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Figure 12-1. Sample DD Form 2664 (Currency Exchange Record)

CHAPTER 12

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★ 120101. Use of U.S. Currency. With the exception of areas where U.S. diplomatic or financial relations make the use of U.S. dollars inadvisable, U.S. currency or Treasury checks shall be the only medium of exchange for: pay of military and civilian personnel, except for amounts acceptable in local currency by payees and as required to be paid in local currency by this section; allowances, per diem, and travel expenses, and purchases from appropriated and non-appropriated fund activities located in or visiting the foreign currency area.

120102. Reimbursable Expenses. Claims for reimbursement of personal funds expended on official business shall be paid in the foreign currency expended by the claimant, if available to the DO and acceptable to the claimant. If the claim is to be paid in U.S. dollars as authorized or required at the point of settlement, the claimant shall be required to state on the voucher the rate at which the expended foreign currency was acquired and the source from which acquired. The U.S. dollar equivalent shall be computed at the rate the claimant acquired the currency. If two or more purchases were involved, the U.S. dollar equivalent shall be determined on a "first-in-first-out" basis. For example: The claimant purchased 5,000 Malaysian Riggitt in May 1991 at the rate of 2.7875 to one U.S. dollar and 3,000 in June 1991 at 2.7795. Expenses of 6,000 Riggitt were incurred in July 1991. The U.S. dollar reimbursement is \$2,153.50 [$5,000 / 2.7875 = \$1,793.72 + 1,000 / 2.7795 = \359.78]. If the claimant had incurred expenses of only 4,000 Riggitt, reimbursement would be \$1,434.98 [$4,000 / 2.7875 = \$1,434.98$].

120103. Currency Custody Accounts. Currency custody accounts are arrangements approved by the Treasury Department whereby safety stocks of U.S. currency on the books of overseas military central funding officers are physically held in the government's contractor-operated military banking facilities (MBFs). This 100 percent cash reserve serves as MBF vault cash, with daily settlement between the MBF operator and central funding officer. Absent ready access to the Federal Reserve System (FRS), this mechanism assures the availability of U.S. currency to support the dollar economy exported in support of U.S. Forces stationed overseas. The balance held in the custody account is reported on line 6.4 of both the DD Form 2657 (Daily Statement of Accountability) and the SF 1219 (Statement of Accountability) as prescribed in Chapter 19 of this volume.

120104. Use of Foreign Currency

A. General. In areas where U.S. currency is prohibited or where diplomatic or financial considerations make its use inadvisable, the senior commander shall consult with other U.S. military commanders and State Department representatives in the area to determine the local government's foreign currency control regulations. The commander then shall issue instructions to conform to State Department procedures and local government foreign currency

control regulations and, in addition, incorporate the following requirements to the extent necessary to comply with local conditions: foreign currency shall be used for all payments to U.S. personnel; foreign currency shall be used for all payments to vendors located in the area; foreign currency held by U.S. personnel shall not be repurchased except as outlined in section 1203 of this chapter; and U.S. dollar negotiable instruments shall not be cashed or issued without the written permission of the commander and then only in amounts required for cash purchases at U.S. Government authorized facilities (e.g., commissaries, snack bars, theater or post offices) or for immediate travel to an area where currency restrictions are not in effect.

★ B. Basic Pay, Special and Incentive Pays, and Allowances. Basic pay, special and incentive pays, and allowances (subsistence, and quarters) are expressed in U.S. dollars by statute and shall be paid in U.S. dollars or in military payment certificates (MPC), as appropriate, when such personnel are stationed in overseas areas. Salaries and differentials paid to U.S. citizen civilian personnel, similarly situated, paid in fulfillment of U.S. contractual or statutory obligations that are expressed in U.S. dollars shall be paid in U.S. dollars or MPC, as appropriate. Personnel shall be encouraged to use authorized exchange facilities for converting U.S. dollars to local foreign currencies needed to liquidate personal obligations. Such conversions shall be made with the understanding that local foreign currencies may be converted back to U.S. dollars only as authorized in section 1203 of this chapter. If foreign currency is being paid, the DO shall make payment on the basis of the MBF sell rate. If there is no in-country MBF, the DO shall make the foreign currency payment on the basis of the prevailing exchange rate.

