



DEFENSE SECURITY COOPERATION AGENCY

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WASHINGTON, D.C. 20301-2800

25 SEPT 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
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: Defense Security Cooperation Agency Policy Memorandum 26-48, Waivers to
Nonrecurring Cost Recoupment Charge Policy Update [SAMM E-Change 623]

Effective immediately, this memorandum incorporates guidance in Chapter 9 of the Security Assistance Management Manual (SAMM) to update procedures and guidelines on waivers for a portion of Nonrecurring Cost (NC) recoupment charge, also referred to as NC charge. The [Arms Export Control Act 21\(e\)\(2\) \(22 U.S.C. 2761\(e\)\(2\)\)](#) allows NC charges to be waived based on:

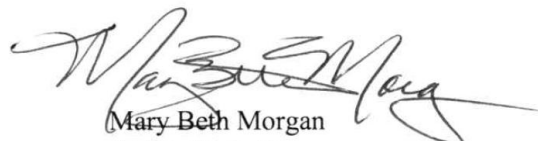
1. The advancement of U.S. interest through North Atlantic Treaty Organization (NATO) and partner standardization,
2. Cost savings to the United States on the U.S.-procured equipment that substantially offsets the revenue lost as a result of the waiver, and
3. Situation where imposition of NC charges would likely result in the loss of the sale.

To ensure compliance with Department of War policies and promote standardization across departments, this memorandum implements the following changes in managing NC charge waiver requests. A minimum threshold, specifically \$5,000, is established for submitting NC charge waiver requests. This measure supports DSCA's commitment to prioritize resources based on overall impact and risk. In addition, a more rigorous and standardized process for handling all NC charge waiver requests, particularly those predicated on potential loss of sale is

implemented. This process includes input from Implementing Agencies (IA) and a policy assessment provided by the Office of the Secretary of War for Policy to ensure compliance and consistency.

Further, this memorandum adds guidance on establishing Special NC charges. Special NC charges pertain to the research, development, test, and evaluation and non-recurring production costs incurred under Foreign Military Sales (FMS) to develop a specialized feature or meet a unique and joint requirement at the request of, or for the benefit of, an FMS purchaser. These costs are payable by the purchaser as they are incurred. Should a subsequent purchaser request the same specialized features, an adjustment of the Special NC amount may be applied on a pro rata basis, provided that the overall Special NC exceeds \$50 million.

If you have questions on this memorandum, please contact DSCA (Office of International Operations, Global Execution, Security Cooperation Division (IOPS/GEX/SCD)) at dsca.ncr.pie.mbx.nc@mail.mil. Please reference the DSCA Policy Number and Memo Subject. 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. The SAMM is available at <https://samm.dsca.mil>.



Mary Beth Morgan
Acting Director

Attachment:
Security Assistance Management Manual E-Change 623 - Waivers to Nonrecurring Cost
Recoupment Charge Policy Update

Security Assistance Management Manual E-Change 623

Waivers to Nonrecurring Cost Recoupment Charge Policy Update

- 1) Update Section C9.4.5. “Nonrecurring Cost Recoupment Charges” (and subsections) to the following:

C9.4.5. Nonrecurring Cost Recoupment Charges. [Department of War Financial Management Regulation \(DoW FMR\), DoW 7000.14-R, Volume 15, Chapter 7](#), and [DoDD 2140.02](#) provide detailed guidance on establishing NC charges and pricing these costs on LOA documents. These ~~costs~~ **NC charges** do not apply to cases that are fully financed with non-repayable Foreign Military Financing (FMF) or non-repayable Military Assistance Program (MAP) funds. See [Section C9.6.3](#), on NC **charge** waiver requirements and processes. For questions regarding the NC charges contact DSCA (Office of International Operations, Global Execution Directorate, **Security Cooperation Division** (IOPS/GEX/SCD)). See [Appendix 6](#) for LOA notes relating to NC charges.

