



## DEFENSE SECURITY COOPERATION AGENCY

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WASHINGTON, D.C. 20301-2800

05 January 2026

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  
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DIRECTOR, DEFENSE INFORMATION SYSTEMS AGENCY  
DIRECTOR, DEFENSE LOGISTICS AGENCY  
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DIRECTOR, SECURITY COOPERATION ACCOUNTING  
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DIRECTOR OF CYBERSECURITY DIRECTORATE AND DEPUTY  
NATIONAL MANAGER FOR NATIONAL SECURITY  
SYSTEMS, NATIONAL SECURITY AGENCY

SUBJECT: Defense Security Cooperation Agency Policy Memorandum 25-99, Financing Under  
a North Atlantic Treaty Organization Defense Capacity Building Execution  
Management Administrative Arrangement [SAMM E-Change 792]

Reference: (a) Execution Management Administrative Arrangement between North Atlantic  
Treaty Organization International Staff and the Defense Security Cooperation  
Agency with regard to the Defence and Related Security Capacity Building and  
Partnership-Related Activities, dated February 21, 2025

This memorandum updates the Security Assistance Manual (SAMM) to outline key financial policy and procedural steps for establishing North Atlantic Treaty Organization (NATO) International Staff (IS)-funded Defense Capacity Building (DCB) projects for non-NATO allies in accordance with Reference (a). Under its DCB program, NATO/IS develops capacity building support packages that are designed specifically for recipient non-NATO allies (e.g. DCB partners). The Execution Management Administrative Arrangement (EMAA) is a non-binding governance document that provides guidelines for Department of Defense (DoD) and NATO/IS collaboration on DCB projects. Specifically, the EMAA formalizes DSCA's role as an Executing Agent for NATO DCB cases and enables NATO/IS to commit funding to Foreign Military Sales (FMS) cases on behalf of recipient NATO/IS DCB partners.

The policy in this attachment is incorporated into the Defense Security Cooperation Agency (DSCA) Security Assistance Management Manual (SAMM) at <https://samm.dsca.mil>.

If you have questions about this memorandum, please contact the Office of Business Operations, Financial Policy & Regional Execution Directorate, Financial Policy Division (OBO/FPRE/FP) at [dsca.ncr.obo.list.fpre-fp@mail.mil](mailto: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 the Office of Strategy, Plans, and Policy, Execution Policy and Analysis Directorate (SPP/EPA) at [dsca.ncr.spp.mbx.epa@mail.mil](mailto:dsca.ncr.spp.mbx.epa@mail.mil).

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Brian Watford  
Acting Chief Operating Officer and  
Chief Financial Officer

Attachment: SAMM E-Change 792 - Financing Under a North Atlantic Treaty Organization  
Defense Capacity Building Execution Management Administrative Arrangement

## Security Assistance Management Manual E-Change 792

### Financing Under a North Atlantic Treaty Organization Defense Capacity Building Execution Management Administrative Arrangement

#### 1. Update SAMM C9.7.:

##### **From:**

**C9.7.1. National Funds.** Foreign Military Sales (FMS) partners are encouraged to use national funds (cash) for security assistance (SA) payments. If an FMS partner uses third-party funds, such as donations or private financing (without USG guarantee) for an FMS payment, then the USG will treat those funds as national funds.

##### **To:**

**C9.7.1. National Funds.** Foreign Military Sales (FMS) partners are encouraged to use national funds (cash) for security assistance (SA) payments. If an FMS partner uses third-party funds, such as donations or private financing (without USG guarantee), **or NATO International Staff (NATO/IS) funds** for an FMS payment, then the USG will treat those funds as national funds.

#### 2. Update SAMM C9.7.1.1:

##### **From:**

**C9.7.1.1. Private or Third-Party (i.e. non-United States Government) Funds.** Potential FMS partners who use third-party funds, which may include third-party financing or donations must understand that any third-party entity does not have access or rights to materiel or services provided under the Letter of Offer and Acceptance (LOA) without advance approval of the Department of State (State). Third-party funds or financing are any funds provided to the USG as payment for an FMS purchase where the source of those funds originate from a source other than the FMS partner's national funds. This may include, but is not limited to, donations or loans from another country, payments from commercial companies or loans from an international lender. Restricted sources include, but are not limited to, the countries identified within the [International Traffic in Arms Regulation \(ITAR\)](#) section [126.1](#).

