



AD-A272 484



September 8, 1981
NUMBER 7360.11

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Department of Defense Directive

SUBJECT: Use of Foreign Currencies

- References:
- (a) DoD Directive 5100.29, "Use of United States-Owned Foreign Currencies for Payment of Contracts in Foreign Countries," February 9, 1968 (heretly canceled)
 - (b) DoD Instruction 7360.9, "Procedures for Use of Foreign Currencies," September 8, 1981
 - (c) Defense Acquisition Regulation
 - (d) Public Law 83-480, Agricultural Trade Development and Assistance Act of 1954, as amended
 - (e) through (q), see enclosure 1

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A. PURPOSE

This Directive replaces reference (a), updates, and clarifies DoD policies on the use of foreign currencies. Procedures for use of foreign currencies are prescribed in reference (b).

B. APPLICABILITY

1. The provisions of this Directive apply to the Office of the Secretary of Defense, the Military Departments, the Organization of the Joint Chiefs of Staff, the Unified and Specified Commands, and the Defense Agencies (hereafter referred to as "DoD Components").

2. Its provisions also apply to all DoD Disbursing Officers who acquire, maintain custody of, use, and dispose of foreign currencies, whether or not acquired from U.S. Government sources.

C. DEFINITIONS

Terms used in this Directive are defined in enclosure 2.

D. POLICY

1. General

a. The provisions of this Directive should not be interpreted as prescribing procurement policy. The procurement policies and procedures necessary to implement this Directive are promulgated in the Defense Acquisition Regulation (reference (c)). The provisions of this Directive will be implemented to the extent they are not in conflict with laws and regulations of host countries, status of forces agreements, or other intergovernmental agreements.

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b. The Treasury Department has determined that the supplies of U.S.-owned foreign currencies indigenous to the countries listed in DoD Instruction 7360.9 (reference (b)) are excess or near-excess to anticipated requirements for the specified fiscal years. Authorized uses of the currencies depend upon the terms of individual agreements signed with each foreign government under P.L. 83-480, as amended (reference (d)), and other acts of Congress as referenced in this Directive.

c. Excess and near-excess currencies may be used in making payments from any appropriated or nonappropriated funds available to the Department of Defense. Such currencies must be purchased and, when disbursed, recorded as expenditures to appropriated or nonappropriated funds. Additional fund requirements resulting from the implementation of these policies shall be financed from funds made available to the DoD Components.

d. Subject to any constraints contained in monetary laws, customs, or regulations enacted by foreign governments or the U.S. Government, all obligations incurred for DoD programs, projects, and activities in a foreign country shall be paid with U.S.-owned foreign currencies, whenever feasible. DoD programs, projects, and activities in excess currency countries are to be funded either in full or in part in the currencies of those countries.

e. Special foreign currency programs authorized by P.L. 90-96 (reference (e)) and DoD 7110.1-M (reference (f)) shall be developed in accordance with DoD Instruction 7360.9 (reference (b)) in order to make effective use of excess currencies held by the Treasury Department.

2. Acquisition of Foreign Currencies

a. DoD Disbursing Officers responsible for the acquisition, custody, and use of foreign currencies shall use U.S.-owned foreign currencies before additional currency acquisitions are made from non-U.S. sources.

b. The accumulation of foreign currencies in official accounts shall be limited to minimum requirements determined primarily by accessibility to the foreign currency source as set forth in subsection E.1., DoD Instruction 7360.9 (reference (b)).

3. Use of Foreign Currencies in International Procurement

a. To reduce exchange risks for the United States in international programs, DoD Components shall take steps to provide for (1) a larger portion of program expenditures in the United States; or (2) more dollar denomination of the financial arrangements. Dollar denomination is the preferred option in terms of minimizing exchange risk.

b. Exchange risk also may be reduced through use of a multiple currency unit of account that includes the dollar, such as Special Drawing Rights (SDRs). Proposals for such use may be considered by the Assistant Secretary of Defense (Comptroller), in consultation with the Treasury Department, if the alternative is denomination in a foreign currency. In comparison with use of a single foreign currency, use of a multiple currency

unit of account tends to reduce exchange risk for the United States by sharing the risk while dollar denomination eliminates the risk entirely.

