



DEFENSE SECURITY COOPERATION AGENCY

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WASHINGTON, D.C. 20301-2800

15 JUN 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, 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 26-50, Standby Letter of Credit (SBLC) in lieu of Termination Liability (TL) Update [SAMM E-Change 826]

References: (a) Security Assistance Management Manual, [Section C9.9.1.5.4., Standby Letter of Credit](#)

Effective immediately, this memorandum updates policy in reference (a) to revise the processes and guidelines to implement a Standby Letter of Credit (SBLC) in lieu of Termination Liability (TL). Specifically, the value of the SBLC is not required to cover the cumulative TL amount for all cases. Rather, the SBLC amount will offset the partner's total TL requirement and is determined by the partner based on the amount of national funds it intends to use to fulfill its TL reserve requirement. This memorandum removes references to SBLC reporting and automatic SBLC adjustments. Additionally, it updates the required actions for DSCA Office of Business Operations, Financial Policy & Regional Execution Directorate (OBO/FPRE) stakeholders to align policy with current practices. The policy in the attachment is incorporated into the DSCA Security Assistance Management Manual at <https://samm.dsca.mil>.

If you have questions on 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. 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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Brian Watford
Acting Chief Operating Officer and Chief Financial
Officer

Attachment: SAMM E-Change 26-50 – Standby Letter of Credit (SBLC) in lieu of Termination Liability (TL) Update

Security Assistance Management Manual E-Change 826

STANDBY LETTER OF CREDIT IN LIEU OF TERMINATION LIABILITY UPDATE

1. Update Section C9.9.1.5.4.:

From:

C9.9.1.5.4. Standby Letter of Credit. The DoD FMR 7000.14-R, Volume 15, Chapter 4 authorizes the DSCA to approve an SBLC arrangement in lieu of TL prepayment requirements under an FMS program for DU-eligible foreign partners. Under the SBLC, the value of the Purchaser's TL is effectively guaranteed by a bank's letter of credit instead of TL prepayments the Purchaser makes into the FMS Trust Fund or Federal Reserve Bank. The SBLC covers all implemented FMS cases for which TL applies. An SBLC does not cover other financial requirements owed to the USG (i.e. working capital). Foreign partners in receipt of and utilizing Foreign Military Financing (FMF) grants are not eligible to participate in an SBLC in lieu of TL.

To:

C9.9.1.5.4. Standby Letter of Credit. The DoD FMR 7000.14-R, Volume 15, Chapter 4 authorizes the DSCA to approve an SBLC arrangement in lieu of TL prepayment requirements under an FMS program for DU-eligible foreign partners. Under the SBLC, the value of the Purchaser's TL is ~~effectively guaranteed~~ **offset by the amount of the a bank's letter of credit SBLC.** ~~instead of TL prepayments the Purchaser makes into the FMS Trust Fund or Federal Reserve Bank.~~ **The SBLC is applied at the country-level and covers all implemented FMS cases for which TL applies; however, the value of the SBLC is not required to cover the cumulative TL amount for all cases. The SBLC amount is determined by the Purchaser based upon the recommended SBLC amount that would cover the entire TL amount. The recommended SBLC amount is calculated by DSCA (OBO/FPRE/FAC) in coordination with the DSCA (OBO/FPRE) Country Finance Director (CFD).** An SBLC does not cover other financial requirements owed to the USG (i.e. working capital). Foreign partners in receipt of and utilizing Foreign Military Financing (FMF) grants are not eligible to ~~participate~~ **utilize** in an SBLC in lieu of TL.

2. Update Section C9.9.1.5.4.1.1.:

From:

C9.9.1.5.4.1.1. Standby Letter of Credit. Eligible Purchasers may choose to use an SBLC issued by an eligible bank (see [Section C9.9.1.5.4.5.2.4.1.](#)) in lieu of TL prepayments. At the request of the Purchaser, the SBLC is a formal and independent undertaking issued by a bank to the DSCA as the "beneficiary" of the SBLC that

specifies the duties of the bank and the rights of DSCA. The SBLC, in effect, serves as the bank's guarantee of payment to DSCA in the event of partial or full termination of an FMS case by the Purchaser or USG.

