



DEFENSE SECURITY COOPERATION AGENCY

201 12TH STREET SOUTH, STE 203
ARLINGTON, VA 22202-5408

JAN 4 2017

**MEMORANDUM FOR DEPUTY ASSISTANT SECRETARY OF THE ARMY FOR
DEFENSE EXPORTS AND COOPERATION
DEPUTY ASSISTANT SECRETARY OF THE NAVY FOR
INTERNATIONAL PROGRAMS
DEPUTY UNDER SECRETARY OF THE AIR FORCE FOR
INTERNATIONAL AFFAIRS
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, DEFENSE LOGISTICS INFORMATION SERVICE
DIRECTOR, DEFENSE LOGISTICS AGENCY DISPOSITION
SERVICES
DEPUTY DIRECTOR FOR INFORMATION ASSURANCE,
NATIONAL SECURITY AGENCY
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE**

SUBJECT: Payment Schedule Guidance for Countries and International Organizations Ineligible for Dependable Undertaking, DSCA 16-73 [SAMM E-Change 341]

Reference: (a) DSCA Policy Memo 05-09, Initial Deposit for Cases Funded with FMS Credit (Non-Repayable) and/or MAP Merger.

This memorandum provides policy guidance on payment schedules for countries and international organizations ineligible for Dependable Undertaking (DU) as it relates to the Cash Prior to Delivery and Cash with Acceptance terms of sale. Countries and international organizations ineligible for DU can no longer receive payment schedules for Stock material and services.

Cash Prior to Delivery is used for the purchase of items from stock, to include the stock portion of X coded lines, that are for the purchase of material and services from both Procurement and Stock sources. Effective January 5, 2017, Cash Prior to Delivery is only available to countries and international organizations authorized DU. Countries and international organization ineligible for DU are no longer authorized to use the Cash Prior to Delivery term of sale, unless the Defense Security Cooperation Agency (DSCA) provides an exception.

Cash with Acceptance is the only term of sale available to countries and international organizations not authorized DU. When an international partner is not authorized dependable



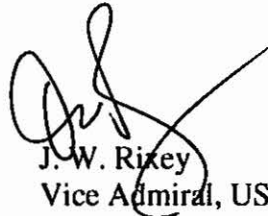
undertaking, all procurement, stock and mixed source lines must have the cash collected in the initial deposit or amount due with acceptance. Any exception to this policy must be specifically authorized by DSCA Country Financial Management, in coordination with DSCA Financial Policy and Analysis (FPA), and documented in DSAMS.

As a result, Letters of Offer and Acceptance for countries and international organizations not authorized DU that use both national funds and U.S. grant funds (e.g., Foreign Military Financing), must use the Cash with Acceptance term of sale for the national fund portion of the case in addition to the appropriate term of sale for the U.S. grant funds (e.g., Foreign Military Sales (FMS) Credit Non-Repayable). Therefore, Cash with Acceptance is no longer a standalone term of sale when used in conjunction with a term of sale for U.S. grant funding.

This policy supersedes DSCA Policy Memo 05-09, Initial Deposit for Cases Funded with FMS Credit (Non-Repayable) and/or MAP Merger. Cases funded with FMS Credit (Non-Repayable) and/or MAP Merger no longer require payment schedules regardless of a country's DU status.

This policy applies to all new FMS cases placed in Offered status on or after January 5, 2017. The Implementation Instructions (Attachment 1) and Security Assistance Management Manual changes (Attachment 2) are provided with this policy memorandum.

For any questions regarding this policy, please contact Ms. Danielle Ayers, DSCA/DBO/FPA, at (703) 697-9407 or mary.d.ayers2.civ@mail.mil.



J. W. Rixey
Vice Admiral, USN
Director

ATTACHMENTS:

As stated

cc:

STATE/PM-PPA
AFSAC
STATE/PM-RSAT
JOINT STAFF (J5)
AFRICOM
CENTCOM
EUCOM
NORTHCOM

PACOM
SOCOM
SOUTHCOM
TRANSCOM
USASAC
USASAC-NC
SATFA
TRADOC
NAVSUP WSS
NAVICP
NETSAFA
AFSAT
DISAM
MARCOR IP
SCETC
USCG International Affairs (G-CI)

Implementation Instructions

Restriction on Payment Schedules for Countries and International Organizations Ineligible for Dependable Undertaking (DU)

Scope. Countries and international organizations ineligible for DU will no longer be offered payment schedules for Stock lines on Letters of Offer and Acceptance (LOAs) Offered on or after January 5, 2017.

1. **Cases "Offered" on or after January 5, 2017.** All new FMS cases "offered" on or after January 5, 2017 will not use payment schedules, unless a policy exception is granted by DSCA.
2. **Cases "Offered" before January 5, 2017.** All existing FMS cases "offered" before January 5, 2017 may continue to use existing payment schedules for Stock.