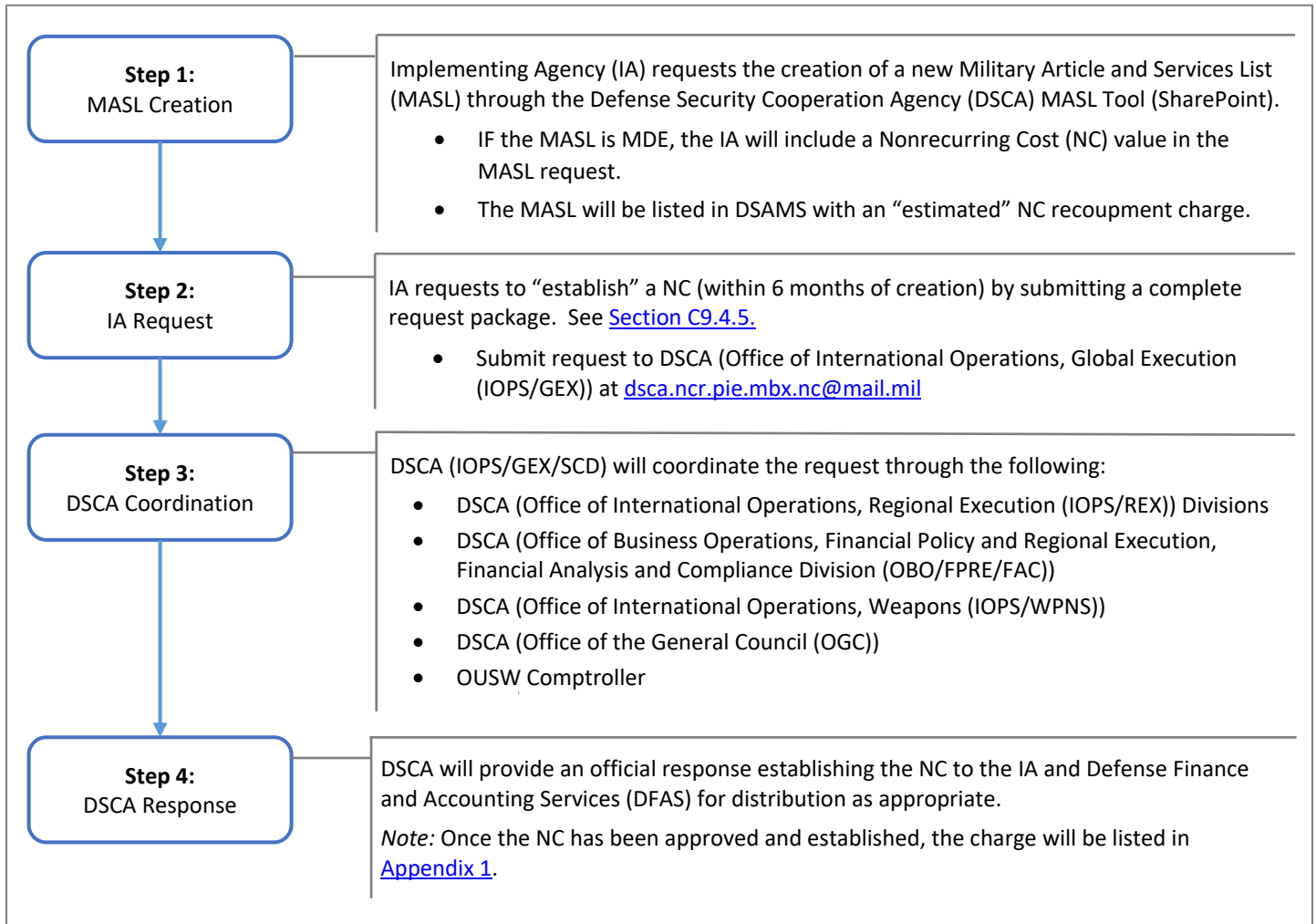
C9.4.5.1. Nonrecurring Cost **Charge Approval Process.** The **DoW** Components submit requests to establish an NC **charge** to the DSCA (IOPS/GEX/SCD) **in accordance with using** the formats and pricing methodology in [DoW FMR, Volume 15, Chapter 7](#). Detailed worksheets accompanying NC recoupment charge establishment requests will be marked "Controlled Unclassified Information" unless **a formal classification is required circumstances require formal classification**. DSCA (IOPS/GEX/SCD) staffs the package within DSCA, Under Secretary of War for Acquisition and Sustainment (USW (A&S)), and (USW (C)). After coordination, the Director, DSCA approves or disapproves the NC **charge** and **DSCA (OBO/FPRE/FAC) updates the DSAMS NC charge table accordingly the DSAMS NC table is updated**.