To:

C9.9.1.5.4.1.1. Standby Letter of Credit. Eligible Purchasers may choose to use an SBLC issued by an eligible bank (see [Section C9.9.1.5.4.5.2.4.1.](#)) in lieu of TL prepayments **to offset the total TL requirement.** At the request of the Purchaser, the SBLC is a formal and independent undertaking issued by a bank to the DSCA as the "beneficiary" of the SBLC that specifies the duties of the bank and the rights of DSCA. The SBLC, in effect, serves as the bank's guarantee of payment to DSCA in the event of partial or full termination of an FMS case by the Purchaser or USG.

3. Update Section C9.9.1.5.4.1.3.:

From:

C9.9.1.5.4.1.3. Demand for Payment (Drawdown). The demand for payment is a document (in the form of an attachment to the SBLC) that would be presented by DSCA to the bank to demand payments from the issuing/confirming financial institution for the amount required by the USG, but not to exceed the amount of the SBLC.

To:

C9.9.1.5.4.1.3. Demand for Payment (Drawdown). The demand for payment is a document (in the form of an attachment to the SBLC) that would be presented by DSCA to the bank to demand payments from the issuing/confirming financial institution for the amount required by the USG, but not to exceed the amount of the SBLC. **A demand letter is issued when there are not enough funds in the Purchaser's Federal Reserve Bank (FRB) or Trust Fund accounts to cover the required TL amount.**

4. Remove Section C9.9.1.5.4.1.4.:

From:

~~**C9.9.1.5.4.1.4. Standby Letter of Credit Status Report.** DSCA (OBO/FPRE) will maintain, monitor and track the issuance, activity status, and processing of all SBLC documents. On a quarterly basis, the DSCA (OBO/FPRE) Regional Division will provide the DSCA Chief Financial Officer (CFO) a report providing a status of all SBLCs.~~

5. Update Section C9.9.1.5.4.4.1.:

From:

C9.9.1.5.4.4.1. Defense Security Cooperation Agency. DSCA is the beneficiary stated on the SBLC and is responsible for calculating quarterly TL for each FMS program. Therefore, DSCA ensures the SBLC amounts are sufficient to cover TL every fiscal quarter.

To:

C9.9.1.5.4.4.1. Defense Security Cooperation Agency. DSCA is the beneficiary stated on the SBLC and is responsible for calculating quarterly TL for each FMS program. Therefore, DSCA ~~ensures the~~ **communicates the quarterly TL requirement to the Purchaser as part of the billing statement.** ~~SBLC amounts are sufficient to cover TL every fiscal quarter.~~

6. Update Section C9.9.1.5.4.4.6.:

From:

C9.9.1.5.4.4.6. Purchaser. The Purchaser may initiate a request to furnish an SBLC for FMS programs. All requests, either initiated unilaterally or in reply to a DSCA invitation, must be sent to the DSCA CFO in writing and signed by an official authorized to sign SBLC-related documents on behalf of the Purchaser's government/organization. The Purchaser is responsible for paying to the issuing bank or confirming bank any/all fees associated with the SBLC or Confirmation. No fees can be capitalized or subsumed into the dollar amount specified in the SBLC or Confirmation documents. The Purchaser must specify to DSCA the issuing and/or confirming bank(s) it wishes to issue the SBLC or Confirmation, as applicable, for the FMS program. The Purchaser is responsible for notifying DSCA in writing if and when it wishes to terminate its agreement with an issuing and/or confirming bank or arrange for a replacement SBLC or Confirmation. The Purchaser must sign an agreement with DSCA specifying the terms and conditions for an SBLC to be implemented to support the FMS program.