★ C. Payments in Foreign Currency. If a foreign currency payment needs to be made and the DO has a limited depositary account (LDA) in that particular currency, the payment may readily be made by an LDA check. If the DO does not have an LDA in the particular foreign currency to be paid, but is located within the country to which the required currency is indigenous, the DO may acquire foreign currency cash from any of the sources in chapter 13 of this Volume and make a foreign currency cash payment. Otherwise, when a foreign currency payment needs to be made, the DO must send a properly certified voucher together with supporting documentation and a properly executed DD Form 577 to a DO who can make the payment in the foreign currency involved. In many cases, the DO (or cashier) who can make the foreign currency payment will be located at the U.S. Embassy or Legation. A DO requesting payment by a U.S. Embassy or Legation shall provide any additional information or documentation required by the U.S. Embassy or Legation to make the payment.

1202 FINANCIAL TRANSACTIONS WITH FOREIGN COUNTRIES AND INTERNATIONAL ORGANIZATIONS

120201. General Policies for Financial Transactions

A. Scope

1. This section implements policies of the Treasury Department on the use of U.S. Government funds in international programs on foreign exchange or interest costs

to the Treasury Department. These include transactions with foreign countries and international organizations involved with bilateral or multilateral programs, such as procurement, research, co-development, co-production, grants or other transactions that require the:

- a. outlay of U.S. dollars or foreign currencies,
- b. inflow of funds from foreign countries, or
- c. exchange of U.S. dollars and foreign currencies.

2. Except for arrangements entered into for the sole purpose of implementing U.S. international monetary policy, DoD Components shall observe the following policies to ensure that:

- a. U.S. dollars are retained in the Treasury Department until actually required for immediate disbursement, to minimize interest cost on the public debt;
- b. Interest on U.S. Government funds will not be used to subsidize program activities; and
- c. Arrangements with foreign countries and international organizations will accommodate the financial policies and procedures of each participating country or organization to the maximum extent feasible.

3. Any change in program costs resulting from the use of foreign currencies in international financial arrangements is the responsibility of the involved program agencies, U.S. or foreign.

B. General Policies

1. DoD Components shall not permit the withdrawal of dollars from the Treasury Department for placement with any program management organization, prior to the need for the dollars as determined by the actual immediate funding requirements of the recipient organization to carry out the project.

2. International programs that require U.S. funding shall be negotiated to provide for dollar outlays as close to the need for current program expenditure as possible.

3. The U.S. Government share of funding required to support a program shall be obtained by appropriation with no part of this funding derived from interest earned on U.S. contributions. DoD Components shall be responsible for assuring that any interest earned is promptly deposited to receipt account 1499, Miscellaneous Interest Collections, Not Otherwise Classified."

4. Whenever possible, international programs should consider the fiscal needs and funding policy considerations of each participating country or international organization, provided U.S. Government cash management policies are not compromised.

5. Requests from a foreign country or international organization for the temporary deposit and safekeeping of U.S. dollars in trust in an account of the Treasury Department will be decided on their own merit, based on the reason therefore, the specific financial arrangements proposed, and the relevant U.S. Government political and general financial considerations.

6. DoD Components shall not invest funds on behalf of a foreign country or international organization when U.S. Government receipt of such funds would serve as the basis for creating contract obligational authority for the DoD Component or other U.S. Government department or agency.

7. Application of these general policies in negotiation with foreign countries and international organizations shall not be compromised by DoD Component administrative practices. Existing practices should be altered or revised to achieve these principles of funding policy.

★ C. Specific Policies. See chapter 9, Volume 12 of this Regulation for financial policies and procedures related to international agreements.

★ 120202. Exchange of U.S. Dollars for Foreign Currencies. Any change in program costs resulting from the foreign currency denomination of international financial arrangements is the responsibility of the program agencies, U.S. or foreign, involved.