Policy Exceptions. The Implementing Agency (IA) may request a policy exception for countries and international organizations ineligible for DU from DSCA during Development status. Examples, not all inclusive, that may be eligible for exceptions are FMSO I cases, WWRS sales cases, Contingency cases, and Modifications that increase the Total Case Value due to cost increases. A modification that increases total case value would require full payment in the first quarter of the modification's payment schedule.

Defense Security Assistance Management System (DSAMS) Implementation Guidance.

This policy requires systems changes to DSAMS. The policy change will be included in the February 2017 update to DSAMS. Upon implementation, DSAMS will require a milestone in order to allow the development of payment schedules for countries and international organizations ineligible for DU. DSCA/CFM is responsible for approving the use of a payment schedule and posting the milestone. This process is similar to the Emergency Implementation milestone process. In order to post the payment schedule milestone, the IA must submit a request to DSCA/CFM along with a justification for the payment schedule while the case is in Development. This milestone is also required for Pen & Ink changes to payment schedules.

Interim Guidance. DSCA/CWD in conjunction with DSCA/CFM and DSCA/FPA will manually enforce this policy until DSAMS is updated with new rules to enforce this policy. A DSAMS remark from CFM will be required for any non-DU case requiring a payment schedule. The IA must contact CFM with its payment schedule request prior to submitting the case to CWD.

Security Assistance Management Manual (SAMM), E-Change 341

Change SAMM Chapter 9 Table 11 (C9.T11), Terms of Sale, from:

| Term of Sale | Application |
|------------------------|---|
| Cash with Acceptance | <ul style="list-style-type: none"> • Used when the initial cash deposit equals the amount in the “Estimated Total Costs” line of the LOA. • Also used for FMSO I even though the initial deposit is less than “Estimated Total Costs” (it must equal the FMSO I Part A value). • Used for the procurement of articles and services if the purchaser is not authorized Dependable Undertaking. • Used if the purchaser is not authorized Dependable Undertaking and case is solely for procurement, unless specific DSCA approval is obtained. |
| Cash Prior to Delivery | <ul style="list-style-type: none"> • The USG collects cash in advance of delivery of defense articles and rendering of defense services and design and construction services from DoD resources. AECA, sections 21(b) and 29 (22 U.S.C. 2761(b) and 2769) apply. |
| Dependable Undertaking | <ul style="list-style-type: none"> • The USG collects cash in advance of procurement contract payment requirements. If AECA, section 22(b) (22 U.S.C. 2762(b)) is applicable based on Presidential action (i.e., payment due up to 60 or 120 days after delivery). |

Change SAMM Chapter 9 Table 11 (C9.T11), Terms of Sale, to read as follows:

| Term of Sale | Application |
|------------------------|---|
| Cash with Acceptance | <ul style="list-style-type: none"> • Used when the initial cash deposit equals the amount in the “Estimated Total Costs” line of the LOA. • Used for FMSO I even though the initial deposit is less than “Estimated Total Costs” (it must equal the FMSO I Part A value). • Used if the purchaser is not authorized Dependable Undertaking, unless specific DSCA approval is obtained. |
| Cash Prior to Delivery | <ul style="list-style-type: none"> • Used if the purchaser is authorized Dependable Undertaking and the USG authorizes purchaser cash payment in advance of delivery of defense articles and rendering of defense services and design and construction services from DoD resources. <u>AECA, sections 21(b) and 29 (22 U.S.C. 2761(b) and 2769) apply.</u> |
| Dependable Undertaking | <ul style="list-style-type: none"> • Used if the purchaser is authorized in accordance with AECA section 22. |

Change SAMM Chapter 9 Table 13 (C9.T13), Initial Deposit Requirements, from:

| Condition | Initial Deposit Amount |
|---|------------------------|
| Cash sale from procurement when the purchaser is not authorized Dependable Undertaking. | Full case value |
| Case is financed wholly with “FMS Credit (Non-Repayable)” or “MAP Merger” and Case value is less than \$5,000,000, and Country is not authorized cash flow financing. | Full case value |

| | |
|--|---|
| Case is partially funded by FMS Credit (Non-Repayable) and/or MAP Merger Funds, and not authorized for cash flow financing | Include all FMS Credit (Non-Repayable) and/or MAP Merger Funds up to \$5M regardless of the case value. |
|--|---|

Change SAMM Chapter 9 Table 13 (C9.T13), Initial Deposit Requirements, to read as follows:

| Condition | Initial Deposit Amount |
|--|------------------------|
| Cash sale when the purchaser is not authorized Dependable Undertaking. | Full case value |
| Case is financed wholly with “FMS Credit (Non-Repayable)” or “MAP Merger”, and Country is not authorized Dependable Undertaking or cash flow financing. | Full case value |
| Case is partially funded by FMS Credit (Non-Repayable) and/or MAP Merger Funds, and not authorized Dependable Undertaking or cash flow financing | Full case value |