To:

C9.9.1.5.4.4.6. Purchaser. The Purchaser may initiate a request to furnish an SBLC for FMS programs. All requests, either initiated unilaterally or in reply to a DSCA invitation, must be sent to the DSCA CFO in writing and signed by an official authorized to sign SBLC-related documents on behalf of the Purchaser's government/organization. The Purchaser is responsible for paying to the issuing bank or confirming bank any/all fees associated with the SBLC or Confirmation. No fees can be capitalized or subsumed into the dollar amount specified in the SBLC or Confirmation documents. The Purchaser must specify to DSCA the issuing and/or confirming bank(s) it wishes to issue the SBLC or Confirmation, as applicable, for the FMS program. The Purchaser is responsible for

notifying DSCA in writing if and when it wishes to terminate its agreement with an issuing and/or confirming bank or arrange for a replacement SBLC or Confirmation. The Purchaser must sign an agreement with DSCA specifying **the SBLC amount and** the terms and conditions for an SBLC to be implemented to support the FMS program.

7. Update Section C9.9.1.5.4.4.7.:

To:

C9.9.1.5.4.4.7. Implementing Agency. Upon receiving notice from DSCA that an SBLC has been implemented for an FMS program, the IA will modify the payment schedule of the relevant cases to extract the TL component as a financial requirement owed to the USG. Likewise, should a given SBLC be terminated, the payment schedule may need to be revised to re-insert the TL component as appropriate. The IA will work with DSCA (OBO/FPRE) Country Finance Directors (CFDs) to establish a reasonable, but specific, timeframe to process the changes in TL status.

From:

C9.9.1.5.4.4.7. Implementing Agency. Upon receiving notice from DSCA that an SBLC has been implemented for an FMS program, the IA will **initiate modifications of the relevant FMS cases to adjust** ~~modify~~ the payment schedules ~~of the relevant cases~~ to extract the TL component as a financial requirement owed to the USG. Likewise, should a given SBLC be terminated, the payment schedule may need to be revised to re-insert the TL **pricing** component **or apply the Purchaser's available funding to TL prepayments**, as appropriate. The IA will work with DSCA (OBO/FPRE) ~~Country Finance Directors~~ (CFDs) to establish a reasonable, but specific, timeframe to process the changes in TL status.

8. Update Section C9.9.1.5.4.5.1.:

From:

C9.9.1.5.4.5.1. Standby Letter of Credit Secured Amount Determination. Prior to any formal solicitation for an SBLC, the DSCA (OBO/FPRE) CFDs in coordination with DSCA (OBO/FPRE/FP) will determine the required amount to be covered under the SBLC by calculating the TL requirements for the FMS cases associated with the SBLC and notify the Purchaser, accordingly. The Purchaser must request an SBLC for at least the amount calculated by the DSCA (OBO/FPRE) CFD and may also request a larger amount. This amount may be discussed with the Purchaser during the solicitation and review phases but is not subject to negotiation per se as it represents a valid contingent liability. DSCA will notify the Purchaser of the amount that must be covered by the SBLC based on the TL requirements. However, the Purchaser may, in its SBLC application, request an amount higher than DSCA's TL amount. The higher amount can

be accommodated if executed via an accepted and implemented SBLC. DSCA will retain an audit trail specifying that the higher amount was due to the Purchaser's request.

To:

