



SUSTAINMENT

## OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

3500 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3500

### MEMORANDUM FOR SUPPLY PROCESS REVIEW COMMITTEE

SUBJECT: Approved Defense Logistics Management Standards Change 1482, Distinguishing Foreign Military Financing Loan Guarantees

The Defense Logistics Management Standards change, as outlined in the attachment, is approved for implementation.

Addressees may direct questions to Steve Nace, e-mail: [DEDSO.Supply@dla.mil](mailto:DEDSO.Supply@dla.mil). Others must contact their designated process review committee representative available at <https://www.dla.mil/Defense-Data-Standards/Committees/Contacts/>.

Stephanie Q. Howard, Brigadier General, USA  
Performing the duties of the Deputy Assistant  
Secretary of Defense for Logistics

Attachment:  
As stated

cc:  
OUSD(C)  
DLA J6DS

# Approved Defense Logistics Management Standards Change 1482, Distinguishing Foreign Military Financing Loan Guarantees

## 1. ORIGINATING SERVICE/AGENCY AND POC INFORMATION:

- a. **Technical POC:** Steven Nace, [steven.nace@dla.mil](mailto:steven.nace@dla.mil), 571-477-4194.
- b. **Functional POC:** Alana Bates, [alana.e.bates.civ@mail.mil](mailto:alana.e.bates.civ@mail.mil), 703-697-9756.

## 2. REASON FOR CHANGE:

a. **Bottom Line Up Front:** The Defense Security Cooperation Agency (DSCA), Office of Business Operations (OBO)/Financial Policy and Regional Execution (FPRE) aims to establish a new security assistance program type of assistance and financing code (TA) to differentiate foreign military financing (FMF) credit issued as loan guarantees from FMF direct loans. The purpose is financial tracking at the line level within a foreign military sales (FMS) case. **This change impacts the Defense Security Assistance Management System (DSAMS) only.**

b. **Background:** FMF is a designated fund used to subsidize the U.S. Government loan initiatives established by DSCA. As DSCA OBO/FPRE started developing its FMF loan and loan guarantee processes, the need to delineate between FMF direct loans and FMF loan guarantees was identified. The proposed solution is to create a unique TA code to denote the use of FMF credit in the form of loan guarantees. A partner may enter into an agreement with the U.S. Government to have its third-party loan guaranteed with FMF. DSCA OBO/FPRE has developed a policy to codify the use of a new TA code for lines funded by loans guaranteed with FMF. As part of that policy, a new term of sale will also be created (i.e., FMF guarantee) to provide the case writer with the authority to use the unique TA code for FMF loan guarantees.

## 3. CHANGE IN DETAIL:

### a. **Technical Details:**

(1) Create a new Security Assistance Program Type of Assistance and Financing Code (TA) code “Y” to the existing codes in DLM 4000.25 Volume 2, Appendix 7.19. The rules for utilizing “Y” TA code will mirror that of TA code “Z,” but will distinguish itself by annotating it is intended for FMF loan guarantees.

(2) Revise the definitions of TA codes “N” and “Z” to provide more detailed language regarding their corresponding financial use.

b. **Revised Transaction Flow:** The flow of FMS-related transactions will not be modified because of this change.

4. **IMPLEMENTATION TARGET:** Implementation to be effective upon approval of this change.

## **5. TECHNICAL IMPACT:**

**a. Additions or Changes to Data Elements:** Adds a new Security Assistance Program Type of Assistance and Financing TA code of Y (FMF Loan Guarantee). The code value is conveyed in 2/LQ01/1270.

**b. Automated Information Systems (AIS):** Defense Security Assistance Management System (DSAMS)

**c. Defense Automatic Addressing System (DAAS):** N/A

## **6. PUBLICATION/POLICY IMPACT:**

**a. Defense Logistics Manual (DLM) 4000.25:** Volume 2, Appendix 7.19, Security Assistance Program Type of Assistance and Financing Codes; see Enclosure.

**b. Non-DLM 4000.25 Publications:** DSCA issuances, such as DSCA 5105.38-M, as needed.

## **7. ASSUMPTIONS:** N/A

**8. FINANCIAL IMPROVEMENT AND AUDIT REMEDIATION (FIAR), MATERIAL WEAKNESS, AND AUDIT-RELATED INFORMATION:** The Department of Defense (DoD) Financial Management Regulation (FMR) Volume 15, Chapter 4 requires that FMS credit funds be fully repaid by the FMS purchaser, and no delinquent accounts receivable exist, before those funds can be reapplied to other FMS cases upon case closure (Section 3.3.2). Having distinct TA codes for loans and loan guarantees will make the reconciliation of loan proceeds for the return or reutilization more efficient. This change request will also aid in DSCA accounting of FMF loan and loan guarantee proceeds, thus preventing a potential lapse in accountability and internal controls.