4. Use of Foreign Currencies for Salaries, Allowances, Per Diem, and Related Costs

a. Basic pay, special and incentive pays as authorized under 37 U.S.C., (reference (g)), and basic allowances for subsistence and quarters authorized for military personnel are expressed in dollars by statute and shall be paid in U.S. dollars or in Military Payment Certificates under DoD Instruction 7360.5 (reference (h)), as appropriate, when such personnel is stationed in overseas areas.

b. Salaries and differentials paid to U.S. citizen civilian personnel located overseas in fulfillment of U.S. contractual or statutory obligations that are expressed in dollars shall be paid in U.S. dollars or in Military Payment Certificates, as appropriate.

c. When military personnel or DoD civilian employees are due allowances that are authorized to meet expenditures peculiar to assignment in an excess and near-excess currency country (overseas station and cost-of-living allowances), they shall be paid in local currency obtained by the DoD disbursing officer from the U.S. Treasury disbursing officer, except when:

(1) The U.S. Treasury disbursing officer does not have local currency available for this purpose;

(2) The allowance is for an expenditure that the individual is required to make in U.S. dollars;

(3) Payment is for allowances due at time of separation from assignment; or

(4) Prior approval has been obtained (through the chief of the U.S. diplomatic mission) to pay such allowances in U.S. dollars.

d. In certain overseas areas, U.S. embassies may provide administrative services (including payments of pay and allowances) for all U.S. personnel assigned within the area serviced by the U.S. embassy. When DoD personnel receive pay and allowances via a U.S. embassy in foreign currencies in the same manner as all other U.S. personnel are paid, provisions of the U.S. Foreign Service Regulations¹ shall take precedence to policies contained in this Directive.

e. Funds advanced to DoD personnel, consultants, grantees, and others (whose travel to, through, or from excess currency countries is reimbursed by the Department of Defense for per diem, and related costs, including subsistence) shall be paid with U.S.-owned foreign currencies

¹ Copies available at all U.S. embassies.

whenever feasible. DoD personnel traveling on official business shall be advised to use the accommodation exchange services provided by the DoD disbursing offices (or U.S. disbursing offices) when purchasing local currency for their anticipated local expenditures.

f. DoD personnel shall use military banking facilities or other U.S. Government-authorized currency exchange outlets to exchange dollars for local currencies needed to liquidate personal obligations.

5. Use of Foreign Currencies for Transportation

a. Maximum use shall be made of U.S.-owned foreign currencies for transportation when certificated air carriers are available and willing to accept such currencies in payment for U.S. Government-financed commercial foreign air transportation of persons or property. Use of air carriers for U.S. Government-financed commercial foreign air transportation and the determination of their availability shall be in accordance with the provisions of DoD Directive 4500.9 (reference (i)).

b. Consistent with the provisions of Department of State Foreign Currency Bulletins (reference (j)), every effort shall be made to use U.S.-owned excess currencies for international transportation by certificated air carrier, without regard to origin or destination, even if such usage results in a greater cost to the appropriation or fund charged.

6. Accommodation Currency Exchange Services

a. DoD Disbursing Officers may provide accommodation exchange services to the extent deemed necessary by the Unified or DoD Component commanders, or their designees.

b. In countries served by military banking facilities (MBFs) under DoD contract, DoD disbursing officers providing accommodation exchange services shall acquire needed foreign currencies from the MBF and make those exchanges at the MBF accommodation rate.

c. In countries served by MBFs under DoD contract, nonappropriated fund activities, and Defense credit unions that desire and are authorized to provide accommodation exchange services shall (1) acquire foreign currency from the MBF at the MBF accommodation rate; and (2) sell it at a rate of exchange that is no more favorable to the customer than that available from the MBF.

d. The exchange of personal foreign currency holdings into U.S. dollars or dollar instruments by DoD disbursing officers shall be subject to the conditions set forth in Part 4, Section 9000, and Part 2, Section 3200, of the TFRM (reference (k)), and as restated in enclosure 5 to DoD Instruction 7360.9 (reference (b)).

E. RESPONSIBILITIES

1. The Assistant Secretary of Defense (Comptroller) shall develop, prescribe, and monitor all policies pertaining to DoD use of foreign currencies.

2. Heads of DoD Components shall:

a. As required by P.L. 96-436 and OMB Bulletins 66-1, -5, and -7 (references (1) and (m)), use excess and near-excess U.S.-owned foreign currency in payment of contracts in foreign countries; or if such use is not feasible, execute contract certifications, as specified in DoD Instruction 7360.9 (reference (b)).

b. Ensure that:

(1) Obligations under DoD programs, projects, and activities that can be funded with excess currencies be so liquidated, whenever feasible, according to criteria set forth in DoD Instruction 7360.9 (reference (b)), even though the cost to the appropriation or fund may not be the lowest in price.

(2) Use of dollars or foreign currencies, or both, for the payment of overseas contracts is authorized in accordance with criteria set forth in DoD Instruction 7360.9 (reference (b)).