120203. Procedures

★ A. The Treasury Department shall be consulted at the earliest possible time on any potential or pending negotiations with foreign countries and international organizations that involve deviations from the matters reflected herein. Exceptions to these policies and guidelines outlined above will be made only on the basis of a Treasury Department determination that such exceptions would be advantageous to the United States.

★ B. Requests for such exceptions should be processed through the Director for Management Improvement, The Pentagon, Washington, DC 20301-1100.

★ 120204. Foreign Currency Payments for Contracts Funded from Military Construction Appropriations. The following criteria shall be used in determining the feasibility of foreign currency payments for contracts funded from military construction appropriations. U.S. dollars shall be used only when:

- A. To the extent provided by a treaty, executive agreement, or laws of the country concerned, payments are required to be made in U.S. dollars.
- B. Responsive offers require a partial payment in U.S. dollars.
- C. The only responsive offers received require payment entirely in U.S. dollars.
- D. The contract is for a compelling need and of such unusual urgency that serious injury to the U.S. Government would likely be incurred if payment in foreign currency were to be insisted upon.
- E. Contract bids or offers in local currency are unreasonably overpriced in relation to the dollar cost or to the local currency price available to non-DoD users of the same or similar goods or services.
- F. If it is determined that payment in foreign currency funded from military construction appropriations is not feasible, the official designated in paragraph 120204 shall execute the following contract certification for retention with each contract file.

CONTRACT CERTIFICATION

I hereby certify, as required by subparagraph 120203.C of DoD 7000.14-R, Volume 5 and under the authority delegated to me in accordance with paragraph 120204 of DoD 7000.14-R, Volume 5, that it was not feasible to make payment in the amount of \$ _____ from foreign currency owned by the United States Government under this military construction contract executed in the country of _____ for the reason stated below:

(Cite the criterion applicable in the instant case)

(Signature)
(Name and title of person
executing this Certification)

★ 120205. Use of Foreign Currencies for Travel and Transportation

A. Maximum use shall be made of U.S.-owned foreign currencies for transportation when certificated air carriers are available and willing to accept such currencies in payment for U.S. Government-financed commercial foreign air transportation of persons or property. Use of air carriers for U.S. Government-financed commercial foreign air transportation

and the determination of their availability shall be in accordance with the provisions of DoD Directive 4500.9 (reference (ad)).

B. Consistent with the provisions of GAO Guidance (reference (ae)) and Comptroller General Decision B-184136 of August 17, 1975 (reference (af)), certificated air carriers shall be used for official air travel and transportation when available.

C. In issuing and exchanging government transportation requests (GTRs), government bills of lading (GBL), transportation warrants, or other procurement documents, the form must clearly state "PAYMENT IN (foreign currency)." Otherwise, the carrier may demand payment in U.S. dollars.

D. The "BILL TO" portion of the GTR, GBL, transportation warrant, or other procurement document must contain the following:

1. Name of the requesting agency.
2. Address to be billed.
3. Instruction on payment in foreign currency.

★ E. Delegation. Under the provisions of 10 U.S.C. 113 reference (b)), the authority and responsibility for compliance with and making determinations of non-feasibility are delegated to the Secretaries of the Military Departments, the Under Secretary of Defense for Acquisition and Technology, the Under Secretary of Defense (Comptroller), Directors of the Defense Agencies, and Director, Washington Headquarters Services. These designees may make further delegations of this authority.

1203 CONVERSION REGULATIONS

120301. General. Where the use of foreign currency is necessary, the currency shall be obtained by one or more of the following methods in the preferential order in which listed. See Chapter 13 of this volume for detailed instructions regarding procurement of foreign currency.

A. By purchase from the Government of the United States (i.e., contract Military Banking Facilities (MBF), Department of the Treasury, other U.S. DOs, or other accountable disbursing officials).

