

TABLE OF CONTENTS

CHAPTER 15 FOREIGN CURRENCY ACQUIRED WITHOUT PURCHASE

- 1501 Scope and Applicability
- 1502 Foreign Exchange Standards
- 1503 Administration of Foreign Exchange
- 1504 Captured Foreign Currency

CHAPTER 15

FOREIGN CURRENCY ACQUIRED WITHOUT PURCHASE1501 SCOPE AND APPLICABILITY

150101. General. This chapter identifies policies relating to the acquisition and handling of foreign currencies obtained by DOs without purchase for dollars and not carried in their dollar accountability. These currencies are acquired under the provisions of foreign assistance or foreign agricultural development programs. They are lodged in special accounts reserved for foreign transactions not involving foreign currency purchased with U.S. dollars and are called "FT" accounts. The requirements of this chapter are derived from Part 2, chapter 3200 and Part 4, chapter 9000 of the Department of the Treasury Financial Manual for Guidance of Departments and Agencies (reference (m)).

150102. Legal Authority. FT accounts are established by the Treasury Department to provide local foreign currency for program expenditures in-country and delay draw downs on the Treasury's General Account. These funds are most often received for the sale of surplus U.S. agricultural commodities under the Agriculture Trade Development Act of 1954, Public Law 83-480 (P.L. 83-480), as codified in 7 U.S.C. 1704 (reference (bo)). Funds may be made available from this source to satisfy DoD requirements for foreign currency in countries having Currency Use Payments (CUP) agreements under P.L. 83-480.

150103. Collections. For the purposes of this chapter, collections are defined as all acquisition of foreign exchange, including refunds or returns of payments, made in foreign currency not purchased with U.S. dollars.

★ 150104. Availability. When FT funds become available, the United States Disbursing Officer (USDO) controlling those funds will determine the DoD foreign currency requirements by contacting the American Embassy in-country. DOs shall keep the American Embassy in-country advised of their foreign currency requirements at least once each calendar year. When the DOs are advised of the availability of FT funds, they shall address a written request for foreign currency to the Deputy Director for Finance, DFAS Headquarters, through the supporting DFAS Center. The request shall identify the DO to receive the funds, the activity to which the DO is attached, and the amount in foreign currency units of funds requested. DFAS Headquarters will forward a written request to the USDO for transfer of funds. The transfer and receipt of foreign currency obtained in this manner must be recorded in the financial records of the USDO and the DO in the same calendar month.

150105. Records. FT funds shall be recorded in a separate subsidiary record and reported separately from foreign currency purchased with U.S. currency. FT funds shall not be co-mingled with foreign currency purchased with U.S. currency or refunds and returns of U.S. funded foreign currency payments. FT funds shall not be included with U.S. currency and

foreign funds purchased with U.S. currency reported on the SF 1219. FT funds subsidiary records shall be maintained in units of the foreign currency involved. Subsidiary records shall be maintained in such a way as to readily disclose the balance of foreign currency available for the DO's use.

1502 FOREIGN EXCHANGE STANDARDS

150201. Uniform Reporting. The requirements in this section are established to achieve comparability and consistency among DoD Components in the reports they submit on foreign exchange transactions. These procedures are not intended to place prohibitive limitations on the content of individual DFAS Center reports. Modifications of prescribed reporting formats are permitted as long as they are restricted to special columns, explanatory notes, or other devices that do not destroy the integrity of the basic data and the nature, extent and purpose of the modifications are fully disclosed. Material modification must be cleared, in advance, through DFAS Headquarters before being incorporated in any report.

150202. Consistency Between Reports. Foreign currency reports shall be consistent with regularly published Treasury Department foreign currency reports as to foreign currency units used by other nations and as to their U.S. dollar equivalent.

150203. Monthly Statement of DOs. Transactions and balances of foreign currency held outside dollar accountability (i.e., not shown on the SF 1219 by DOs) shall be submitted monthly on the DD Form 1363 (Statement of Transactions and Accountability (FT Accounts)). A separate DD Form 1363 must be submitted for each FT account. Amounts shall be stated in foreign currency units. Transactions shall be classified to provide for separate identification of receipts, disbursements, sales for dollars, transfers, conversion to third country currency, and other types of activity, if needed.

150204. Semiannual Statement of Balances. The Treasury Department will extract the information in this report from its central accounts. The report shall show the foreign currency balances held by DOs, in units of the foreign currency and their U.S. dollar equivalent. Foreign currencies held under U.S. dollar accountability shall not be included in this report. The Treasury Department will furnish two copies of the initial statement to DFAS Headquarters at the end of each semiannual period during which DOs have held foreign currency balances outside their U.S. dollar accountability. DFAS Headquarters will review the statement for agreement with its records and reconcile any discrepancies with the cognizant DO within seven working days of receipt from the Treasury Department. One copy of the accepted or adjusted statement, which will be the final statement, will be returned to the Treasury Department under a cover letter stating that the statement: has been reviewed and adjusted if necessary; is in agreement with the records and reports of DFAS; and is a complete statement of the foreign currency balances held by DOs. DFAS Headquarters review and return of the statement should be accomplished within ten days of receipt from the Treasury Department. The Treasury Department will prepare the statement as of March 31 and September 30 each fiscal year.

