, or
- Where any part of the sale involves the acquisition of other alcohol beverages from the trade buyer.

To learn more about trade practices, visit our Trade Practices page and view our Trade Practices Video Series: [www.ttb.gov/business-central/trade-practices](http://www.ttb.gov/business-central/trade-practices)

For more information about Trade Practices or to report a violation, contact our Market Compliance Office by email at [TradePractices@ttb.gov](mailto:TradePractices@ttb.gov) or at 202-453-2251 (option 2)