

**VOLUME 5, CHAPTER 12: “FOREIGN DISBURSING OPERATIONS”****SUMMARY OF MAJOR CHANGES**

All changes are denoted by **blue font**.

Substantive revisions are denoted by an \* symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue and underlined font**.

The previous version dated January 2010 is archived.

<b>PARAGRAPH</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
Multiple	Updated hyperlinks and format to comply with current guidance.	Update

## Table of Contents

VOLUME 5, CHAPTER 12: “FOREIGN DISBURSING OPERATIONS” .....	1
1201 MONETARY REGULATIONS .....	3
120101. Use of United States (U.S.) Currency .....	3
120102. Reimbursable Expenses.....	3
120103. Currency Custody Accounts .....	3
120104. Use of Foreign Currency .....	4
1202 FINANCIAL TRANSACTIONS WITH FOREIGN COUNTRIES AND INTERNATIONAL ORGANIZATIONS .....	5
120201. Policies for Financial Transactions .....	5
120202. Foreign Currency Payments for Contracts Funded from Military Construction Appropriations.....	7
120203. Procedures .....	8
1203 Use of Foreign Currencies for Travel and Transportation .....	8
120301. Transportation Payment .....	8
120302. Transportation Requests .....	8
120303. Transportation Billing .....	8
1204 CONVERSION REGULATIONS .....	8
120401. General .....	8
120402. Disbursing Officer Responsibilities .....	9
120403. Disbursing Agents of the Office of the Secretary of Defense (OSD) .....	10
120404. Accommodation Exchange Services .....	10
120405. Obtaining Daily Foreign Currency Exchange Rates .....	13
Figure 12-1. Sample DD Form 2664 (Currency Exchange Record) .....	14

## CHAPTER 12

FOREIGN DISBURSING OPERATIONS

## 1201 MONETARY REGULATIONS

## 120101. Use of United States (U.S.) Currency

Except in areas where U.S. diplomatic or financial relations make the U.S. dollar inadvisable, U.S. currency or U.S. Treasury checks are the only media of exchange for:

A. 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),

B. Per diem,

C. Travel expenses, and

D. Purchases from appropriated and non-appropriated fund activities located in or visiting the foreign currency area.

## 120102. Reimbursable Expenses

At a claimant's request, pay claims for reimbursement of personal funds while on official business in the foreign currency expended by the claimant. If the foreign currency expended is not available to the disbursing officer (DO), pay the reimbursement in U.S. dollars. If the claim is to be paid in U.S. dollars, require the claimant to state on the voucher the rate at which the expended foreign currency was acquired and the source from which acquired. Compute the U.S. dollar equivalent at the rate the claimant acquired the currency. If two or more purchases of foreign currency were involved, determine the U.S. dollar equivalent 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 incurred expenses of 6,000 Ringgits in July, 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, the 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. 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, this assures the availability of U.S. currency to support the dollar economy exported to support U.S. Armed Forces stationed overseas. Report the balance held in custody accounts on

line 6.4 of both the Department of Defense [\(DD\) Form 2657 \(Daily Statement of Accountability\)](#) and the Standard Form [\(SF\) 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 consults 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 issues instructions that conform to Department of State procedures and local government foreign currency control regulations. Implement the following requirements as necessary to comply with local conditions:

1. Use foreign currency for all payments to U.S. personnel,
2. Use foreign currency for all payments to vendors in the area,
3. Do not repurchase foreign currency held by U.S. personnel except as outlined in section 1204 of this chapter,
4. Do not cash or issue U.S. dollar negotiable instruments without written permission of the commander, and
5. Cash U.S. dollar instruments only in amounts required for cash purchases at U.S. Government authorized facilities (e.g., commissaries, snack bars, theaters 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. Express and pay basic pay, special and incentive pays, and allowances (i.e., subsistence and housing) in U.S. dollars when affected personnel are stationed in overseas areas. Also pay salaries and differentials to similarly-situated U.S. citizen civilian personnel in fulfillment of U.S. contractual or statutory obligations in U.S. dollars so long as they are expressed in U.S. dollars. Encourage personnel to use authorized exchange facilities to convert U.S. dollars to local foreign currencies needed to liquidate personal obligations. These conversions are made with the understanding that local foreign currencies may be converted back to U.S. dollars only as authorized in section 1204 of this chapter. If foreign currency is being paid, the DO pays on the basis of the official rate as defined in subparagraph 120402.G.1. If there is no in-country MBF, the DO makes the foreign currency payment on the basis of the prevailing exchange rate.