(3) Contractors pay expenses, incurred in performance of contracts in U.S.-owned excess currency countries, in the currency of those countries and obtain such currencies solely from the servicing U.S. or DoD disbursing officer.

(4) Additional fund requirements that may result from implementation of the policies set forth above are financed from funds made available to those DoD Components executing the contracts.

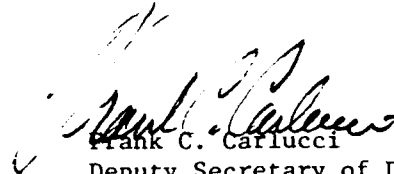
F. DELEGATION

Under the authority vested in the Secretary of Defense by P.L. 96-436 (reference (1)) and under the provisions of 10 U.S.C. 136, reference (n), the authority and responsibility for compliance with and making determinations of nonfeasibility under the provisions of DoD Instruction 7360.9 (reference (b)) are delegated to the Secretaries of the Military Departments, the Under Secretary of Defense for Research and Engineering, the Assistant Secretary of Defense (Comptroller), Directors of the Defense Agencies, and Director, Washington Headquarters Services. These designees may make further delegations of this authority.

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G. EFFECTIVE DATE AND IMPLEMENTATION

This Directive is effective immediately. Forward two copies of implementing documents to the Assistant Secretary of Defense (Comptroller) within 120 days.


Frank C. Carlucci
Deputy Secretary of Defense

Enclosures - 2

1. References
2. Definitions

REFERENCES, continued

- (e) Title 5, United States Code, Section 600, Public Law 90-96, "Special Foreign Currency Program," September 29, 1967
- (f) DoD 7110.1-M "Budget Guidance Manual," August 4, 1981, authorized by DoD Instruction 7110.1, "DoD Budget Guidance," October 30, 1980
- (g) Title 37, United States Code, Chapters 3 and 5
- (h) DoD Instruction 7360.5, "Military Payment Certificate System," June 14, 1977
- (i) DoD Directive 4500.9, "Transportation and Traffic Management," June 28, 1976
- (j) State Department Foreign Currency Bulletins 1 through 12, "Use of Foreign Currencies for Travel, Transportation, Per Diem, and Related Costs"
- (k) Treasury Fiscal Requirements Manual
- (l) Public Law 96-436, "Military Construction Appropriation Act, 1981," and subsequent enactments
- (m) OMB Bulletins 66-1, 66-5, and 66-7, "Excess and Near-Excess Foreign Currencies," July 2, 1965, February 28 and June 13, 1966
- (n) Title 10, United States Code, Section 136
- (o) DoD Instruction 1400.11, "Payments to Civilian Employees and Their Dependents During an Evacuation," February 8, 1980
- (p) Title 49, United States Code, Section 1371, "Federal Aviation Act of 1958"
- (q) Deputy Secretary of Defense memorandum, "Military Disbursing Office Activities," January 3, 1975 (hereby canceled)

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DEFINITIONS

1. Accommodation Exchange. The sale of foreign currencies in exchange for U.S. dollars or dollar instruments for the convenience of authorized personnel, or where permitted, the repurchase of foreign currencies in exchange for U.S. dollars or dollar instruments.
2. Authorized Personnel. All military and civilian personnel under the jurisdiction of the Department of Defense as well as authorized dependents either collocated with sponsors or located at safehaven areas during emergency evacuations (DoD Instruction 1400.11, reference (o)).
3. Certificated Air Carrier. A U.S. air carrier that has been issued a certificate of public convenience and necessity under the provisions of 49 U.S.C. 1371 (reference (p)).
4. Excess Foreign Currencies. U.S.-owned foreign currencies that the Treasury Department has determined to be in excess of probable requirements of the U.S. Government.
5. Near-Excess Currencies. U.S.-owned foreign currencies that the Treasury Department has determined to be above immediate needs but not sufficient to be declared excess.
6. Special Drawing Right (SDR). An international reserve asset created by the International Monetary Fund (IMF) to supplement the existing reserve assets of its member countries. The SDR is the IMF's unit of account and SDRs may be used by members in transactions with the IMF, other member countries, and other authorized holders. Since January 1, 1981, a basket of five currencies (the U.S. dollar, Deutschmark, French franc, Japanese yen, and Pound sterling) serves as the basis for determining both the valuation and the interest rate of the SDR.
7. U.S.-Owned Foreign Currency. Currency of a foreign country that is (a) owned by the United States; (b) determined excess or near-excess by the Treasury Department; (c) available in the country of issuance to pay obligations of the United States within that country; and (d) disbursed by the U.S. Treasury Disbursing Officer in the country concerned, either directly to the contractor or to a DoD disbursing officer, as appropriate.