C9.4.5.2. Estimated Nonrecurring Cost Charges. There may be instances when an NC charge is being developed at the same time that an LOA is being prepared to sell the item in question. If there is not enough time to complete the NC approval process, an estimated amount for NC should be included in the unit price of the item on the LOA. The LOA should also include a note informing the purchaser that NC charges on the applicable line are estimates only and advising that a modification shall be done to adjust the price once the approved NC value is known. See [Appendix 6](#) for exact note wording. **In instances when an NC charge is being developed concurrently with LOA preparation, and there is insufficient time to complete the approval process, an estimated NC charge shall expire no later than 6 months from the date of creation, unless extended by DSCA (IOPS/GEX/SCD) approval. The LOA shall include a note advising the purchaser that the NC charges are estimates and that a modification will be made once the approved value is determined.**

C9.4.5.3. Determining Nonrecurring Cost Charges When Documentation is Not Available. ~~In cases when historical documentation cannot be found, the MILDEP will calculate the pro-rata NC at 5 percent of the last known DoD acquisition cost. The MILDEP is required to submit the proposed NC calculation and the basis for concluding that the~~

~~Significant Military Equipment (SME) item would have met the MDE threshold to DSCA (IOPS/GEX). If historical documentation is not available, the IA shall calculate the pro rata NC charge using the last known DoW acquisition cost. The IA must submit the resulting calculation, along with the rationale for concluding that the item would have met the MDE threshold, to DSCA (IOPS/GEX/SCD).~~

Figure C9.F3. Establishing Nonrecurring Cost Process Flow



C9.4.5.4. Special Nonrecurring Cost Charge. For special research, development, test, and evaluation (RDT&E) or nonrecurring production costs (Special NC) incurred under FMS, the entire Special NC is collected by the originator(s) of the Special NC. When a subsequent purchaser requests the same specialized feature, a pro rata adjustment of the Special NC charge may be applied, provided that the total Special NC exceeds \$50 million. (This process is distinct from the standard NC charge waiver process described in [Section C9.6.3](#).)

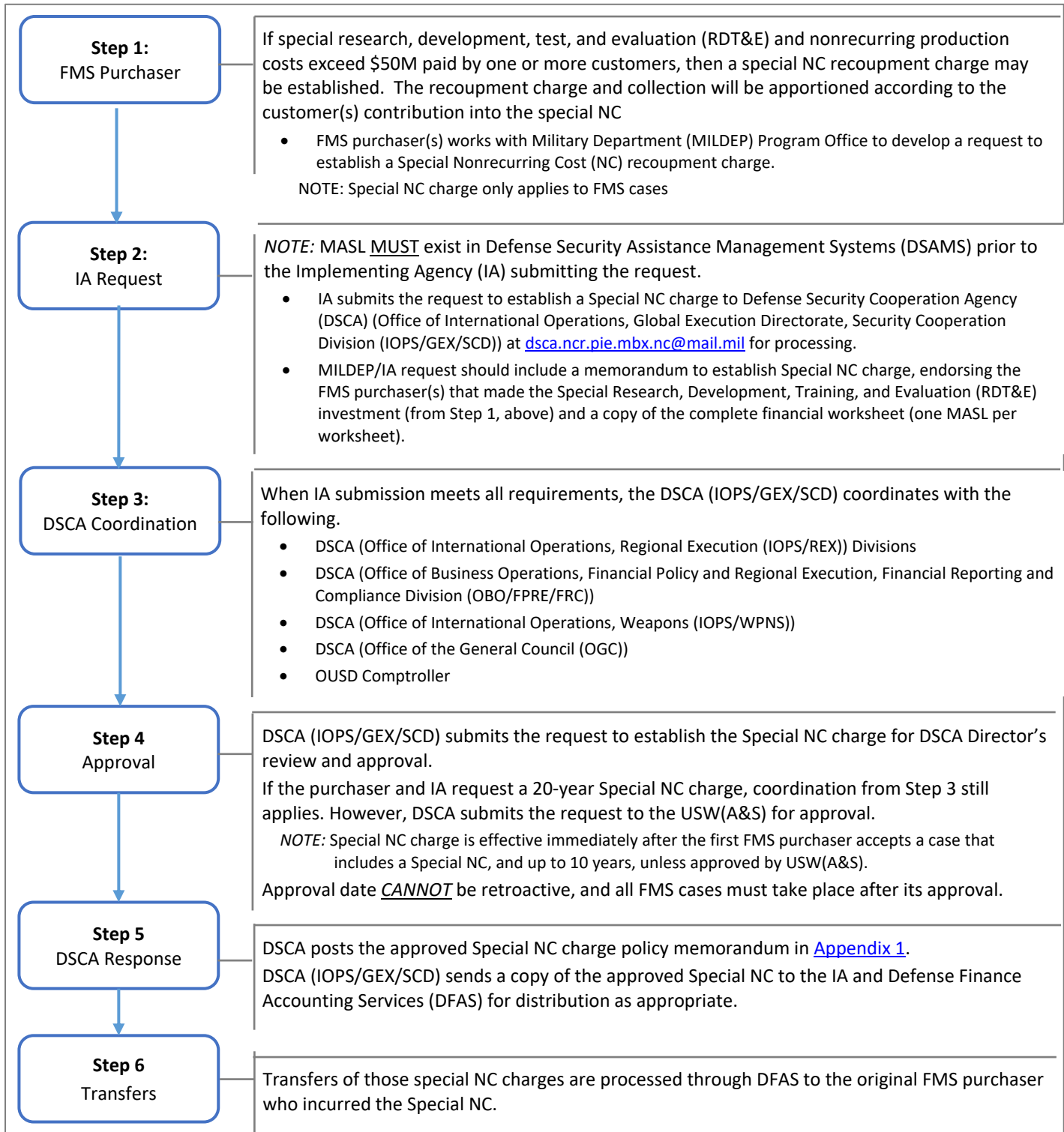
C9.4.5.4.1. Special Nonrecurring Cost Charge Reimbursements. Special NC charge reimbursements shall be collected by the DoW from other purchasers or participants incurring the special NC charge. Unless otherwise authorized by the Under Secretary of War for Acquisition and Sustainment, reimbursements must not be collected after 10 years from

