MEMORANDUM CIRCULAR NO. 2011-13
Series of 2011

TO: ALL CONCERNED

SUBJECT: FIDELITY BOND AND SURETY BOND AS DEFINED

DATE: APRIL 11, 2011

Several queries have been raised to this Authority why the bond required for the director, officer and employees handling funds, securities or property on behalf of the cooperative shall be covered by a surety bond (Art. 56 of R.A. 9520) instead of fidelity bond.

For information, below is the definition of two terms:

A surety bond is a promise to pay one party (the obligee) a certain amount if a second party (the principal) fails to meet some obligations, such as fulfilling the terms of a contract. The surety bond protects the obligee against losses resulting from the principal’s failure to meet the obligation. It is a contract among at least three parties: (1) The obligee - the party who is the recipient of an obligation (2) The principal - the primary party who will be performing the contractual obligations and (3) The surety - who assures the obligee that the principal can perform the task. It is guarantee insurance.

A fidelity bond is a form of insurance protection that covers policyholders for losses that they incur as a result of fraudulent acts by specified individuals. It usually insures a business for losses caused by the dishonest acts of its employees. While called bonds, these obligations to protect an employer from employee-dishonesty losses are really insurance polices. These insurance policies protect from losses of company monies, securities and other property from employees who have a manifest intent to cause the company loss. The other forms of crime-insurance policies (burglary, fire, general theft, computer theft, disappearance, fraud, forgery etc.) to protect company assets. It is crime insurance.

For information and guidance.

APPROVED on April 7, 2011 per BOA Resolution No. 78, S-2011.

THE BOARD OF ADMINISTRATORS
By:

(SGD)
EMMANUEL M. SANTIAGUEL, Ph.D.
Chairman