



**DEFENSE SECURITY COOPERATION AGENCY**  
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WASHINGTON, D.C. 20301-2800



28 SEPT 2021

MEMORANDUM FOR DEPUTY UNDER SECRETARY OF THE AIR FORCE FOR  
INTERNATIONAL AFFAIRS  
DEPUTY ASSISTANT SECRETARY OF THE ARMY FOR  
DEFENSE EXPORTS AND COOPERATION  
DEPUTY ASSISTANT SECRETARY OF THE NAVY FOR  
INTERNATIONAL PROGRAMS  
DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY  
DIRECTOR, DEFENSE INFORMATION SYSTEMS AGENCY  
DIRECTOR, DEFENSE LOGISTICS AGENCY  
DIRECTOR, DEFENSE THREAT REDUCTION AGENCY  
DIRECTOR, MISSILE DEFENSE AGENCY  
DIRECTOR, NATIONAL GEOSPATIAL-INTELLIGENCE  
AGENCY  
DIRECTOR FOR SECURITY ASSISTANCE, DEFENSE FINANCE  
AND ACCOUNTING SERVICE – INDIANAPOLIS OPERATIONS  
DIRECTOR OF CYBERSECURITY DIRECTORATE AND DEPUTY  
NATIONAL MANAGER FOR NATIONAL SECURITY SYSTEMS,  
NATIONAL SECURITY AGENCY

SUBJECT: Security Assistance Management Manual (SAMM) Policy Memorandum 21-73,  
Reduction to the Foreign Military Sales (FMS) Administrative Surcharge Initial  
Deposit Rate [SAMM E-Change 550]

REFERENCES:

- a) DoD 7000.14-R, “Department of Defense Financial Management Regulation”, Volume 15, Chapter 3, Paragraph 030202.A, July 2020
- b) DoD 7000.14-R, “Department of Defense Financial Management Regulation”, Volume 15, Chapter 7, Paragraph 071202, January 2021
- c) SAMM, Chapter 9, Section C9.6.1.2.5., Waiver of Administrative Surcharges for NATO Support Organization and its executive agencies (NSPO) FMS Programs
- d) SAMM, Chapter 9, Section C9.9.1.5.2.8., FMS Administrative Surcharge and Accessorial Charges
- e) SAMM, Chapter 9, Table C9. T17., Initial Deposit Requirements

This policy memorandum updates the FMS Administrative Surcharge initial deposit rate in SAMM Chapter 9, Section C9.6., Section C9.9., and Table C9.T17. provided in references (a) thru (e). This policy reduces the FMS Administrative Surcharge initial deposit from 50 percent to 35 percent when the total computed FMS Administrative Surcharge for the FMS case is greater than \$30,000.

Effective 1 October 2021, the revised FMS Administrative Surcharge initial deposit rate of 35 percent will be applied to all Letters of Offer and Acceptance for which the total assessed FMS Administrative Surcharge is greater than \$30,000. Any cases implemented prior to October 1, 2021, will continue to be assessed the initial deposit rate of 50 percent when the total computed FMS Administrative Surcharge for the case is greater than \$30,000.

All cases implemented on or after 1 October, 2021, previously written with the 50 percent Administrative Surcharge calculated, will be handled with the partner on a case by case basis to determine if the payment schedule on the document needs to be updated or if other forms of communication providing an updated payment schedule is acceptable. All payment schedules under these conditions will be updated on the next version of the case. Implementation guidance is attached.

These changes have been coordinated with the Office of the Under Secretary of Defense (Comptroller), and the DoD FMR Vol. 15 Chapter 3 and Chapter 7 will be updated accordingly. If you have questions or would like additional information, please contact Ms. Wendy Pouliot, DSCA OBO/FPRE/FP, (703) 692-1316 or email: wendy.pouliot.civ@mail.mil.

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J. Aaron Harding  
Chief Operating Officer and Chief Financial Officer  
Defense Security Cooperation Agency

Attachment:  
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cc:  
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SATFA  
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NAVSUP WSS  
NETSAFA  
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**Security Assistance Management Manual (SAMM), E-Change 550**  
**Reduction to the Foreign Military Sales (FMS) Administrative Surcharge**  
**Initial Deposit Rate**

1. Update SAMM Section C9.6.1.2.5. to read as follows:

**C9.6.1.2.5.** The U.S. Mission to NATO budgets for waived FMS Administrative Surcharges, advises DSCA of agreements to reimburse DoD for waived FMS Administrative Surcharges before the LOA is issued to NSPO, and develops an understanding with NSPO concerning programs for which waivers are supported. The U.S. Mission reserves and obligates MFP 10 funds for waived FMS Administrative Surcharges under this legislation for the life of the FMS case. For cases where the calculated FMS Administrative Surcharge value is greater than \$30,000, 35 percent of the FMS Administrative Surcharge is recouped as part of the initial deposit. The remaining 65 percent is recouped based on the delivery schedule of the line.