Change SAMM Chapter 9, Section 9.1.1., Payment Schedule Requirement, from:

C9.9.1.1. Payment Schedule Requirement. A payment schedule is developed for each case unless the Term of Sale is “Cash With Acceptance;” or the case is fully funded with FMS Credit (Non-Repayable) and/or MAP Merger, the total case value is less than \$5M, and the country is not authorized cash flow financing. In these instances, the Initial Deposit covers the entire case value. The following paragraphs provide criteria for developing payment schedules.

Change SAMM Chapter 9, Section 9.1.1., Payment Schedule Requirement, to read as follows:

C9.9.1.1. Payment Schedule Requirement. Payment Schedules are only developed for cases if the country or international organizations is eligible for Dependable Undertaking, unless the Term of Sale is “Cash With Acceptance.” Countries and international organizations ineligible for Dependable Undertaking are not authorized payment schedules and must use the “Cash With Acceptance” Term of Sale. No payment schedule is required for FMS cases financed with FMS Credit (Non-Repayable) and/or MAP Merger. The IA may submit requests for policy exceptions to DSCA/CFM. The following paragraphs provide criteria for developing payment schedules.

Change SAMM Chapter 9, Section 9.1.5.2.1., Materiel from Stock, from:

C9.9.1.5.2.1. Materiel from Stock. Payment schedule distributions for materiel sold from stock are based on estimated deliveries during each 90-day period following the quarterly payment. Historical delivery information of specific generic codes and other materiel categories may be used.

Change SAMM Chapter 9, Section 9.1.5.2.1., Materiel from Stock, to read as follows:

C9.9.1.5.2.1. Materiel from Stock. Payment schedule distributions for materiel sold from stock are based on estimated deliveries during each 90-day period following the quarterly payment. Historical delivery information of specific generic codes and other materiel categories may be used. Payment schedules for stock materiel are only available to purchasers authorized Dependable Undertaking or DSCA/CFM specifically approved exception for purchasers not authorized Dependable Undertaking.

Change SAMM Chapter 9, Section 9.9.2., Purchaser-Requested Schedules, from:

C9.9.2. Purchaser-Requested Schedules. The purchaser may request a specific payment schedule for a given case. This schedule may be based on its internal budget allocation, other constraints, or a desire to accelerate payments.

Change SAMM Chapter 9, Section 9.9.2., Purchaser-Requested Schedules, to read as follows:

C9.9.2. Purchaser-Requested Schedules. The purchaser eligible for Dependable Undertaking may request a specific payment schedule for a given case. This schedule may be based on its internal budget allocation, other constraints, or a desire to accelerate payments.

Change SAMM Chapter 9, Section 9.3.1., Payment Schedule Revision Format for Amendments, from:

C9.9.3.1. Payment Schedule Revision Format for Amendments. Amendments use the payment schedule format in Table C9.T14. When either the Term of Sale is “Cash With Acceptance;” or the case is fully funded with FMS Credit (Non-Repayable) and/or MAP Merger, the total case value is less than \$5M, and cash flow financing is not authorized, the Amount Due with Amendment Acceptance shall equal the increase in case value.

Change SAMM Chapter 9, Section 9.3.1., Payment Schedule Revision Format for Amendments, to:

C9.9.3.1. Payment Schedule Revision Format for Amendments. Amendments use the payment schedule format in Table C9.T14. When either the Term of Sale is “Cash With Acceptance;” or the case is fully funded with FMS Credit (Non-Repayable) and/or MAP Merger, and cash flow financing is not authorized, the Amount Due with Amendment Acceptance shall equal the increase in case value.

Change SAMM Chapter 9, Section 9.3.2., Payment Schedule Revision Format for Modification, from:

C9.9.3.2. Payment Schedule Revision Format for Modifications. Modifications use the payment schedule format in Table C9.T15. When either the Term of Sale is “Cash With Acceptance;” or the case is fully funded with FMS Credit (Non-Repayable) and/or MAP Merger, the total case value is less than \$5M, and cash flow financing is not authorized, the next quarterly payment due shall equal the increase in case value.

Change SAMM Chapter 9, Section 9.3.2., Payment Schedule Revision Format for Modification, to:

C9.9.3.2. Payment Schedule Revision Format for Modifications. Modifications use the payment schedule format in Table C9.T15. When either the Term of Sale is “Cash With Acceptance;” or the case is fully funded with FMS Credit (Non-Repayable) and/or MAP Merger, and cash flow financing is not authorized, the next quarterly payment due shall equal the increase in case value.