



Republic of the Philippines  
**OFFICE OF THE PRESIDENT**  
Department of Finance  
**COOPERATIVE DEVELOPMENT AUTHORITY**  
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**MEMORANDUM CIRCULAR NO. 2011-13**

Series of 2011

**TO :** ALL CONCERNED

**SUBJECT :** FIDELITY BOND AND SURETY BOND AS DEFINED

**DATE :** APRIL 11, 2011

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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 policies. 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