B. By purchase from commercial sources.

C. By repurchase from individuals (subject to the restrictions in subparagraph 120304.E, below).

120302. DO Responsibilities. DOs using foreign currency shall ensure compliance with the following requirements.

- A. Foreign currency is obtained and used for official purposes only.
- B. Foreign currency is not purchased or held in excess of immediate disbursing needs.
- C. Foreign currency purchases with U.S. dollars are made for "spot" delivery (delivery shall be within 2 business days).
- D. Foreign currency is in the physical custody of the DO or the limited depository bank has posted a credit to the LDA before any foreign currency disbursement is made.
- E. Foreign currency is not purchased by forward contracts directly from foreign governments, private firms or individuals or at a negotiated rate without prior authorization from the appropriate DFAS Center.
- F. Speculation in foreign currency is prohibited.
- G. Where there is an MBF in-country, foreign currency purchases for official use (at the MBF sell rate) and for accommodation exchanges (at the MBF accommodation rate) shall be given preference, whenever possible.
- H. Foreign currency held at personal risk by the DO in the safe or vault and in LDAs (including foreign currency held by all authorized deputies, agents, and cashiers within the disbursing office and at remote locations) is limited to a maximum of 7 business days requirement unless authorization has been received from the servicing DFAS Center granting an increase.
- I. When purchased from sources other than the U.S. Government, foreign currency is purchased at the best rate available in compliance with the laws of the country where it is being used.
- J. Foreign currency collection records are maintained showing the source of the currency; indicating miscellaneous receipt accounts or other Treasury Department accounts to be credited; and any restrictions on the use of the currency.
- K. Foreign currency reports are prepared as prescribed in Chapter 16 of this volume.

120303. Disbursing Agents of the Office of the Secretary of Defense (OSD)

A. **Purpose and Appointment.** Disbursing agents of the Office of the Secretary of Defense (OSD) are commissioned officers, warrant officers, non-commissioned officers, or civilian employees who are appointed by the USD(C), or designee, the Director of Budget and Finance, Washington Headquarters Service (WHS), to act as agents for an accountable DO. Such appointments shall be coordinated with the Director of Budget and Finance, WHS. Their purpose is to acquire cash and make such payments as are specified in the appointment. These disbursing agents may be appointed for an indefinite period of time or for a specific mission of limited duration. Such disbursing agents shall obtain all necessary funds from or through the DO currently supporting DoD/WHS and shall be accountable to that officer.

B. **Conversion Authorization.** Disbursing agents of OSD who acquire foreign currency in the course of their official duties are authorized to exchange such foreign currency for U.S. dollars at the nearest DoD disbursing office or other authorized U.S. disbursing office prior to departing from the foreign country, or prior to returning to the United States. DoD DOs in foreign countries shall convert foreign currency to U.S. dollars for officers or civilians appointed as disbursing agents of OSD. Such conversions shall be reported on the Foreign Currency Report as an acquisition from "OSD disbursing agent (name of agent)." The letter appointing the disbursing agent shall be presented to the DO when the agent requests conversion of currency.

120304. **Accommodation Exchange Services**

A. **General.** Accommodation exchange services are: the exchange of Treasury checks or U.S. dollar instruments for U.S. dollars (i.e., check cashing); the selling of foreign currencies in exchange for U.S. dollars or dollar instruments for the convenience of authorized personnel; and, where permitted, the repurchase of foreign currencies with U.S. dollars or dollar instruments.

B. **Authorization**

1. DOs are authorized to use official funds to:

a. Pay out foreign currency for checks, drafts, bills of exchange, and other instruments payable in U.S. dollars.

b. Cash for the same currency in which drawn, foreign currency checks drawn by accountable officers of the United States on official non-symbol checking accounts when the currency is needed by the officer for official purposes. No additional approvals are required.

c. Provide U.S. dollars in exchange for U.S. Treasury checks drawn by DOs of the State Department or other accountable officers of the United States when the U.S. dollars are needed for official purposes. No additional approvals are required.

