

<b>SUMMARY OF MAJOR CHANGES TO DOD 7000.14-R, VOLUME 5, CHAPTER 12 “FOREIGN DISBURSING OPERATIONS”</b>		
<b>Substantive revisions are denoted by a ★ preceding the section or paragraph with the substantive change or revision.</b>		
<b>PARA</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
<b>120104.B</b>	<b>Removes any reference to Military Payment Certificate.</b>	<b>Deletion</b>
<b>120201.B.3</b>	<b>Revises paragraph to reflect new receipt account.</b>	<b>Amendment</b>
<b>120201.B.5</b>	<b>Provides an address for the submission of a request from a foreign country or international organization to temporarily deposit U.S. dollars in trust.</b>	<b>Amendment</b>
<b>120201.B.6</b>	<b>Reworded.</b>	<b>Correction</b>
<b>120203.B</b>	<b>Provides an updated address.</b>	<b>Amendment</b>
<b>120204.F</b>	<b>Revised to incorporate the statement that was previously paragraph 120205.D.</b>	<b>Correction</b>
<b>120205.D</b>	<b>Removed in its entirety.</b>	<b>Deletion</b>
<b>120302.E</b>	<b>Requires authorization be obtained from the Department of the Treasury before purchasing foreign currency by forward contracts.</b>	<b>Amendment</b>
<b>120302.H</b>	<b>Requires authorization be obtained from the appropriate Defense Finance and Accounting Service office to exceed the current limit of foreign currency held at personal risk.</b>	<b>Amendment</b>
<b>120304.B.1</b>	<b>Reworded</b>	<b>Correction</b>
<b>120304.G</b>	<b>Reworded</b>	<b>Correction</b>
<b>120305</b>	<b>Establishes a central point to obtain daily foreign currency rates from the Federal Reserve Bank of New York.</b>	<b>Amendment</b>

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## CHAPTER 12

FOREIGN DISBURSING OPERATIONS1201 MONETARY REGULATIONS

120101. Use of United States (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 U.S. Treasury checks shall be the only medium of exchange for: pay of military and civilian personnel allowances (except for amounts acceptable in local currency by payees and as required to be paid in local currency by this section) per diem, travel expenses, and purchases from appropriated and nonappropriated fund activities located in or visiting the foreign currency area.

120102. Reimbursable Expenses. Claims for reimbursement of personal funds expended in foreign currency while on official business shall be paid in the foreign currency expended by the claimant, if available, to the disbursing officer (DO) and requested by the claimant. If the claim is to be paid in U.S. dollars, then 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 of foreign currency were involved, then the U.S. dollar equivalent shall be determined on a “first-in-first-out” basis. For example, if the claimant purchased 5,000 Malaysian ringgits in May at the rate of 2.7875 to one U.S. dollar and 3,000 in June at 2.7795 and expenses of 6,000 ringgits were incurred in July, then the U.S. dollar reimbursement would be \$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 Ringgits, then 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 Department of the Treasury whereby safety stocks of U.S. currency on the books of overseas military central funding officers are held physically 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. Armed 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 Department of State representatives in the area to determine the local government’s foreign currency control regulations. The commander then shall issue instructions that conform to Department of State procedures and local government foreign

currency control regulations. The following requirements shall be incorporated to the extent necessary to comply with local conditions:

1. Foreign currency shall be used for all payments to U.S. personnel;
2. Foreign currency shall be used for all payments to vendors located in the area;
3. Foreign currency held by U.S. personnel shall not be repurchased except as outlined in section 1203 of this chapter; and
4. 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 (i.e., subsistence and housing) are expressed in U.S. dollars by statute and shall be paid in U.S. dollars 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 also shall be paid in U.S. dollars. 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, then the DO shall make payment on the basis of the MBF sell rate. If there is no in-country MBF, then 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, then the payment readily may 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, then 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 shall send a properly certified voucher together with supporting documentation and a properly executed DD Form 577 (Signature Card) 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 shall 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. Policies for Financial Transactions

A. Scope

1. This section implements policies of the Department of the Treasury on the use of U.S. Government funds in international programs and on foreign exchange or interest costs to the Department of the Treasury. These include transactions with foreign countries and international organizations involved with bilateral or multilateral programs, such as procurement, research, codevelopment, coproduction, grants, or other transactions that require the:

- a. Outlay of U.S. dollars or foreign currencies;
- b. Inflow of funds from foreign countries;
- 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 U.S. Treasury until actually required for immediate disbursement, to minimize interest cost on the public debt;
- b. Interest on U.S. Government funds shall not be used to subsidize program activities;
- c. Arrangements with foreign countries and international organizations shall 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 U.S. or foreign program agencies.