the date the original FMS customer(s) accepted the LOA containing the Special NC. See [DoW FMR, Volume 15, Chapter 7, Section 3](#) for reference.

C9.4.5.5 Initial Deposit. NC charges will be collected in the initial deposit and transferred to the SDAF account via offsetting collections. See [Section SDAF.2.1.5.4](#) for processing offsetting collections.

(Renumbered from C9.4.5.4) **C9.4.5.6. Reporting.** NC charge and Special NC charge collections are to be reported on the DSCA(Q)1112 report prescribed in [DoW FMR, Volume 15, Chapter 7](#). The report shall be submitted quarterly by each of the DoW Components to the DSCA (Office of Business Operations, Financial Policy and Regional Execution Directorate (OBO/FPRE)) within 45 days of the end of each quarter.

Figure C9.F4. Establishing Special Nonrecurring Cost Charge Process Flow



- 2) Update Section C9.6.3. “Partial Waiver of Nonrecurring Cost Charge” (and subsections) to the following:

C9.6.3. Partial Waiver of Nonrecurring Cost. ~~C9.6.3. Waiver of Nonrecurring Cost Recoupment Charge.~~

C9.6.3.1. Basis for Partial Waiver of the Nonrecurring Cost. ~~C9.6.3.1. Basis for Nonrecurring Cost Waiver and/or Reduction.~~ In standard cases, a partial waiver of the NC charge may be granted based on the following criteria:

C9.6.3.1.1. For sales that would significantly advance U.S. interests in NATO standardization; standardization with the Armed Forces of Japan, Australia, the Republic of Korea, Israel, New Zealand; or foreign procurement in the United States under co-production arrangements (refer to [AECA Section 21\(e\)\(2\) \(22 U.S.C. 2761\(e\)\(2\)\)](#)).

C9.6.3.1.2. For the sale of Major Defense Equipment (MDE) also being procured for U.S. Armed Forces and resulting in a cost savings to the U.S. on the U.S.-procured equipment that substantially offsets the revenue lost as a result of the waiver.

C9.6.3.1.3. For sales when imposition of the charge would likely result in the loss of the sale.

C9.6.3.1.4. For the sale of MDE at a reduced price due to age or condition, the NC is reduced by the same percentage.

C9.6.3.2. Waiver Process for Nonrecurring Costs Charges. ~~C9.6.3.2. Nonrecurring Cost Waiver Process.~~ Waivers of the NC charge shall be granted on a case-by-case basis; blanket waivers are not considered. ~~NCs may be waived or partially waived on a case-by-case basis; blanket waivers are not considered.~~ In most cases, the FMS purchaser's request must be submitted to the USG prior to acceptance of the LOA (or Amendment for increased quantities); however, ~~waiver requests for ensuring NATO interoperability some waiver requests for NATO interoperability may be approved after the LOA acceptance in certain cases (or Amendment for increased quantities) is accepted.~~