C9.9.1.5.4.5.1. Standby Letter of Credit Secured Amount Determination. Prior to any formal solicitation for an SBLC, ~~the DSCA (OBO/FPRE/FAC) CFDs in coordination with DSCA (OBO/FPRE/FP) will determine~~ **calculates** the **total** required amount to be covered under the SBLC by calculating the TL requirements for the FMS cases associated with the SBLC and ~~notify the Purchaser, accordingly.~~ **DSCA (OBO/FPRE/FAC), in coordination with the DSCA (OBO/FPRE) CFD, determines the recommended SBLC amount that would cover the entire TL amount. The Purchaser must request an SBLC for at least the amount calculated by the DSCA (OBO/FPRE) CFD and may also request a larger amount. DSCA (OBO/FPRE) Division Chief approval of the SBLC amount must be received before notifying the Purchaser. The TL amount due each quarter changes over the lifetime of the case and the DSCA (OBO/FPRE) CFD must account for this change every quarter.** This amount may be discussed with the Purchaser during the solicitation and review phases ~~but is not subject to negotiation per se as it represents a valid contingent liability.~~ DSCA will notify the Purchaser of the **recommended** amount that ~~must~~ **may** be covered by the SBLC based on the TL requirements. **The Purchaser will determine the SBLC amount and inform DSCA of the SBLC amount during the solicitation and review phases, as well on their SBLC application. If the SBLC amount is insufficient to cover the full TL amount, the difference between the TL requirement and the SBLC will be held in TL reserves and deducted from the partner's available cash balance. However,** The Purchaser may, in its SBLC application, request an amount higher than DSCA's TL amount. The higher amount can be accommodated if executed via an accepted and implemented SBLC. DSCA will retain an audit trail specifying that the higher amount was due to the Purchaser's request. **The SBLC may only be used to offset the TL requirement and cannot be used to satisfy other financial obligations.**

9. Update Section C9.9.1.5.4.5.2.1.:

From:

C9.9.1.5.4.5.2.1. Defense Security Cooperation Agency Invitation. DSCA may, at its discretion, formally invite in writing a Purchaser to participate in an SBLC for its FMS program. DSCA will only offer an invitation to Purchasers who meet the eligibility criteria specified in [Section C9.9.1.5.4.5.2.2](#). The invitation letter shall specify the date by which a Purchaser must notify DSCA if it accepts the invitation, the amount of TL reserves that must be covered by the SBLC, and include samples of the SBLC-related documents. If a purchaser accepts the invitation, it must provide DSCA the full legal name of the issuing and/or confirming bank proposed for consideration; verification as to the desired SBLC amount; requested changes, if any, to the SBLC-related documents; designation of authority signed by a Ministry-level representative; and the preferred

timeframe during which the SBLC should be implemented. This information is considered the SBLC application and will only be reviewed for approval decision by the DSCA CFO when complete.

To:

C9.9.1.5.4.5.2.1. Defense Security Cooperation Agency Invitation. DSCA may, at its discretion, formally invite in writing a Purchaser to participate in an SBLC for its FMS program. DSCA will only offer an invitation to Purchasers who meet the eligibility criteria specified in [Section C9.9.1.5.4.5.2.2](#). The invitation letter shall specify the date by which a Purchaser must notify DSCA if it accepts the invitation, the amount of TL reserves that ~~must~~ **could** be covered by the SBLC, and include samples of the SBLC-related documents. If a purchaser accepts the invitation, it must provide DSCA the full legal name of the issuing and/or confirming bank proposed for consideration; verification as to the desired SBLC amount; requested changes, if any, to the SBLC-related documents; designation of authority signed by a Ministry-level representative; and the preferred timeframe during which the SBLC should be implemented. This information is considered the SBLC application and will only be reviewed for approval decision by the DSCA CFO when complete.

10. Update Section C9.9.1.5.4.6.:

From:

C9.9.1.5.4.6. Process Flow for Solicitation. The following events are shown in chronological order to depict the process pertaining to the SBLC:

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| <ol style="list-style-type: none">1. DSCA determines SBLC amount based on the current and projected TL amounts;2. DSCA issues an invitation letter; or Purchaser requests to participate;3. DSCA receives Purchaser’s reply to invitation;4. DSCA determines whether Purchaser meets eligibility criteria; and5. DSCA determines whether bank(s) meet(s) eligibility criteria. |
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To:

C9.9.1.5.4.6. Process Flow for Solicitation. The following events are shown in chronological order to depict the process pertaining to the SBLC:

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|--|
| <ol style="list-style-type: none">6. DSCA determines the recommended SBLC amount based on the current and projected TL amounts;7. DSCA issues an invitation letter; or Purchaser requests to participate;8. DSCA receives Purchaser’s reply to invitation;9. DSCA determines whether Purchaser meets eligibility criteria; and |
|--|

10. DSCA determines whether bank(s) meet(s) eligibility criteria.

11. Update Section C9.9.1.5.4.16.:

From:

C9.9.1.5.4.16. Drawdown Process. This Section describes certain actions and requirements relating to demands for payment under the SBLC or Confirmation.

