

CASH MANAGEMENT POLICIES AND PROCEDURES HANDBOOK

CHAPTER 7. FOREIGN TRANSACTIONSSection 1.0 General

This chapter prescribes the Department of Commerce cash management policies and procedures relating to transactions with foreign countries and international organizations. These policies and procedures cover collections and deposits of funds from foreign sources, disbursements to payees in foreign countries, as well as the system of control over the use of excess and near-excess foreign currencies. Organization units should follow the principles and standards contained in this chapter when guidance is needed on foreign transactions.

Section 2.0 Policy

- a. Organization units will observe the following policies to ensure that the cost of foreign transactions are kept to a minimum:
 1. U.S. dollars are retained in the account of the Treasury as long as possible to minimize interest costs on the public debt;
 2. Interest on Federal funds will not be used to subsidize program activities; and
 3. Arrangements with foreign countries and international organizations will accommodate the financial policies and procedures of each participating country or organization to the maximum extent feasible.
- b. Specific guidelines are as follows:
 1. The preferred currency in all international financial arrangements is the U.S. dollar, except in those instances where the payee is located in a foreign country and the country is not listed by OMB as being an excess or near-excess foreign currency country ([I TFM 4-2075.40](#) and [6-8070.80](#)).
 2. Unless authorized by the Secretary of the Treasury, an organization unit's accountable officer shall not purchase or direct the purchase of foreign exchange from any source outside the U.S. Government, except when exchange for the purpose intended is not

CASH MANAGEMENT POLICIES AND PROCEDURES HANDBOOK

available for purchase from accounts maintained by the Treasury. In such event, purchases should be made from sources authorized by the Government of the country concerned in the manner stated in [ITFM 4-9050.30](#).

3. Organization units shall not withdraw dollars from the Treasury for placement with any program management organization before the funds are actually needed, as determined by the actual immediate funding requirements of the recipient organization to carry out the project.
4. To the maximum extent practical, each program should provide the flexibility required for each participating country or international organization to fund the program consistent with its fiscal needs and policy considerations. Monthly payments are the norm.
5. The share of funding from the United States required to support a program will be obtained by appropriation. No part of such funding will be derived from interest earned on contributions by the United States. Any interest earned shall be promptly deposited to Treasury Account 131499, Miscellaneous Interest Collections, Not Otherwise Classified.
6. Each request from a foreign country or international organization for the temporary deposit and safekeeping of dollars in trust in a Treasury account will be based on merit, the specific financial arrangements proposed, and relevant United States Government political and financial considerations.
7. Unless otherwise required by law, organization units shall not invest funds on behalf of a foreign country or international organization when the receipt of such funds would serve as the basis for creating contract obligational authority for a United States Government department or agency.
8. Application of these policies in negotiations with foreign countries and international organizations will not be compromised by organization unit administrative practices.

CASH MANAGEMENT POLICIES AND PROCEDURES HANDBOOK

Existing practices should be altered or revised when necessary to achieve the principles of the funding policy.

9. The Treasury Fiscal Assistant Secretary and the Treasury Assistant Secretary for International Affairs shall be immediately advised of negotiations on international programs and shall review the financial provisions of any pertinent Memorandum of Understanding agreement before it is signed.

Section 3.0 Authority

The provisions stated herein are based on Volume 1, Treasury Financial Manual (TFM), [Part 4-2075](#), [Part 5-6020](#), and [Part 6-8000](#); Office of Management and Budget (OMB) Circular A-20; and annual OMB Bulletins issued on the subject of excess and near-excess foreign currencies. For detailed procedures on handling foreign transactions refer to the references above.

Section 4.0 Transactions with Foreign Countries and International Organizations

.01 Types of Transactions Affected

This section reflects Departmental policies and procedures on the use of the U.S. Government funds in international programs which have a potential impact on Treasury interest costs and on foreign exchange. Included are transactions with foreign countries and international organizations involving such matters as procurement, co-production, grants, or others which require:

- a. The outlay of U.S. dollars or foreign currencies;
- b. The inflow of funds from foreign countries; or
- c. The exchange of U.S. dollars and foreign currencies.

.02 Treasury Contact Point

The Funds Flow Division at Treasury should be contacted early on any potential or pending negotiations which will involve matters discussed in this section. Exceptions to Treasury policies and guidelines will be granted only if a determination is reached that such exceptions would be advantageous to the U.S.

CASH MANAGEMENT POLICIES AND PROCEDURES HANDBOOK

Government. The Funds Flow Division may be reached on (202) 874-6890. The Director, Office of Financial Management, should be kept aware of any requested exceptions.

