



DEFENSE SECURITY COOPERATION AGENCY

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WASHINGTON, D.C. 20301-2800

22 DEC 2025

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
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DIRECTOR, NATIONAL GEOSPATIAL-INTELLIGENCE
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DIRECTOR, SECURITY COOPERATION ACCOUNTING
DIRECTORATE, DEFENSE FINANCE AND ACCOUNTING
SERVICE, INDIANAPOLIS OPERATIONS
DIRECTOR OF CYBERSECURITY DIRECTORATE AND DEPUTY
NATIONAL MANAGER FOR NATIONAL SECURITY
SYSTEMS, NATIONAL SECURITY AGENCY

SUBJECT: Defense Security Cooperation Agency Policy Memorandum 25-111, Establishing
“Interest on Foreign Military Sale Credit (Non-Repayable)” Term of Sale [SAMM
E-Change 799]

Effective immediately, this memorandum creates a new Term of Sale “Interest on Foreign Military Sale (FMS) Credit (Non-Repayable).” It adds “Interest on Foreign Military Sale (FMS) Credit (Non-Repayable)” to the Security Assistance Management Manual (SAMM), adds a new Type of Assistance code, and establishes conditions for using this new Term of Sale and Type of Assistance code on FMS Letters of Offer and Acceptance.

The policy in the attachment is incorporated into the DSCA SAMM at
<https://samm.dsca.mil>

If you have questions about this memorandum, please contact DSCA (Office of Business Operations, Financial Policy & Regional Execution Directorate, Financial Policy Division (OBO/FPRE/FP)) at dsca.ncr.obo.list.fpre-fp@mail.mil. Please reference the DSCA policy number and memorandum subject in your inquiry. For general questions about the SAMM, please contact DSCA (Office of Strategy, Plans, and Policy, Execution Policy and Analysis Directorate (SPP/EPA)) at dsca.ncr.spp.mbx.epa@mail.mil.

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For Brian Watford
Acting Chief Operating Officer and
Chief Financial Officer

Attachment: SAMM E-Change 799 - Establishing “Interest on Foreign Military Sale Credit
(Non-Repayable)” Term of Sale

Attachment: Security Assistance Management Manual E-Change 799

Establishing “Interest on Foreign Military Sale Credit (Non-Repayable)” Term of Sale

1. Update C9.T11. to add “Interest on Foreign Military Sale (FMS) Credit (Non-Repayable)”

| Term of Sale | Application |
|--|--|
| Interest on Foreign Military Sale (FMS) Credit (Non-Repayable) | <p>Treated as cash (i.e. national funds); Cash with Acceptance is required on the Letter of Offer and Acceptance</p> <p>Not considered Foreign Military Financing funds</p> <p>The Term of Sale will be subject to FMS pricing for nationally-funded cases to include Nonrecurring Costs (NC) charges, in accordance with Section 21(e)(1)(B) of the Arms Export Control Act (22 U.S.C. 2761(e)(1)(B)). Inclusion of the cost of military salaries should be taken into account when pricing defense services under Section 21(a)(1)(C)) (22 U.S.C. 2761(a)(1)(C)).</p> <p>Proceeds from NC recoupment on cases funded with Interest on FMS Credit (Non-Repayable) are required to be deposited as an offsetting collection into the Special Defense Acquisition Fund (SDAF) per Section SDAF.2.1.5.4.2.</p> |

2. Update C5.F5. Section 2.f. to add:

| Type of Assistance Code | Application |
|-------------------------|---|
| I | Term of Sale Interest on Foreign Military Sale (FMS) Credit (Non-Repayable). Use instead of TA Codes 3-8. |

3. Add new C9.7.2.6. “Interest on Foreign Military Sale (FMS) Credit (Non-Repayable)” and sub sections:

C9.7.2.6. Interest on Foreign Military Sale (FMS) Credit (Non-Repayable). These types of funds will be treated as cash (i.e. similar to national funds) and may only be comingled with FMS Credit (Non-Repayable) funds. Use of partner nation cash is not authorized with the use of Interest on FMS Credit (Non-Repayable) funds. Defense Finance and Accounting Services - Indianapolis (DFAS-IN) will manage these funds separately and report on them as appropriate.

C9.7.2.6.1. Requirements. Use of this Term of Sale (ToS) must receive DSCA Office of Business Operations, Financial Policy & Regional Execution Directorate (OBO/FPRE) approval via a Country Finance Director. To initiate the request for approval, the partner must select the use of these types of funds on the Letter of Request (LOR) for the Letter of

Offer and Acceptance (LOA). Implementing Agencies (IAs) must further code the line outlining the intended funding source at a line level to include Type of Assistance (TA) code “I” where applicable. Further changes are permitted throughout the life of the case. IAs may not combine TA codes for any case that uses this ToS along with FMS Credit (Non-Repayable) funds at the LOA line level. The IA will also include all Congressional Notifications and pertinent documentation outlining the intent and use of the interest earned in the LOA package.

C9.7.2.6.2. DFAS-IN must separately identify “Interest on FMS Credit (Non-Repayable) funds from FMS Credit (Non-Repayable)” funds and ensure all reports to stakeholders are clear on the source of funds.

C9.7.2.6.3. At case closure, unused FMS Credit (Non-Repayable) funds will be returned first to an FMS Credit (Non-Repayable) Holding Account, followed by the return of any comingled Interest on FMS Credit (Non-Repayable) funds to an Interest on FMS Credit Holding Account. Refunds on Interest on FMS Credit (Non-Repayable) funds to the partner nation are not authorized.

4) Renumber following sections in Chapter 9 as needed.