B. General Policies

1. The DoD Components shall not permit the withdrawal of dollars from the Department of the Treasury 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 deposited promptly to Treasury General Fund Receipt Account 3220, "General Fund Proprietary Receipts, Not Otherwise Classified, All Other."

4. Whenever possible, international programs shall 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 Department of the Treasury, shall be decided on their own merit. The decision shall be based on the reason therefore, the specific financial arrangements proposed, and the relevant U.S. Government political and general financial considerations. All requests shall contain a recommendation from the local commander and be submitted to the Department of the Treasury, Financial Management Service, Cash Management Policy and Planning Division, Liberty Center (Rm 521C), Washington, D.C. 20227 via the Financial Services and Disbursing Division Kansas City (DADA/KC).

★ 6. The DoD Components shall not invest funds on behalf of a foreign country or international organization when U.S. Government receipt of such funds serve as a 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.

8. Existing practices shall be altered or revised to achieve these principles of funding policy.

C. Specific Policies. See [Volume 12, Chapter 9](#), 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 U.S. or foreign program agencies involved.

120203. Procedures

A. The Department of the Treasury 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 policies stated in this chapter. Exceptions to the policies and guidelines outlined above shall be made only on the basis of a Department of the Treasury determination that such exceptions are advantageous to the United States.

★ B. Requests for such exceptions shall be processed through the Director for Accounting and Finance Policy and Analysis, Office of the Deputy Chief Financial Officer, 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 insistence on payment in foreign currency would harm the U.S. Government or its interests.

E. Contract bids or offers in local currency are overpriced unreasonably 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. A determination is made that payment in foreign currency is not feasible. Such a determination may be made by the Secretary of a military department, the Under Secretary of Defense for Acquisition, Technology, and Logistics, the Under Secretary of Defense (Comptroller), the Directors of the Defense Agencies, and the Director, Washington Headquarters Services, each of whom may delegate authority to make such a determination. The individual making the determination shall execute the following certification for retention with each contract file.

**CONTRACT CERTIFICATION FORMAT**

<p><u>CONTRACT CERTIFICATION</u></p> <p>I hereby certify, as required by subparagraph 120204.F. of DoD 7000.14-R, Volume 5, and under the authority delegated to me in accordance with subparagraph 120203.B 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:</p> <p>(Cite the criterion applicable in the instant case.)</p> <p>(Signature) (Name and title of person executing this Certification)</p>
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Figure 12-1

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 shall accept such currencies in payment for U.S. Government-financed, commercial, foreign air transportation of persons or property. Use of these air carriers for transportation and the determination of their availability shall be in accordance with the provisions of DoD Directive 4500.9 (reference (ad)).

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

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

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

### 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 U.S. Government (i.e., contract MBF, the Department of the Treasury, and other U.S. DOs or accountable disbursing officials).
- B. By purchase from commercial sources.
- C. By repurchase from individuals (subject to the restrictions in subparagraph 120304.E, below).

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

- A. Foreign currency is obtained and only used for official purposes.
- 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 at a negotiated rate without prior authorization from the U.S. Treasury. All requests for authorization must be submitted through the Financial Services and Disbursing Division (DFAS-DADA/KC).
- F. Speculation in foreign currency is prohibited.

G. Where there is an MBF in-country, DO foreign currency purchases for official use shall be at the MBF sell rate and foreign currency purchases for accommodation exchanges shall be at the MBF accommodation rate whenever possible.

★ H. DO foreign currency holdings (either currency in a 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) shall be limited to a maximum of 7 business days requirement unless an increase has been authorized in writing by the Financial Services and Disbursing Division Kansas City (DFAS-DADA/KC).

I. When purchased from sources other than the U.S. Government (including a contract MBF), foreign currency shall be purchased at the best rate available in compliance with the laws of the country where it is being used.