To:

C9.9.1.5.4.16. Drawdown Process. This Section describes certain actions and requirements relating to demands for payment under the SBLC or Confirmation. **The USG will first look to the Purchaser's existing cash balances to cover TL requirements. Therefore, issuing a demand letter against the SBLC is predicated on the Purchaser having insufficient available funding in their FRB or Trust Fund accounts.**

12. Update Section C9.9.1.5.4.17.:

From:

C9.9.1.5.4.17. Events Prompting a Drawdown. A demand for payment under the SBLC or Confirmation may be completed by DSCA (OBO/FPRE) Regional Division and signed by the DSCA CFO after coordination with the DSCA Director or Deputy Director. The SBLC and Confirmation should each attach a form of demand to be used. DSCA may issue a demand for payment if any one or more of the following situations occur:

- The Purchaser notifies the USG, in writing, that it is terminating all or a portion of any FMS case;
- The USG notifies the Purchaser, in writing, that it is terminating an FMS case(s) or contracts relating to an FMS case;
- The USG is aware the SBLC or Confirmation is being either terminated or not extended beyond its then current expiration date;
- A contractor presents a bill to the USG for termination charges associated with an FMS case(s);
- The Purchaser does not maintain its DU eligibility;
- The issuing and/or confirming bank falls below DSCA's acceptable eligibility thresholds; or,
- The Purchaser fails to complete all actions to implement any election to increase the amount of the SBLC or Confirmation; or the issuing bank denies the request to increase the credit.

To:

C9.9.1.5.4.17. Events Prompting a Drawdown. A demand for payment under the SBLC or Confirmation may be completed by DSCA (OBO/FPRE) Regional Division and signed by the DSCA CFO after coordination with the DSCA Director or Deputy Director. The SBLC and Confirmation should each attach a form of demand to be used. **DSCA may issue a demand for TL payment if the Purchaser's available funding/cash levels in their FRB or Trust Fund accounts are not sufficient to cover the TL requirement.** DSCA may issue a demand for payment if any one or more of the following situations occur:

- The Purchaser notifies the USG, in writing, that it is terminating all or a portion of any FMS case;
- The USG notifies the Purchaser, in writing, that it is terminating an FMS case(s) or contracts relating to an FMS case;
- The USG is aware the SBLC or Confirmation is being either terminated or not extended beyond its then current expiration date;
- A contractor presents a bill to the USG for termination charges associated with an FMS case(s);
- The Purchaser does not maintain its DU eligibility;
- The issuing and/or confirming bank falls below DSCA's acceptable eligibility thresholds; or,
- The Purchaser fails to complete all actions to implement any election to increase the amount of the SBLC or Confirmation; or the issuing bank denies the request to increase the credit.

13. Update Section C9.9.1.5.4.17.1.:

From:

C9.9.1.5.4.17.1. The demand for payment may demand the entire amount of the SBLC or Confirmation (including any automatic amendment of up to 10 percent over the original amount when issued) or a portion of the amount. Multiple drawings, on either the same date or on separate dates, can also be made, provided those drawings taken together do not exceed the entire amount of the SBLC or Confirmation (including any automatic amendment(s) of up to 10 percent of the original amount when issued).

