

28 DEC 2001
In reply refer to:
I-01/015687-FM

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DENVER CENTER (DFAS-AY/DE)

SUBJECT: Transfer of Foreign Military Financing (FMF) Funds into FMS Accounts with
the Federal Reserve Bank (FRB) (DSCA 01-28)

REFERENCE: a. DoD FMR, Volume 15 (DoD 7000.14-R), Chapter 4, Section 040102.D.
b. DSCA letter I-01/003944-FM

As you know, reference a. provides the general policy associated with the FRB accounts relating to the FMS program. As stated therein, monies in those accounts are generally restricted to national funds (cash); the incorporation of FMF into those accounts is discouraged except as specified in U.S. law. (Israel and Egypt are the two examples of this legislation.)

This memorandum further articulates the applicable policy as follows:

- The incorporation of FMF funds into the FRB accounts will be accomplished on a case-by-case basis, and only under extenuating circumstances. Reference b. is one such example, where we allowed for the transfer of Turkey's FMF funds drawn down from expiring loans to its Tripartite-governed account.
- The incorporation of FMF funds into the FRB accounts will occur only upon approval by the DSCA Comptroller. In the absence of such explicit authority, all FMF funds previously drawn down from an appropriated USG account will reside in the FMS Trust Fund until/unless disbursed for costs incurred on LOAs.

Request your assistance in ensuring that DFAS personnel are in compliance with this policy.

Thank you for your assistance in this regard. Should you have any questions, the DSCA point of contact is Mr. David Rude, Financial Policy Team Chief, DSN 664-6569, e-mail: david.rude@osd.pentagon.mil.

/SIGNED/

James A. McQuality
Comptroller

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