J. Records of foreign currency collections shall include the source of the currency, shall indicate miscellaneous receipt accounts or other Department of the Treasury accounts to be credited, and shall identify any restrictions on the use of the currency.

K. Foreign currency reports shall be 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, noncommissioned officers, or civilian employees who are appointed by the USD(C), or designee, the Director of Budget and Finance, Washington Headquarters Services (WHS), to act as agents for an accountable DO. Such appointments shall be coordinated with the Director of Budget and Finance, WHS. Such agents shall acquire cash and make such payments as are specified in their appointment. Such 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. The 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 U.S. 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 the repurchase of foreign currencies with U.S. dollars or dollar instruments where permitted.

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 nonsymbol checking accounts when the currency is needed by the officer for official purposes.

c. Provide U.S. dollars in exchange for U.S. Treasury checks drawn by DOs of the Department of State or other accountable officers of the United States when 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 Department of State 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, nor U.S. postal facilities can fulfill adequately 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 on rendering check cashing services.

C. Authorized Personnel. The instruments cited above may be exchanged by DOs for the accommodation of those personnel described in [Chapter 4](#), paragraph 040104, of this volume.

D. Sales of Foreign Currency to Individuals. Accommodation exchanges of foreign currency normally shall 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 receive accommodation exchange service by the Department of State or Treasury 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 efficiently are implemented. An example of DD Form 2664 is shown at Figure 12-2, of this chapter.

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 2 biweekly pay periods, then 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, then 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 shall be commensurate with the DO's immediate foreign currency disbursing requirements as prescribed in [Chapter 13](#), of this volume.

4. The foreign currency shall be repurchased at the prevailing market rate.

5. DD Forms 2664 shall be 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. Safehaven Posts. Foreign currency accommodation exchange services for dependents of DoD personnel at safehaven 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 [Chapter 4](#), paragraph 040104, of this volume, 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 safehaven areas shall be maintained on DD Form 2664.

G. Accommodation Exchange Afloat. Disbursing officers of the Department of the Navy are authorized to repurchase additional 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 may not, upon returning afloat, 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.

★ 120305. To Obtain Daily Foreign Currency Rates. Daily foreign rates shall be obtained from the Federal Reserve Bank of New York. The foreign currency rates information can be obtained via the web at <http://www.newyorkfed.org/pihome/statistics/forex12.shtml> or via the phone at (212) 720-6130.

CURRENCY EXCHANGE RECORD RECORD OF INDIVIDUAL EXCHANGE TRANSACTIONS								PAGE 1 OF 1	
1. DISBURSING OFFICER DESIGNATION				2. RATES OF EXCHANGE (Number of Foreign Currency Units to one US Dollar)				3. DATE (YYYYMMDD)	4. DSSN
DISBURSING OFFICER DEPLOYED IN THE SANDY POND				Japanese Yen Y150 - \$1.00 U.S. EURO 132 - \$1.00 U.S.				20030129	1234
6. RECEIVED FROM CUSTOMER				7. DISBURSED TO CUSTOMER				5. NAME OF CASHIER OR DEPUTY Jim Jones	
8. NAME AND OTHER INFORMATION REQUIRED BY DISBURSING OFFICER ON PERSON FOR WHOM EXCHANGE IS MADE									
a. TYPE OF NEGOTIABLE INSTRUMENT RECEIVED (PERSONAL CHECK,CASH ETC)	b. US CURRENCY & COIN	c. FOREIGN CURRENCY	d. TOTAL	a. US CURRENCY & COIN	b. FOREIGN CURRENCY  YEN 150	c. FOREIGN CURRENCY  EURO 132	d. TOTAL		
Personal check	\$500.00		\$500.00	\$90.00	60,000	1,320	\$500.00	123 456 7890* Ted Smith, 1stBn, 5th Marines	
Money Order	\$125.23		\$125.23	.23		16,500	\$125.23	987 65 4321** John Smith, 2nd MAW	
								*T. Smith requested 60,000 Yen, 1320 ERUO, and balance in U.S. cash	
								** J. Smith requested 125.00 ERUO and balance in U.S. cash	

DD Form 2664, FEB 2002

Previous Edition is Obsolete

★Figure 12-2. Sample DD Form 2664 (Currency Exchange Record)