To:

C9.9.1.5.4.17.1. The demand for payment may demand the entire amount of the SBLC or Confirmation (~~including any automatic amendment of up to 10 percent over the original amount when issued~~) or a portion of the amount. Multiple drawings, on either the same date or on separate dates, can also be made, provided those drawings taken together do

not exceed the entire amount of the SBLC or Confirmation (~~including any automatic amendment(s) of up to 10 percent of the original amount when issued~~).

14. Update Section C9.9.1.5.4.22.1.:

From:

C9.9.1.5.4.22.1. Validating Termination Liability Requirements. Each quarter, DSCA (OBO/FPRE/FP) will, in coordination with the DSCA (OBO/FPRE) CFD, determine whether the amount specified in the SBLC remains adequate to cover TL requirements for the portion of the Purchaser's FMS program covered by the SBLC. This is in recognition of the dynamic nature of FMS programs. For example, during the period in which a given SBLC is active, many FMS cases may be implemented, many may close and many may continue to be executed - all of which may impact the corpus-level TL requirement.

To:

C9.9.1.5.4.22.1. Validating Termination Liability Requirements. Each quarter, DSCA (OBO/FPRE/FP) will, in coordination with the DSCA (OBO/FPRE) CFD, **will validate the SBLC amount in comparison to** ~~determine whether the amount specified in the SBLC remains adequate to cover~~ TL requirements for the portion of the Purchaser's FMS program covered by the SBLC. This is in recognition of the dynamic nature of FMS programs. For example, during the period in which a given SBLC is active, many FMS cases may be implemented, many may close, and many may continue to be executed - all of which may impact the corpus-level TL requirement.

15. Remove Section C9.9.1.5.4.22.2.:

From:

~~**C9.9.1.5.4.22.2. Tracking Mechanism.** Each quarter, DSCA (OBO/FPRE) and its Regional Divisions will submit to the DSCA CFO a report to identify SBLC/Confirmation activity/status. On an annual basis (by 31 October for the fiscal year-end), a consolidated report will be forwarded from DSCA (OBO/FPRE) to the DSCA Director. The annual report will include overall assessments and a recommendation as to any changes in the overarching SBLC policy that may be required to more effectively execute this program.~~

16. Remove Section C9.9.1.5.4.23.1. and renumber subsequent sections.

From:

~~**C9.9.1.5.4.23.1. Automatic Adjustment.** The form of SBLC and Confirmation allows for one or more automatic amendments to the original amount for an aggregate amount not to exceed 10 percent over the dollar amount specified therein as originally issued. DSCA will send the request for amendment up to 110 percent of the original amount to the bank with copy to the Purchaser. The amendment shall take effect upon DSCA’s notice to the bank (in the form prescribed in the SBLC or Confirmation, as applicable).~~

17. Update Section C9.9.1.5.4.23.2.1.:

From:

C9.9.1.5.4.23.2.1. Increases. If the amount of the SBLC or Confirmation currently in effect needs to be increased beyond the 110 percent threshold, a non-automatic amendment would need to be processed. In that event, DSCA will notify the Purchaser in writing that an increase is necessary and will allow the Purchaser 10 business days to reply as to whether the Purchaser prefers that the SBLC and Confirmation amounts be increased via an amendment or if the Purchaser wishes to deposit the required TL increment. If the Purchaser replies that an amendment should be processed, the Purchaser will submit in writing a notice to the issuing bank and/or confirming bank, with a copy to the DSCA. In that notice, the Purchaser will request the bank reply within 15 business days. The bank’s reply to the Purchaser and DSCA should either: (1) provide a formal amendment that indicates the bank’s willingness to raise the amount per the request; or (2) provide notice to Purchaser and DSCA that the requested increase to the amount will not be accommodated by the bank. In the event of scenario (1), the amendment will be accepted. In the event of scenario (2) or if no reply from the bank is received within 15 business days, the Purchaser will notify the DSCA and the increased adjustment will be captured in the Purchaser’s official billing statement from the next quarterly bill, until/unless a separate SBLC and Confirmation with a different bank for the increment is obtained. If the Purchaser does not pay the TL amount owed by the bill’s due date, then DSCA may sequester funds in the FMS Trust Fund to reserve the full TL amount.