Section 5.0 Acquisition of Foreign Exchange

All organization units requiring a local currency operating account in a foreign country must formally request approval and designation of the financial institution from the Department of the Treasury.

If authorized by Treasury to hold foreign currency, organization units should avoid holding foreign currency in excess of immediate requirements ([I TFM 6-8070.25](#)). Purchases of foreign exchange should be made from financial institutions authorized by the Government of the country concerned in the manner stated in [I TFM 4-9050.30](#). When exchanging U.S. dollars for foreign currencies, organization units will apply the following guidelines:

- a. All exchange of dollars for foreign currencies shall be conducted for "spot" (normally the purchase of foreign currencies for delivery in two business days) delivery. No use of forward contracts or purchases at negotiated rates directly from foreign Governments or private contractors is permitted.
- b. U.S. dollars shall not be exchanged for foreign currencies until needed for immediate funding requirements.
- c. Foreign exchange transactions shall not give the appearance of currency speculation in the exchange markets.
- d. Any change in program costs resulting from the change in foreign currency denomination of international financial arrangements is the responsibility of the program agencies.
- e. Organization units desiring to reduce exchange risks for the United States in international programs should take steps to assure that:
 1. A larger portion of the program expenditures is made in the United States; or
 2. Additional financial arrangements are made in U.S. dollars.

CASH MANAGEMENT POLICIES AND PROCEDURES HANDBOOK

Section 6.0 Collections and Deposits of Foreign Currency and Foreign Bank Checks from Foreign Sources.01 Billings and Collections

The same cash management policy under [I TFM 6-8025, "Billings and Collections,"](#) is applicable to foreign exchange billings and collections. Should those guidelines prove to be limited because of geographic distances and international mailing delays, the organization unit may request a waiver according to [I TFM 6-8090](#).

.02 Deposits by Agencies within the U.S. of Foreign Bank Checks

The following procedures are to be followed when depositing checks drawn on foreign banks (foreign checks) into a domestic U.S. Treasury Account. They apply to organization units whose depositing officers are not authorized to deposit foreign checks directly into an overseas [Treasury General Account](#).

a. Place of Deposit

Foreign checks are to be deposited in Mellon Bank at the following address:

Mellon Bank
U.S. Treasury Foreign Collection Operations
P.O. Box 371782 M
Pittsburgh, Pennsylvania 15251

b. Minimum Check Amount

The following minimum check amounts will be observed in processing deposits through the Mellon Bank:

1. The minimum U.S. dollar amount or foreign currency equivalent of each Canadian bank check that Mellon Bank will accept for deposit is four (\$4) dollars U.S. currency.
2. The minimum U.S. dollar amount or foreign currency equivalent of all other foreign bank checks that Mellon Bank will accept is fifteen (\$15) dollars U.S. currency.
3. Organization units may increase the minimum check amount to reflect charges a deposit may incur.

CASH MANAGEMENT POLICIES AND PROCEDURES HANDBOOK

4. Mellon Bank will charge a two (\$2) dollar fee for any checks processed for deposit that is less than the minimum amount.

c. Foreign Clearance Charges

The following charges may be incurred by the depositor:

1. Returned items \$20 per item
2. Tracers \$5 per item
3. Minimum check deposit return
4. Exchange fees unknown
5. Subsequent collecting bank charge unknown

d. Responsibility

Organization units shall deposited all foreign checks with the appropriate deposit ticket(s) to the Mellon Bank.

e. Procedures for Deposit of Foreign Checks

1. Record all U.S. dollar foreign checks on a daily Deposit Ticket, SF 215, and transmitted with the checks to the depository. Use only one deposit ticket per day. Show the U.S. dollar amount on the deposit ticket, and complete as described in [I TFM 5-3020](#). The SF 215 will be dated after receipt at Mellon Bank. The confirmed copy will be returned immediately to the depositing organization unit.
2. Use a separate deposit ticket for depositing checks of each type of foreign currency that is sent to the depository. Complete the SF 215 as described in [I TFM 5-3020](#), except for the monetary amount which will be left blank. After collection, Mellon Bank will record the dollar amount on the corresponding SF 215, and return the dated confirmed copy to the depositing organization unit.
3. Deposit checks drawn on foreign banks in U.S. dollars, which are payable through a bank in the United States. Such checks will have an American Bankers' Association (ABA) routing and transit number in the upper right corner, and may be Magnetic Ink Character Recognition (MICR) encoded with the U.S. bank's routing symbol at

CASH MANAGEMENT POLICIES AND PROCEDURES HANDBOOK

the foot on the left side of the check. These checks will not be deposited with Mellon Bank. Such checks will be deposited under the procedures used for domestic U.S. dollar deposits.