**a. Notices of Findings and Recommendations (NFR):** N/A

**b. Corrective Action Plan (CAP) References:** N/A

**c. Other FIAR, Material Weakness, and Audit-Related Information:** N/A

## **9. END-TO-END TESTING REQUIREMENTS:** N/A

## **10. REFERENCES:**

**a.** Office of Management and Budget Circular A-129, Section IV

**b.** Office of Management and Budget Circular 185, Section 185.28

**c.** DoD FMR Volume 15, Chapter 4, Section 3.3.2

**d.** DSCA Policy Memo 16-17, Stand-Alone Letter of Offer and Acceptance, Requirement for Foreign Military Financing (FMF) Loans, 7 March 2016

e. DLM 4000.25, Volume 2, Appendix 7.19, November 26, 2019

**11. PROPOSED FUNDING REQUIREMENTS:**

	<b>Component</b>	<b>Response/Comment</b>
1.	DLA	No Comment Provided
2.	DAAS	No Comment Provided
3.	Air Force	No Comment Provided
4.	Army	No Comment Provided
5.	Marine Corps	No Comment Provided
6.	Navy	No Comment Provided
7.	GSA	No Comment Provided
8.	USTRANSCOM	No Comment Provided
9.	DSCA	No Comment Provided
10.	DEDSO	No Comment Provided
11.	FAA	No Comment Provided
12.	USSOCOM	No Comment Provided

**12. IMPLEMENTATION TIMELINE AND ESTIMATED COMPLETION DATE:**

	<b>Component</b>	<b>Response/Comment</b>
1.	DLA	No Response Provided
2.	Air Force	No Response Provided
3.	DAAS	No Response Provided
4.	Army	No Response Provided
5.	Marine Corps	No Response Provided
6.	Navy	No Response Provided
7.	GSA	No Response Provided
8.	USTRANSCOM	No Response Provided
9.	DSCA	No Response Provided
10.	DEDSO	No Response Provided
11.	FAA	No Response Provided
12.	USSOCOM	No Response Provided

## Enclosure 1, Defense Logistics Manual (DLM) Revisions

Changes are identified by ***bold red italics*** and single strike-through text.

### Volume 2, Appendix 7.19, Security Assistance Program Type of Assistance and Financing Codes

## AP7.19. APPENDIX 7.19

### SECURITY ASSISTANCE PROGRAM TYPE OF ASSISTANCE AND FINANCING CODES

NUMBER OF CHARACTERS:	One.
TYPE OF CODE:	Alphanumeric.
EXPLANATION:	Provides additional information concerning <b><i>the</i></b> type of transaction applicable to Security Assistance shipments.
<b><i>LEGACY</i></b> RECORD POSITION(S):	<b><i>35</i></b>
<b><i>DLMS SEGMENT/QUALIFIER:</i></b>	<b><i>LQ Segment, LQ01 Qualifier 67</i></b>

#### AP7.19.1. GRANT AID

CODE	EXPLANATION
1	Grant Aid rendered under the authority of the <del>Federal Aviation Administration</del> <b><i>Foreign Assistance Act</i></b> (FAA) of 1961 for which the United States receives no reimbursement.
A	Grant transfers of Excess Defense Articles provided under the authority of the FAA of 1961 for which the United States receives no reimbursement for the value of the materiel.
C	Presidential determination to order defense articles from stock and performance of defense services to satisfy Grant Aid requirements with reimbursement from subsequent military assistance appropriations. (Section 506 of the FAA of 1961.) All requests for Working Capital Fund activities (to include transportation), shall include a funding source to allow Defense Working Capital Fund (DWCF) activities to be reimbursed by the military departments; orders will not be accepted without a funding source. (DoD FMR 7000.14R, <b><i>Volumes</i></b> 12, <del>paragraph 230502</del> and <del>Vol 11 B, paragraph 110106.A.</del>

CODE	EXPLANATION
D	Military Assistance Service Funded (MASF). Grant Aid programs transferred to the DoD budget, which were not controlled and implemented through the Grant Aid documentation and automatic data processing (ADP) system.
H	Grant Aid share of cost sharing agreements.
K	Grant Aid-owned assets obtained through barter arrangements with Federal Republic of Germany (used in conjunction with Supply Source Code B only).
L	Grant Aid provided through the NATO Hawk Production and Logistics Office (NHPLO) for maintenance support of Hawk Missile system (use in conjunction with Supply Source Code N only).
P	Grant Aid programs transferred to the DoD budget which were controlled and implemented through the Grant Aid documentation and ADP system.
R	Grant Aid of U.S. recovered materiel resulting from liquidation of NATO Maintenance and Supply Agency ( <b>NAMSA</b> ) excess stockage.
S	Assigned to all records in the <del>Republic</del> <b>Republic</b> of Korea (ROK) Equipment Transfer program authorized by Public Law 95-384 at no charge to Grant Aid. This code is also assigned to all <b>PY71</b> update and <b>PY72</b> equipment transferred to the ROK under Public law 91-652 at no cost to Grant Aid. This code is also assigned to ammunition transferred to the Royal Thai Government from Army foreign military sales (FMS) Case UEB. Transfer at no cost to Grant <b>Aid</b> was authorized by Section 24, Public Law 96-92.