To:

C9.9.1.5.4.23.2.1. Increases. If the amount of the SBLC or Confirmation currently in effect needs to be increased, ~~beyond the 110 percent threshold, a non-automatic amendment would need to be processed. In that event,~~ DSCA will notify the Purchaser in writing that an increase is **recommended** ~~necessary~~ and will allow the Purchaser 10 business days to reply as to whether the Purchaser prefers that the SBLC and Confirmation amounts be increased via an amendment or if the Purchaser wishes to deposit the required TL increment. If the Purchaser replies that an amendment should be processed, the Purchaser will submit in writing a notice to the issuing bank and/or confirming bank, with a copy to the DSCA. In that notice, the Purchaser will request the

bank reply within 15 business days. The bank's reply to the Purchaser and DSCA should either: (1) provide a formal amendment that indicates the bank's willingness to raise the amount per the request; or (2) provide notice to Purchaser and DSCA that the requested increase to the amount will not be accommodated by the bank. In the event of scenario (1), the amendment will be accepted. In the event of scenario (2) or if no reply from the bank is received within 15 business days, the Purchaser will notify the DSCA and the increased adjustment will be captured in the Purchaser's official billing statement from the next quarterly bill, until/unless a separate SBLC and Confirmation with a different bank for the increment is obtained. If the Purchaser does not pay the TL amount owed by the bill's due date, then DSCA may sequester funds in the FMS Trust Fund to reserve the full TL amount.

18. Update Section C9.9.1.5.4.23.2.2.:

From:

C9.9.1.5.4.23.2.2. Decreases. If the TL validation performed in [Section C9.9.1.5.4.22.1.](#) above reveals that a decrease to the amount of the SBLC and Confirmation is warranted (e.g., the computed TL is more than 10 percent under the SBLC amount for two consecutive quarters), DSCA shall notify the Purchaser in writing. The Purchaser then has the option to either approve a decrease to the SBLC and Confirmation or leave the amount unchanged. The Purchaser's response must be addressed to the DSCA CFO in writing. If no reply is received by DSCA within 30 calendar days of the date of DSCA's written notice to the Purchaser, DSCA shall not send the request for decrease to the issuing or confirming bank. If the Purchaser approves the decrease, DSCA will implement the reduction in accordance with the procedures outlined in the SBLC or Confirmation, as applicable.

To:

C9.9.1.5.4.23.2.2. Decreases. If the TL validation performed in [Section C9.9.1.5.4.22.1.](#) above reveals that a decrease to the amount of the SBLC and Confirmation is ~~warranted~~ **recommended** (e.g., the computed TL is more than 10 percent under the SBLC amount for two consecutive quarters), DSCA shall notify the Purchaser in writing. The Purchaser then has the option to either approve a decrease to the SBLC and Confirmation or leave the amount unchanged. The Purchaser's response must be addressed to the DSCA CFO in writing. If no reply is received by DSCA within 30 calendar days of the date of DSCA's written notice to the Purchaser, DSCA shall not send the request for decrease to the issuing or confirming bank. If the Purchaser approves the decrease, DSCA will implement the reduction in accordance with the procedures outlined in the SBLC or Confirmation, as applicable.