C. Payments in Foreign Currency. When a foreign currency payment needs to be made, the preferred method of payment is via the International Treasury Services, [ITS.gov](#), the Department of the Treasury's (Treasury's) comprehensive international payment and collection system. When use of ITS.gov is not practical, DO's with a limited depository account (LDA) in that particular currency may make payment by an LDA check. [See Chapter 14 of this volume for guidance on LDAs](#). 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 in cash, or by check or Electronic Funds Transfer (EFT) from any of the sources listed in Chapter 13 of this volume. When a foreign currency payment needs to be made, the DO sends a properly certified voucher together with supporting documentation and a properly executed [DD Form 577](#) (Appointment/Termination Record – Authorized Signature) 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 is located at the U.S. Embassy or other diplomatic office. A DO requesting payment by a U.S. Embassy or other diplomatic office provides any additional information or documentation required by the U.S. Embassy diplomatic office.

D. Captured Foreign Currency. Deliver captured foreign currency into the custody of the State Department's United States Disbursing Officer (USDO) supporting the particular country involved. Any Department of Defense DO acquiring captured foreign currency ensures the funds are safeguarded and delivered to the USDO as soon as possible. Do not collect captured foreign currency into the DO's accountability.

## 1202 FINANCIAL TRANSACTIONS WITH FOREIGN COUNTRIES AND INTERNATIONAL ORGANIZATIONS

### 120201. Policies for Financial Transactions

#### A. Scope

1. This section implements Treasury policies on the use of U.S. Government funds in international programs and on foreign exchange or interest costs to the Treasury. These include transactions with foreign countries and international organizations involved with bilateral or multilateral programs, e.g., 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, and/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:

- a. Retain U.S. dollars in the U.S. Treasury until actually required for immediate disbursement, to minimize interest cost on the public debt;
- b. Do not use interest on U.S. Government funds to subsidize program activities; and
- c. Arrange to 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. Do not withdraw dollars from the Treasury on behalf of any program management organization before they are needed. Base withdrawals on the recipient organization's funding requirements to carry out the project.

2. Negotiate to provide for dollar outlays as close as possible to their need for current program expenditure to support international programs requiring U.S. funding.

3. Obtain the U.S. Government share of funding required to support a program by appropriation, with no part of this funding derived from interest earned on U.S. contributions. DoD Components are responsible to ensure that any interest earned is deposited promptly to the Treasury General Fund Receipt Account 3220, "General Fund Proprietary Receipts, Not Otherwise Classified, All Other."

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

5. Act on requests from a foreign country or international organization for the temporary deposit and safekeeping of U.S. dollars in trust in a Treasury account based on their own merit. Base the decision on the reason for the request, the specific financial arrangements proposed, and the relevant U.S. Government political and general financial considerations. All requests must include a recommendation from the local commander and be submitted to the Department of the Treasury, FMS, Cash Management Policy and Planning Division, Liberty Center (Room 521C), Washington, D.C. 20227 through Disbursing/Debt Management Policy, Policy and Performance Management Directorate, (DFAS-NPD/IN), 8899 E. 56th Street, Indianapolis, IN 46249-0500.

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

7. Do not allow application of these general policies in negotiations with foreign countries and international organizations to be compromised by DoD Component administrative practices.

8. Do not alter or revise existing policies to achieve these principles of funding policy.

9. Process requests for exceptions in accordance with Chapter 1 of this volume.

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

120202. Foreign Currency Payments for Contracts Funded from Military Construction Appropriations

Use the following criteria to determine the feasibility of foreign currency payments for contracts funded from military construction appropriations. Use U.S. dollars only when:

A. Payments must be made in U.S. dollars in accordance with a treaty, executive agreement, or laws of the country concerned;

B. Offers require a partial payment in U.S. dollars;

C. 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 relative to the dollar cost or to the local currency price available to non-DoD users of the same or similar goods or services; and/or

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; or the Director, Washington Headquarters Service (WHS); each of whom may delegate authority to make such a determination. The individual making the determination executes the following certification for retention with each contract file:

#### CONTRACT CERTIFICATION

I hereby certify, as required by subparagraph 120202.F. 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)

## 120203. Procedures

Consult the Department of the Treasury as soon as possible on potential or pending negotiations with foreign countries and international organizations involving deviations from the policies in this chapter. Exceptions to paragraphs 120201 and 120202 are permissible only on the basis of a Treasury determination that they are advantageous to the United States. Process requests for exception in accordance with Chapter 1 of this volume.