C9.6.3.2.1. ~~FMS purchasers submit NC waiver requests to the Implementing Agency (IA) (preferably with the LOR). If the IA concurs, it should prepare a complete NC Waiver package that includes: Purchasers submit NC waiver or reduction requests to the Military Department (MILDEP) (preferably with the LOR). If the MILDEP concurs, it endorses the request and submits it to DSCA (IOPS) for approval. The package must include: a copy of the purchaser's written NC waiver request (including reason and/or justification), MILDEP concurrence (or non-concurrence), FMS case identifier, description and quantity of items, NC amounts to be waived (pro rata and total), and any information about cost deviation (i.e., if the proposed pro rata waiver cost does not match the approved pro rata NC charge).~~

- A signed IA endorsement memorandum of the request
- FMS purchaser's written NC waiver request (including justification and rationale), concurrence (or non-concurrence)

- FMS case identifier
- Description and quantity of items
- Copy of draft LOA (if available)
- NC waiver amount (pro rata and total), and any information about cost deviation (i.e., if the proposed pro rata waiver cost does not match the approved pro rata NC charge)

C9.6.3.2.1.1. The IA shall forward the complete package to DSCA (IOPS, Global Execution Directorate, Security Cooperation Division (IOPS/GEX/SCD)) for evaluation. DSCA (IOPS) staffs the package within DSCA, USW (A&S), and USW (C); additionally, if the basis of the NC waiver is "loss of sale", the package is staffed within the Office of the Under Secretary of War for Policy (OUSW (P)). After coordination, the Director, DSCA approves, partially approves, or disapproves the NC Waiver and the MILDEP is notified.

C9.6.3.2.2. To standardize the waiver procedures within the DoW, only waiver requests totaling a minimum NC charge will be accepted. Detailed cost analysis has indicated that the administrative expenses for processing individual NC waiver requests are significant. Waiver requests below the \$5,000.00 threshold will be returned to the IA. In such cases, the applicable NC charge will be added to the corresponding LOA for recovery from the purchaser.

C9.6.3.2.3. For waiver requests based on a potential loss of sale, the FMS purchaser's NC waiver request must clearly state that if the waiver is denied, the sale will be lost. To support the request, please ensure the following:

- The IA request memo must include, for every item for which a waiver is requested, a competing item and its cost, provided these details can be identified.
- The Under Secretary of War for Policy (USW(P)) regional policy country directors (CD) must concur with and provide a policy assessment for the supporting package.
- DSCA (IOPS, Regional Execution Directorate (IOPS/REX)) must provide an assessment of the loss of sale justification.
- For loss of sale waivers, the purchaser must sign the LOA only after the waiver has been approved and the NC cost has been removed from the LOA or Amendment in DSAMS.
- Acceptance of an LOA or Amendment that still includes the NC cost will negate the waiver justification and prevent any subsequent waiver request under the same case.

(Renumbered from C9.6.3.2.3) **C9.6.3.2.4.** ~~C9.6.3.2.3. Waiver requests based on offsetting USG costs must be validated by the MILDEP to determine if U.S. cost savings would be realized.~~ Waiver requests predicated on offsetting USG costs must be validated by the IA to confirm that U.S. cost savings would be realized. The savings must substantially offset the revenue given up by the waiver. The IA determination ~~The MILDEP determination~~ is coordinated with the IA's ~~MILDEP's~~ Comptroller organization and is provided to ~~DSCA (IOPS/GEX/SCD)~~ ~~DSCA (IOPS)~~ prior to submitting the LOA or Amendment for countersignature. This waiver authority does not apply to sales from stock unless the

equipment is to be replaced by current DoW DoD procurement of additional equipment for the U.S. Armed Forces.