AP7.19.1.1. Type of assistance Codes used in other than Grant Aid transactions:

CODE	EXPLANATION
F	Training provided as a part of an FMS case. This data is maintained in the DSAA Grant Aid <b>database</b> purely as a service to assist the <b>military department</b> in accounting for students and/or spaces provided under FMS. Not used for <b>requisitioning</b> . <b>MILSTRIP</b>

AP7.19.2. FOREIGN MILITARY SALES. Terms of sale and accompanying type of assistance codes indicate the statutory authority for a foreign military sale; the time of payment for the sale; whether the sale is to be from DoD stocks or procurement; and whether the sale is to be financed on a cash or credit basis. The implementing agency enters the appropriate Terms of Sale and accompanying type of assistance codes in the "Terms" block of the letter of offer. The implementing agency uses type of assistance code for ~~MILSTRIP~~ requisitioning purposes. The following codes and definitions have been extracted from [DSCA 5105.38-M](#), Security Assistance Management Manual (SAMM), ~~for the convenience of MILSTRIP participants~~. A more complete definition of the codes shown below may be found in the SAMM.

CODE	EXPLANATION
3	Cash sale from Stock with Payment in Advance. This code applies to cash payments in advance of delivery and/or performance for a foreign military sale which the Implementing Agency determines at the time of the offer will be from DoD stocks.
4	Source of Supply Not Predetermined with Payment in Advance. This code applies to cash payment for a foreign military sale for which the Implementing Agency has not yet determined, at the time of the offer, the extent to which the supply source will be DoD stocks or procurement.
5	Cash Sale from Procurement with Payment in Advance. This code applies to cash payment in advance of delivery and/or performance for a foreign military sale which the Implementing Agency determines at the time of the offer will be from DoD procurement.
6	Cash Sale from Stock with Payment on Delivery. This code applies to cash payment upon delivery of defense articles or initiation of performance of defense services which the implementing Agency determines at the time of offer will be from DoD stocks.
7	Cash sale from Procurement with 120-Day Payment. This code applies to cash payment 120 days after delivery of articles or commencement of performance of services for a foreign military sale, which the implementing Agency determines at the time of the offer, will be from DoD procurement.
8	Cash sale from Stock with 120-Day payment. This code applies to cash Payment 120 days after delivery of articles or commencement of performance of services for a foreign military sale which the Implementing Agency determines at the time of the offer will be from DoD stocks.

CODE	EXPLANATION
M	Grant Aid Merger. The Grant Aid, established under the mutual Defense Assistance Act of 1949, originally provided for the loan or grant of military equipment, materials, and services (including training) to eligible nations. Since <b>FY82</b> , the authority of Section 503(a)(3) of the FAA of 1961 has been used to merge Grant Aid funds with recipient countries funds and/or with FMS financing credit in the FMS Trust Fund, to make adequate funds available to finance the country's FMS cases. In addition, since FY06, other authorized granting of US appropriations for use for FMS.
N	Section 23 or 24 Arms Export Control Act (AECA) FMS, Credit (Non-Repayable). <b><i>Applies to FMS cases financed with foreign military financing (FMF) that is provided as a grant and does not need to be repaid.</i></b>
U	FMSO No. 1. This code applies to cash payment for a Foreign Military Sales Order (FMSO) No. 1 Supply Support Arrangement (SSA). The purchasing government buys equity in a specified dollar amount of DoD stocks. DoD maintains that portion of its stocks for eventual delivery to the purchasing government under a FMSO No. 2 requisition agreement.
V	FMSO No. 2. This code applies to cash payment for a FMSO No. 2 SSA, which permits the purchaser to submit requisitions for common repair parts and secondary items in the DoD stocks of which the purchaser has bought an equity under <b>an</b> FMSO No. 1 agreement. The use of this code requires the input of Cooperative Logistics Program Support Code (CLPSC) 1 or 2 (Appendix 7.22) in <b><i>legacy record position 72 (DLMS LQ Segment, LQ01 Qualifier 89)</i></b> of Cooperative Logistics Supply Support Arrangement (CLSSA) requisitions and passing orders by <del>the</del> applicable International Logistics Control Office (ILCO).
Y	<b><i>Section 24, AECA, FMF Loan Guarantee. Applies to FMS cases where a foreign partner secures a third-party loan that is guaranteed with FMF.</i></b>
Z	Section 23, AECA, FMS Credit. <b><i>Applies to FMS cases financed with FMF that is provided to the foreign partner as a loan that the partner must subsequently repay.</i></b>

## Enclosure 2

### ADC 1482 Comment Matrix

Component Input			Action Officer Response		
Org	Comment	Recommended Change	Commentor	Accept or Reject	DEDSO Notes
DLA	Concur with comments	The new code cannot be implemented until DLA's systems are updated.	Brian Anderson	N/A	No changes required based on comments provided.
DAAS	Concur without comments				As noted.
Army	No response/Concur				As noted.
Marine Corps	Concur without comments				As noted.
Air Force	No response/Concur				As noted.
Navy	My Component has no comment on this issuance				As noted.
USTRANSCOM	Concur without comment				As noted.
USSOCOM	No response/Concur				As noted.
DSCA	No response/Concur				As noted.
GSA	No response/Concur				As noted.
FAA	No response/Concur				As noted.