## 1203 Use of Foreign Currencies for Travel and Transportation

## 120301. Transportation Payment

To the maximum extent possible, use U.S.-owned foreign currencies for transportation when certificated air carriers are available and will accept such currencies in payment for U.S. Government-financed, commercial, foreign air transportation of persons or property. See [DoD Directive 4500.09E](#), Transportation and Traffic Management, for guidance on the use of these air carriers and determination of their availability.

## 120302. Transportation Requests

In issuing and exchanging Government Transportation Requests (GTRs), Government Bills of Lading (GBLs), transportation warrants, or other procurement documents, state clearly "PAYMENT IN (foreign currency)" on the form. Otherwise the carrier may demand payment in U.S. dollars.

## 120303. Transportation Billing

Include in the "BILL TO" portion of the GTR, GBL, transportation warrant, or other procurement document:

- A. Name of the requesting agency.
- B. Address to be billed.
- C. Instruction on payment in foreign currency.

## 1204 CONVERSION REGULATIONS

## 120401. General

Where use of foreign currency is necessary, obtain it by one or more of the following methods, listed in the order of preference; see Chapter 13 of this volume.

- A. 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. Purchase from commercial sources.
- C. Repurchase from individuals (subject to the restrictions in subparagraph 120404.E).

120402. Disbursing Officer Responsibilities

DOs using foreign currency ensure compliance with the following:

- A. Foreign currency is obtained and used for only official purposes.
- B. Foreign currency is not purchased or held in excess of immediate needs.
- C. Foreign currency purchases with U.S. dollars are made for “spot” delivery (within 2 business days).
- D. Foreign currency is in the DO’s physical custody 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 Treasury authorization. Submit requests for authorization through DFAS-NPD/IN.
- F. Speculation in foreign currency is prohibited.
- G. Where there is an MBF in-country, DOs purchase foreign currency for official use at the official rate, and for accommodation exchanges at the accommodation rate whenever possible. DOs purchasing foreign currency through an MBF use either the official rate or the accommodation rate depending upon the purpose for which the currency is purchased. When approved by Treasury FMS, the DO may use the [ITS.gov](http://ITS.gov) 5-day rate for payment and collection of foreign currencies instead of the foreign country official rate.

1. Official Rate. The official rate is the rate at which the MBF sells local currencies to DOs for official use, exclusive of resale. Unless otherwise approved by a [non-MBF contractor](#), this is the acquisition rate. No commission charges will be assessed to DOs for the purchase of local currencies for official use.

2. Accommodation Rate. The accommodation rate is the rate at which the MBF (or other contractors) sells local currencies to individuals and to DOs for resale to individuals. The rate is equal to or greater than 2.5 percent of the acquisition rate. In Euro-currency countries where there is no MBF, DOs purchase Euro-currency from the MBF Community Bank operated by Bank of America. The mailing address is [Community Bank, Unit 20236, APO AE 09013](#), phone number: 49-6134-187290, fax: 49-6134-187356, email address: [Richard.Voth@DoDCommunityBank.com](mailto:Richard.Voth@DoDCommunityBank.com). In non-Euro-currency countries where there is no MBF, the rate at which the contractor sells local currency to DOs for resale is the official rate.

H. Limit 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) to a maximum of 7 business days requirement unless an increase has been authorized in writing by the DFAS-NPD/IN.

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

J. Include in records of foreign currency collections the source of the currency, the miscellaneous receipt accounts or other Department of the Treasury accounts to be credited, and any restrictions on the use of the currency.

K. Prepare foreign currency reports following Chapter 16 of this volume.

120403. Disbursing Agents of the Office of the Secretary of Defense (OSD)

A. Purpose and Appointment. Appoint disbursing agents of the Office of the Secretary of Defense (OSD) (who may be 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, WHS)) as agents of an accountable DO. These agents obtain all necessary cash from or through the DO currently supporting DoD/WHS, are accountable to that DO, and make such payments as specified in their appointments. They may be appointed for an indefinite period of time or for a specific mission of limited duration.