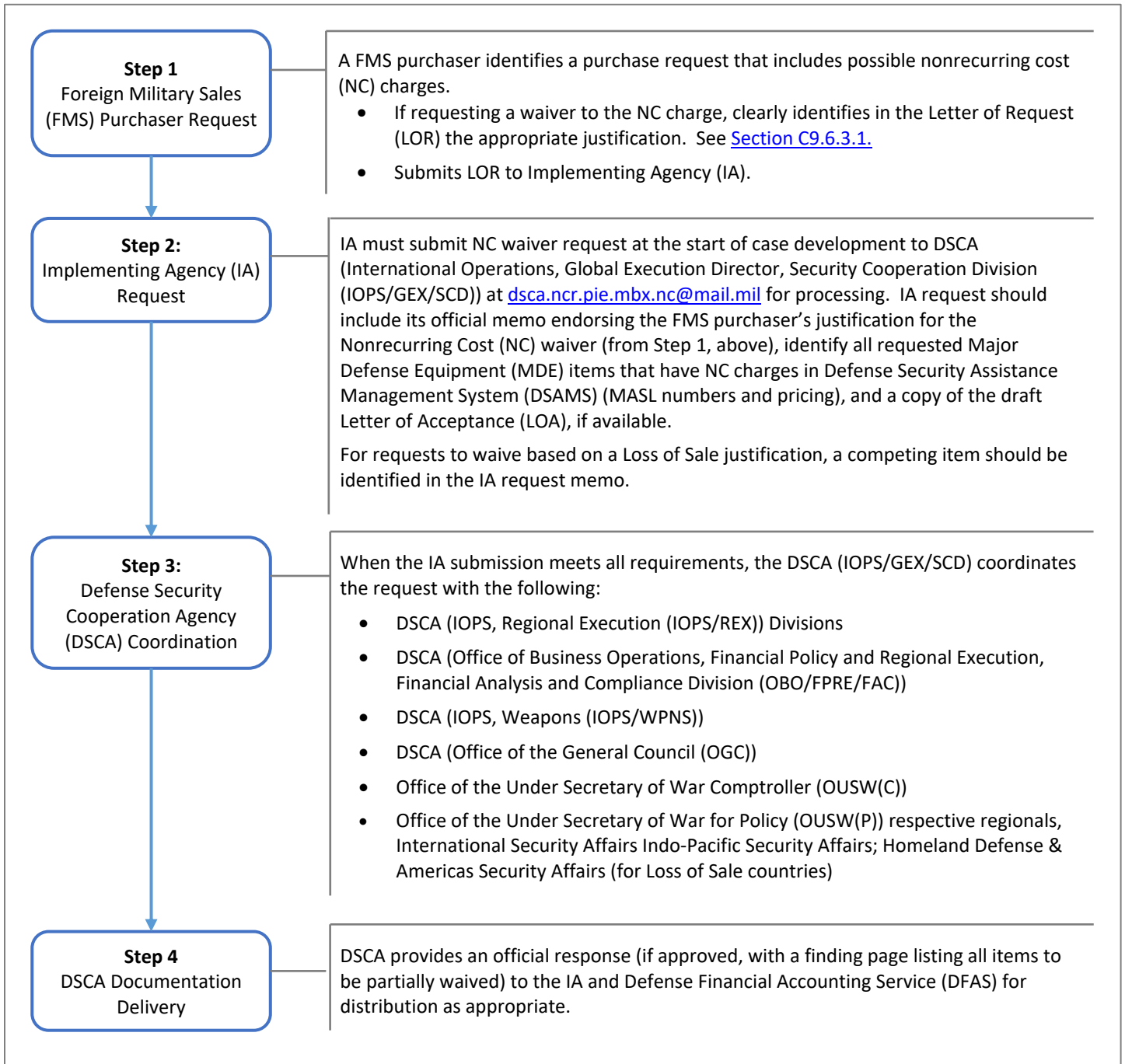
(Renumbered from C9.6.3.2.4) **C9.6.3.2.5.** Section C5.6.5.1.1.4. specifies classification requirements for response documents when waiver requests require congressional notification pursuant to AECA, section 36(b) (22 U.S.C. 2776(b)).

(Renumbered from C9.6.3.2.5.) **C9.6.3.2.6.** ~~C9.6.3.2.5. An NC charge may be collected as part of a cooperative project or consortium of which USG is a member.~~ In cases where an NC charge is associated with a cooperative project or consortium in which the USG is a member. If a waiver is granted in such instances, a special note shall be included in the LOA. See Appendix 6 for language on NC charge notes ~~wordings on NC notes.~~

(Renumbered from C9.6.3.2.6.) **C9.6.3.2.7.** ~~C9.6.3.2.6. A partially approved NC waiver for increased line-item quantities against an existing line granted a full waiver requires a new line added to the case.~~ In cases where the waiver is partially approved for increased line-item quantities against an existing line already granted a full waiver, a new line must be added to the case to capture the increased quantities at the partially approved cost.

(New) **C9.6.3.2.8.** Once DSCA receives the complete waiver request package from the IA, it shall respond within 30 business days. Should priority processing be necessary, the IA may request expedited handling with appropriate justification, subject to endorsement by the DSCA Director. Upon the Director's determination on the waiver request, DSCA (IOPS/GEX/SCD) will send notifications to the IA and Defense Finance and Accounting Service (DFAS), as appropriate.

Figure C9.F5. Nonrecurring Cost Waiver Process Flow



3) Renumber subsequent figures in chapter 9 as required.