1503 ADMINISTRATION OF FOREIGN EXCHANGE

150301. Collections. (See definition at paragraph 150103, above). Foreign exchange received by DOs shall be deposited no later than the next regular business day to the credit of the Treasury Department in FT receipt accounts designated by the collecting agency or activity. DOs shall maintain records showing collections by source, Treasury Department receipt accounts to be credited with the dollar proceeds of the collection, and any restrictions on the use of the foreign exchange collected.

150302. Depositaries. Foreign exchange held for the account of the Treasury Department shall be deposited only in depositaries designated by the Treasury Department. Foreign exchange shall be deposited in an interest bearing account whenever practicable. Foreign exchange held for the account of the Treasury Department, or any other agency of the U.S. Government, shall be deposited in a separate account and not co-mingled with funds held by DOs for their own official limited depositary account.

150303. Documentation of Foreign Exchange Transactions. Forms normally used for U.S. currency disbursements and collections shall be used for foreign exchange transactions. However, FT funds received by transfer from a USDO and interest earned on FT fund deposits must be reported on separate vouchers and not co-mingled with other collection transactions. The summary record of FT transactions is the DD Form 1363 prepared monthly and submitted to the servicing DFAS Center in the original and two copies along with the original and one copy of each voucher for FT transactions. Copies of the DD Form 1363 and related vouchers shall be retained for the DOs records. DFAS Centers shall forward a copy of the DD Form 1363 as soon as possible after the close of the reporting month, but no later than the 20th calendar day of the next month, to: Department of the Treasury, Financial Management Service, Budget Reports Branch, Financial Reporting Division, Liberty Center, Attn: GAO Building, Room 1731, Washington, DC 20227. Telephone (202) 566-6841.

150304. Withdrawals From Treasury Department Accounts. DOs reporting foreign exchange on DD Form 1363 shall make no withdrawals from the accounts in which those funds are held without authorization from the Treasury Department. The Treasury Department will authorize withdrawals only for sale for U.S. dollars or transfer to agencies for authorized purposes, without reimbursement to the Treasury Department, as provided by law. DOs requiring foreign exchange for authorized purposes shall submit their request to the Treasury Department through the supporting DFAS Center and DFAS Headquarters. Requests shall identify the DO requiring the foreign exchange by name and location and specify the number of foreign currency units needed.

150305. Exchange Rates. The Treasury Department reporting rate shall be used to establish the U.S. dollar value of FT foreign currency. These rates are published on the first day of each quarter by the Treasury Department. The rates published at the beginning of a quarter shall be used to value the FT currency at the close of the preceding quarter and for all FT transactions and balances in the current quarter, except for the closing balance of the current

quarter. For example, the rate published on April 1 would be applicable to the balance as of March 31, to the transactions for April, May, and June, to the balances of April 30 and May 31. The rate published for July 1 would apply to the balance of June 30. Amendments to the published quarterly rate will be made during a quarter if the rate changes by 10 percent or more, or a new currency unit is established. The published rate will usually be rounded to four significant digits.

150306. Transaction Valuations

A. Refunds and Reverse Transaction Items. For reporting purposes these items are valued at the Treasury Department reporting rate on the date they occur, not at the rate used for the original transaction. Adjustments shall be made to financial records to reflect exchange rate fluctuations.

B. Sale of FT Currency for U.S. Dollars. The sales transactions of FT currency are recorded at the Treasury Department reporting rate in effect on the date of the sale. The value of the FT currency sold and the U.S. dollar proceeds of the sale shall always be equal and no gain or loss by exchange occurs.

C. Sale of FT Currency for Another Foreign Currency. The Treasury Department reporting rate shall be applied to the FT currency disposed of and the equivalent U.S. dollar value shall be assigned to the foreign currency acquired. This creates a "wash" transaction. However, if the Treasury Department reporting rate for the currency acquired is different from the U.S. dollar value assigned as a result of the sale, an accounting adjustment must be made to record the difference.

★ 150307. Conversion of Currencies. DOs shall report the amount of currency available for conversion to another foreign currency or to U.S. dollars held in FT accounts each time the available FT balance reaches the equivalent of \$10,000 in U.S. dollars. FT balances available for conversion are limited to loan repayments under 7 U.S.C. 1704 (reference (b)) where the parties have entered into an agreement stipulating 2 percent convertibility. These reports shall be submitted in original and one copy to the address in paragraph 150303, above.

1504 CAPTURED FOREIGN CURRENCY

The guidance contained in this section is consistent with Treasury Department procedures concerning the handling of captured foreign currency, both when there is a current market for the funds and when there is not. USDOs are the primary accountable officers responsible for accounting and reporting foreign currency not acquired by purchase with dollars. Captured foreign currencies are treated as FT funds. Captured foreign currency, both when there is a current market for the funds and when there is not, shall be delivered promptly into the custody of the USDO servicing the particular country involved. Whether there is, or is not, a current market for the funds, is a separate issue that should be dealt with after the funds have been safeguarded and accounted for by the USDO. Should any DoD DO initiate the collection of captured foreign

currency, the currency shall be safeguarded and delivered to the USDO serving that particular country as soon as possible. The DO shall not collect the funds into U.S. dollar accountability or into the DO's FT accounts, if any.