B. Conversion Authorization. OSD disbursing agents who acquire foreign currency in the course of their official duties may exchange that currency for U.S. dollars at the nearest DoD disbursing office or other authorized U.S. disbursing office before departing the foreign country or before returning to the United States. DoD DOs in foreign countries convert foreign currency to U.S. dollars for officers or civilians appointed as OSD disbursing agents; report these conversions on the Foreign Currency Report as an acquisition from "OSD disbursing agent (name of agent)." The OSD disbursing agent presents his/her letter of appointment to the DO when requesting conversion of currency.

120404. 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 when and where permitted.

B. Authorization

1. DOs may use official funds to:

a. Disburse foreign currency for checks, drafts, bills of

exchange, and other instruments payable in U.S. dollars.

b. Cash foreign currency checks drawn by accountable officers of the United States on non-symbol checking accounts for the same currency in which drawn, 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.

2. Except as authorized in subparagraph 120404.B.1 of this chapter, commanders must specifically approve and may implement accommodation exchange services only after determining that:

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

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. Negotiable instruments to purchase foreign currency must be presented by the payee in person or by a dependent holding a valid power of attorney from the payee. See Chapter 4 of this volume for guidance on providing check cashing services.

C. Authorized Personnel. Negotiable instruments may be exchanged by DOs for the accommodation of those personnel described in Chapter 4 of this volume.

D. Sales of Foreign Currency to Individuals. MBFs normally make accommodation exchanges of foreign currency at installations served under the DoD MBF contract. In countries served by contract MBFs, DOs providing accommodation exchange services acquire needed foreign currencies from the MBF and make those exchanges at the accommodation rate. DoD personnel may not receive accommodation exchange service from the Department of State or Treasury DOs in areas where those services are provided by DoD DOs. This does not preclude DoD personnel assigned or attached to U.S. embassy duty from using available embassy cashier services. In Euro-currency countries where there is no MBF, the contractor sells local currency to DOs for resale to individuals at the accommodation rate. In non-Euro-currency countries where there is no MBF, the contractor sells local currency to DOs for resale to individuals at the official rate. DOs, agents, and cashiers making foreign currency accommodation exchanges maintain the DD Form 2664 (Currency Exchange Record) daily to ensure implementation of the authorities and limitations in this chapter. See Figure 12-1 for a sample of this form.

E. Repurchase of Foreign Currency from Individuals. DOs may not repurchase foreign currency from individuals in 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 before their departure on home leave or completion of their foreign assignment. When repurchasing foreign currency or instruments payable in foreign currency for U.S. dollars or dollar instruments, comply 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 120404.E.1, the individual presenting such currency must submit a written application to the commander for approval of the repurchase. The application must include 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 must consider the DO's immediate foreign currency disbursing requirements as prescribed in Chapter 13 of this volume.

4. Repurchase the foreign currency at the prevailing market rate.

5. Maintain a DD Form 2664 daily to reflect the amount and source of repurchased funds.

6. A DO may suspend the authority to make accommodation exchanges granted herein for such time and to such extent necessary to carry out his or her other responsibilities.

F. Safehaven Posts. The appropriate commander establishes foreign currency accommodation exchange services for dependents of DoD personnel at safehaven areas to which they were ordered by competent authority in the event of emergency evacuation, as outlined in Chapter 4 of this volume. These services must be consistent with the amount of exchanges authorized for dependents of U.S. personnel employed by other U.S. Government agencies. Establish accommodation exchange policy for all dependents of an individual named in Chapter 4 of this volume in accordance with that chapter and based on the dictates of the local economy and cost-of-living, and publish the policy in writing. Maintain daily records of accommodation exchanges for dependents at safehaven areas on the DD Form 2664.

G. Accommodation Exchange Afloat. DOs of the Department of the Navy may repurchase additional foreign currency for U.S. dollars for Navy personnel afloat subject to the following conditions:

1. The DO needs the foreign currency or can dispose of it 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 DO before going ashore, as evidenced by the DO's records.

120405. Obtaining Daily Foreign Currency Exchange Rates

Go to the Federal Reserve website at <http://www.federalreserve.gov/releases/h10/update/h10daily.htm> for daily foreign currency exchange rates.