##### **To:**

**C9.7.1.1. Private or Third-Party (i.e. non-United States Government) Funds.** Potential FMS partners who use third-party funds, which may include third-party financing or donations must understand that any third-party entity does not have access or rights to materiel or services provided under the Letter of Offer and Acceptance (LOA) without

advance approval of the Department of State (State). Third-party funds or financing are any funds provided to the USG as payment for an FMS purchase where the source of those funds originate from a source other than the FMS partner's national funds. This may include, but is not limited to, donations or loans from another country, payments from commercial companies, ~~or~~ loans from an international lender, **and financing [funding] from NATO/International Staff**. Restricted sources include, but are not limited to, the countries identified within the [International Traffic in Arms Regulation \(ITAR\) section 126.1](#).

3. Add Section C9.7.1.1.2.:

**C9.7.1.1.2.** NATO/International Staff (NATO/IS) may act as a third-party financier for Defense Capacity Building (DCB) Letters of Offer and Acceptance (LOAs) using the Execution Management Administrative Arrangement (EMAA) signed 21 February 2025. Cases financed via the EMMA use the benefiting DCB partner's Foreign Military Sales (FMS) country code. In these cases, NATO/IS will provide the funding for Accepted FMS LOAs subject to the EMMA. These cases will use the "NATO/IS Funded" Term of Sale. No other types of funding will be allowed on NATO-funded DCB cases, to include national funds or Foreign Military Financing. In instances where a DCB partner is ineligible for an applicable payment schedule, DSCA (Office of Business Operations, Financial Policy & Regional Execution Directorate, Financial Policy Division (OBO/FPRE/FP) should be consulted for case development purposes. The DCB partner develops a bilateral arrangement with NATO/IS to define the requirements and scope of the DCB project for which the DCB partner then generates an actionable LOR to submit to the Implementing Agency. LOAs must be developed in line with NATO/IS DCB partner bilateral arrangements (see Appendix 6 [Note, North Atlantic Treaty Organization Defense Capacity Building Bilateral Arrangements](#)). For further information on NATO DCB projects, click [here](#).

4. Update C9.T11. to add "NATO/International Staff-Funded":

Term of Sale	Application
NATO/ International Staff (NATO/IS) Funded	<ul style="list-style-type: none"> <li>This term applies to a case financed with NATO/IS funds for Defense Capacity Building under the Execution Management Administrative Arrangement of February 21, 2025.</li> <li>Use as an alternative to cash prior to delivery</li> </ul>

5. Update C5.F5. to add:

Type of Assistance Code	Application
3	Term of Sale Cash with Acceptance or Prior to Delivery, Risk Assessed Payment Schedule, <del>or</del> Credit Assured Payment Schedules, <b>or NATO/IS Funded</b> , Source Codes S, R, E, or F (Stock), based on Arms Export Control

Type of Assistance Code	Application
	Act (AECA) Section 21(b) ( <a href="#">22 U.S.C. 2761(b)</a> ). Worldwide Warehouse Redistribution Services (WWRS) seller lines.
4	Term of Sale Cash with Acceptance or Prior to Delivery, Dependable Undertaking, Risk Assessed Payment Schedule, <del>or</del> Credit Assured Payment Schedules, <b>or NATO/IS Funded</b> , Source Code X (Undetermined), AECA Sections 21(b) ( <a href="#">22 U.S.C. 2761(b)</a> ), 22(a) ( <a href="#">22 U.S.C. 2762(b)</a> ), and 29 ( <a href="#">22 U.S.C. 2769</a> ).
5	Term of Sale Cash with Acceptance, Dependable Undertaking, <del>or</del> Risk Assessed Payment Schedule, <del>or</del> Credit Assured Payment Schedules, <b>or NATO/IS Funded</b> , Source Code P (Procurement), AECA Section 22(a) ( <a href="#">22 U.S.C. 2762(a)</a> ).

6. Add Appendix 6 Note:

**North Atlantic Treaty Organization Defense Capacity Building Bilateral Arrangements**

<b>Building Partner Capacity:</b>	No
<b>Foreign Military Sales:</b>	Yes
<b>Note Input Responsibility:</b>	IA
<b>Date Range of Use:</b>	All
<b>References:</b>	See <a href="#">Section C9.7</a> .
<b>Note Usage Instructions for Documents:</b>	
Mandatory for Foreign Military Sales (FMS) Letters of Offer and Acceptance (LOA) that are funded by North Atlantic Treaty Organization/International Staff (NATO/IS) for Defense Capacity Building (DCB) projects	
<b>Note Text:</b>	
Letters of Offer and Acceptance (LOAs) must be developed in line with North Atlantic Treaty Organization/International Staff (NATO/IS) Defense Capacity Building (DCB) partner bilateral arrangements.	