2. Update SAMM Section C9.9.1.5.2.8. to read as follows:

**C9.9.1.5.2.8. FMS Administrative Surcharge and Accessorial Charges.** Payment schedule distributions for the FMS Administrative Surcharge and accessorial costs are based on estimated delivery of the primary items or services. The Initial Deposit includes 35 percent of the FMS Administrative Surcharge. If the calculated FMS Administrative Surcharge value is \$30,000 or less, the entire FMS Administrative Surcharge value is included in the Initial Deposit. Any exceptions to this policy must be approved by DSCA (Office of Business Operations (OBO), Financial Policy and Regional Execution (FPRE), Financial Policy (FP)).

3. Update SAMM Table C9.T17. to read as follows:

CONDITION	INITIAL DEPOSIT AMOUNT
Delivery of the defense article or service is longer than 90 days after LOA acceptance.	Any Small Case Management Line (SCML) value; plus dollar value associated with performance until a quarterly payment can be made; plus 35 percent of the total FMS Administrative Surcharge. If the calculated FMS Administrative Surcharge value is \$30,000 or less, the entire FMS Administrative Surcharge value must be included in the initial deposit.
No performance scheduled on the case and no contractual actions occur during the period prior to the first quarterly payment.	Any SCML value; plus 35 percent of the total FMS Administrative Surcharge. If the calculated FMS Administrative Surcharge value is \$30,000 or less, the entire FMS Administrative Surcharge value must be included in the initial deposit.
When items are placed on contract before the first quarterly payment and no Standby Letter of Credit (SBLC) applies.	Any SCML value; plus 35 percent of the total FMS Administrative Surcharge; plus that portion of TERMINATION LIABILITY required if the contract is terminated during the period covered by the Initial Deposit; plus contractor holdback. If the calculated FMS Administrative Surcharge value is \$30,000 or less, the entire FMS Administrative Surcharge value must be included in the initial deposit.

## **Implementation Guidance**

### **Reduction to the Foreign Military Sales (FMS) Administrative Surcharge Initial Deposit Rate**

#### **A. Scope**

- a. The 35 percent FMS Administrative Surcharge Initial Deposit Rate applies to:  
All basic Letters of Offer and Acceptance (LOAs) "implemented" on or after 1 October 2021.
- b. The 35 percent FMS Administrative Surcharge Initial Deposit Rate does not apply to:  
Cases and/or case line items "implemented" prior to 1 October 2021. These existing cases will continue to be assessed at the rate that was in effect at the time they were implemented.

#### **B. FMS Cases in "Offered" Status Prior to 1 October 2021.**

LOAs "offered" prior to 1 Oct 2021, will not reflect the lower admin surcharge Initial Deposit amount based on 35 percent. These LOAs will still reflect the 50 percent FMS Administrative Surcharge Initial Deposit amount. The partner must request a pen and ink change from their respective Country Financial Director (CFD) and Implementing Agency (IA) Case Manager if they want the initial deposit reduced. The pen and ink change will be made to the front page of the Letter of Offer and Acceptance initial deposit value, as well as the payment schedule outlined in the LOA, to reflect the 35 percent initial deposit requirement and updated payment schedule. The IA Case Manager must add a case remark referencing the change for auditability. After the funds are received, DSCA will coordinate with DFAS to implement the case.

#### **C. FMS Cases in "Accepted" Status Prior to 1 October 2021.**

LOAs in "accepted" status prior to 1 Oct 2021 can no longer receive a pen and ink change. If the partner wants to pay the 35 percent initial deposit, they can request a deferment of the 15 percent difference to a later point in time through a waiver from their respective CFD and IA Case Manager. The IA Case Manager must add a case remark in reference to the deferment for auditability. After the funds are received, DSCA will coordinate with DFAS to implement the case and defer the remaining initial deposit. This does not require a restatement of the LOA.

#### **D. LOAs in Development Prior to 1 October 2021.**

For cases in development with "D" development, "W" (write), "R" (review), or "P" (proposed) status prior to 1 October 2021, the Case Writing Division will process the LOA with the new FMS Administrative Surcharge Initial Deposit Rate applied to the LOA. The Defense Security Assistance Management System will calculate the required initial deposit amount based on the new 35 percent initial deposit rate. No additional steps need to be taken to receive the new rate.