19. Update Section C9.9.1.5.4.25.:

From:

C9.9.1.5.4.25. Process Flow for Execution/Monitoring/Adjustments. The following events are shown in chronological order to depict the process flow pertaining to Execution, Monitoring and Adjustments:

- DSCA will monitor the TL requirements not less than quarterly;
- DSCA (OBO/FPRE) Regional Division will send quarterly reports to the DSCA CFO and DSCA (OBO/FPRE) will send annual reports to the DSCA Director on SBLC and Confirmation activity/status;
- Increases to SBLC value after:
 - DSCA notifies the Bank and Purchaser that an automatic 10 percent increase to the SBLC or Confirmation original amount is needed; or
 - DSCA notifies the Purchaser that an increase of more than 10 percent is needed.
 - Should an increase of more than 110 percent of the SBLC or Confirmation original amount not be accommodated by the Purchaser or bank(s), DSCA will:
 1. Bill the Purchaser for the TL requirement not covered by the SBLC until such time as a separate SBLC and, if necessary, Confirmation for the increment is implemented; or
 2. Sequester funds in the FMS Trust Fund to reserve the required TL amount.
- If the bank(s) approve any increase, then they will issue an SBLC and/or Confirmation amendment reflecting the new amount. This documentation will be provided to DSCA and the Purchaser.
- If a decrease to the amount is warranted, DSCA will give the Purchaser the option to either request an amount reduction or leave the amount unchanged;
- All amendments and implementations are performed in accordance with processes described above and the terms of the applicable SBLC or Confirmation;
- IAs must reflect payment schedules as directed by DSCA and in a prescribed format; and
- DFAS must reflect the amounts shown in DIFS based on its receipt of LOA documents from IAs.

To:

C9.9.1.5.4.25. Process Flow for Execution/Monitoring/Adjustments. The following events are shown in chronological order to depict the process flow pertaining to Execution, Monitoring and Adjustments:

- DSCA will monitor the TL requirements not less than quarterly;
- **When DSCA calculates the quarterly TL requirements, CFDs must verify the SBLC amounts at the country-level. The Purchaser is responsible for maintaining adequate**

cash reserves to cover any remaining TL not covered by SBLC, which the CFD will verify.

- ~~DSCA (OBO/FPRE) Regional Division will send quarterly reports to the DSCA CFO and DSCA (OBO/FPRE) will send annual reports to the DSCA Director on SBLC and Confirmation activity/status;~~
- ~~Increases to SBLC value after:~~
 1. ~~DSCA notifies the Bank and Purchaser that an automatic 10 percent increase to the SBLC or Confirmation original amount is needed; or~~
 2. ~~DSCA notifies the Purchaser that an increase of more than 10 percent is needed.~~
 3. ~~Should an increase of more than 110 percent of the SBLC or Confirmation original amount not be accommodated by the Purchaser or bank(s), DSCA will:~~
 - ~~Bill the Purchaser for the TL requirement not covered by the SBLC until such time as a separate SBLC and, if necessary, Confirmation for the increment is implemented; or~~
 - ~~Sequester funds in the FMS Trust Fund to reserve the required TL amount.~~
- If the bank(s) approve any increase, then they will issue an SBLC and/or Confirmation amendment reflecting the new amount. This documentation will be provided to DSCA and the Purchaser.
- If a decrease to the amount is ~~warranted~~ recommended, DSCA will give the Purchaser the option to either request an amount reduction or leave the amount unchanged;
- All amendments and implementations are performed in accordance with processes described above and the terms of the applicable SBLC or Confirmation;
- IAs must reflect payment schedules as directed by DSCA and in a prescribed format; and
- DFAS must reflect the amounts shown in DIFS based on its receipt of LOA documents from IAs.

20. Update Section C9.9.1.5.4.27.3.:

From:

C9.9.1.5.4.27.3. The Purchaser must maintain DU eligibility in order to be eligible to keep an implemented SBLC. If DU is revoked, the Purchaser will be notified of the status revocation, and upon this notification DSCA will drawdown the required TL amount from the SBLC or Confirmation prior to final termination of the SBLC and/or Confirmation.

To:

C9.9.1.5.4.27.3. The Purchaser must maintain DU eligibility in order to be eligible to keep an implemented SBLC. If DU is revoked, the Purchaser will be notified of the status revocation, and upon this notification DSCA will **can** drawdown the required TL amount

from the SBLC or Confirmation prior to final termination of the SBLC and/or Confirmation.