§ 453.10 The statutory provision.

The statute requires that every covered person “shall be bonded to provide protection against loss by reason of acts of fraud or dishonesty on his part directly or through connivance with others.”

[30 FR 14926, Dec. 2, 1965]

§ 453.11 The nature of the “duties” to which the bonding requirement relates.

The bonding requirement in section 502(a) relates only to duties of the specified personnel in connection with their handling of funds or other property to which this section refers. It does not have reference to the special duties imposed upon representatives of labor organizations by virtue of the positions of trust which they occupy, which are dealt with in section 501(a), and for which civil remedies for breach of the duties are provided in section 501(b). The fact that the bonding requirement is limited to personnel who handle funds or other property indicates the correctness of these conclusions. They find further support in the differences between sections 501(a) and 502(a) of the Act which sufficiently indicate that the scope of the two sections is not coextensive.

§ 453.12 Meaning of fraud or dishonesty.

The term “fraud or dishonesty” shall be deemed to encompass all those risks of loss that might arise through dishonest or fraudulent acts in handling of funds as delineated in §§ 453.8 and 453.9. As such, the bond must provide recovery for loss occasioned by such acts even though no personal gain accrues to the person committing the act and the act is not subject to punishment as a crime or misdemeanor, provided that within the law of the State in which the act is committed, a court would afford recovery under a bond providing protection against fraud or dishonesty. As usually applied under State laws, the term “fraud or dishonesty” encompasses such matters as larceny, theft, embezzlement, forgery, misappropriation, wrongful abstraction, wrongful conversion, willful misapplication or any other fraudulent or dishonest acts resulting in financial loss.

[30 FR 14926, Dec. 2, 1965]

§ 453.13 The statutory provision.

Section 502(a) of the Act requires that the bond of each “person” handling “funds or other property” who