2. Except as authorized above for providing U.S. dollars or foreign currency to DOs of the State Department or other accountable officers of the United States for official purposes, commanders shall specifically approve and implement accommodation exchange services only after determining that:

a. contract MBFs, other on-base financial institutions, commissaries, exchanges, and U.S. postal facilities cannot adequately fulfill the needs of DoD personnel;

b. the DO or agent has an immediate need for the foreign currency repurchased; or

c. authorized personnel have been ordered by competent authority to safehaven posts because of emergency evacuation.

3. All negotiable instruments presented to purchase foreign currency shall be presented by the payee in person or by a dependent holding a valid power of attorney from the payee. Refer to Chapter 4 of this volume for detailed requirements for providing check cashing services.

C. Authorized Personnel. The instruments cited above may be exchanged by DOs for the accommodation of those personnel described at paragraph 040104 of this volume.

D. Sales of Foreign Currency to Individuals. Accommodation exchanges of foreign currency normally will be made by MBFs at those installations served under the DoD MBF contract. In countries served by contract MBFs, DOs providing accommodation exchange services shall acquire needed foreign currencies from the MBF and make those exchanges at the MBF accommodation rate. DoD personnel shall not be provided accommodation exchange service by State or Treasury Department DOs in areas where such services are provided by DoD DOs. This shall not preclude DoD personnel assigned or attached to U.S. embassy duty from using available embassy cashier services. DOs, agents, and cashiers making foreign currency accommodation exchanges shall maintain DD Form 2664 (Currency Exchange Record) on a daily basis to ensure that the authorities and limitations contained herein are efficiently implemented. An example of DD Form 2664 is shown at figure 12-1.

E. Repurchase of Foreign Currency from Individuals. Foreign currency shall not be repurchased by DOs from individuals in those countries served by MBFs under DoD contract. In countries not served by contract MBFs, DOs may repurchase foreign currency or instruments payable in foreign currency in exchange for U.S. dollars or dollar instruments from individuals prior to their departure on home leave or after termination of their foreign assignment. In providing this service, DOs shall ensure compliance with the following subparagraphs.

1. If the amount of foreign currency presented does not exceed the sum of the individual's salary and allowances for two biweekly pay periods, it may be repurchased without requiring documentation of any kind from the departing individual.

2. If the amount of foreign currency presented exceeds the amount authorized in subparagraph 120304.E.1 above, the individual presenting such currency shall submit a written application to the commander for approval of the repurchase. The application shall contain a statement describing the source of the currency and, a statement affirming that none of the currency was acquired in violation of local regulations or exchange control laws of the country concerned.

3. The repurchase of the foreign currency with U.S. dollars is commensurate with the DO's immediate foreign currency disbursing requirements as prescribed in Chapter 13 of this volume.

4. The foreign currency is repurchased at the prevailing market rate.

5. DD Form 2664 is maintained daily to reflect the amount and source of funds.

6. The authority to make accommodation exchanges granted herein may be suspended or curtailed by the disbursing officer for such time and to such extent necessary to carry out his or her other responsibilities.

★ F. Saf haven Posts. Foreign currency accommodation exchange services for dependents of DoD personnel at saf haven areas (to which ordered by competent authority in the event of emergency evacuation) shall be consistent with the amount of exchanges authorized for dependents of U.S. personnel employed by other U.S. Government agencies. Accommodation exchange transactions for all dependents of an individual named in subparagraph 120304.C, above, shall not exceed \$2,000 during the first month following evacuation, and shall not exceed \$400 to \$600 in any subsequent month. Daily records of accommodation exchanges for dependents at saf haven areas shall be maintained on DD Form 2664.

G. Accommodation Exchange Afloat. Disbursing officers of the Department of the Navy additionally are authorized to repurchase foreign currency for U.S. dollars for Navy personnel afloat provided:

1. The disbursing officer has need for the foreign currency or can dispose of the foreign currency by exchange for dollars or by official expenditures within 30 days.

2. The individual requesting the exchange of foreign currency is not allowed, upon returning afloat, to convert an amount of foreign currency greater than the amount

purchased by him from the Navy disbursing officer before going ashore, as evidenced by the disbursing officer's records.