4. Maintain a description of each check to permit duplication if a check is lost, destroyed, or mutilated. The information required for each check is as follows:
 - o Type and amount of currency;
 - o Name and address of drawer;
 - o Name and address of bank on which check is drawn;
 - o Date drawn;
 - o Name of person from whom received, if not the drawer;
and
 - o Number of check, including a cashier's check number, or similar item.

Additional record maintenance will not be needed if checks are microfilmed, or photo copied, or if records are maintained so as to provide identification through an audit trail.

f. Uncollected Checks and Collection Charges

1. Foreign checks that are returned for "insufficient funds" will be presented a second time for payment by Mellon Bank.
2. Other nonpayment checks will be charged against the Treasury's General Account after their first presentation.
3. Mellon Bank will mail a monthly tracer to the collection bank for any check that is not collected within thirty (30) days.
4. Any check that is uncollectible after one hundred twenty (120) days will be charged back to the depositor by Mellon Bank.

CASH MANAGEMENT POLICIES AND PROCEDURES HANDBOOK

5. The amount of checks returned as uncollectible, returned item fees, exchange fees, tracers, and/or any other subsequent collection charges incident to the collection of the foreign checks, assessed after the dollar credit has been given in Treasury's account, will be charged back to the depositor on a Debit Voucher, SF 5515. Copies of the SF 5515 will be forwarded to the depositor as prescribed in [ITFM-5-5020](#).

- g. Preferred Use of U.S. Dollar Checks

Explicit pricing by financial institutions makes foreign clearings more expensive. When possible, organization units should require payment in U.S. dollars with checks drawn on or payable through United States financial institutions located in the United States. If the U.S. dollar value of a check is less than the collections charge imposed, the form of payment should be reconsidered because the net proceeds will be negative.

- .03 Deposit of Foreign Currencies in the United States

- a. The organization unit will transmit foreign currency (bills and coins) by mail with an SF 215, Deposit Ticket, completed as described in [ITFM 5-3020](#). Only one type of foreign currency may be included on each deposit ticket. Address to: Chief, Paying and Receiving Division, Cash Department, Federal Reserve Bank of New York, 33 Liberty Street, New York, New York, 10045.
- b. A transmittal letter will contain (1) specific instructions to sell the enclosed currency and credit the dollar proceeds in the Treasury's General Account, and (2) a description of each currency, i.e., name of foreign country, medium of exchange, and foreign currency amount.
- c. The U.S. dollar amount on the accompanying deposit ticket(s) will be left blank. The Federal Reserve Bank of New York, after sale of the currency, will enter the amount of the net dollar proceeds on the deposit ticket, provide U.S. dollar credit in Treasury's account, and distribute the copies of the confirmed deposit ticket.

CASH MANAGEMENT POLICIES AND PROCEDURES HANDBOOK

.04 Deposit of Foreign Exchange Outside the United States

- a. Unless other deposit arrangements have been approved, all foreign exchange (checks, bills, and coins) collected by the organization unit office operating overseas will be delivered promptly to an accountable officer in a foreign service facility provided by the Department of State, i.e., U.S. Disbursing Officer or cashier, for credit to the Treasury. Exceptions to this requirement can only be authorized by the Secretary of the Treasury.
- b. The accountable officer must be advised of the source of the collections, the proper accounting classification, and any restrictions on their use.

Section 7.0 Disbursements to Payees in Foreign Countries.01 Disbursements

The cash management policies applicable to domestic disbursements is also applicable to foreign exchange disbursements ([I TFM 6-8040](#)). If such policies are contrary to the normal and customary practices of the country, the organization unit may request a waiver according to [I TFM 6-8090](#).

.02 Payments Scheduled in the United States

- a. Foreign currency payments may be accomplished by submitting an SF 1166, Voucher and Schedule of Payments (an original and three copies), to the Treasury regional financial center serving the organization unit. Such schedules are restricted to one type of foreign currency and must be submitted to Treasury twenty (20) days before the payment date. The date that the payment is due must be shown on the SF 1166. SF 1166 Optical Character Recognition (OCR) forms scheduled for foreign currency payments that are not received twenty (20) days before the payment date will be processed by Treasury regional financial centers within a normal 24-hour timeframe. This could possibly result in the organization unit's loss of cash discounts.
- b. If payment to a payee in a foreign country is to be made in U.S. dollars, and the payee is not in a restricted currency country or in an excess or near-excess foreign currency country, the SF 1166 will be scheduled for payment in U.S. dollars. The form should be submitted to a Treasury regional financial center in the same manner used for domestic U.S. dollar payments.
- c. Payments should be scheduled in the currency billed unless the payment is for a payee in a restricted currency country (see [I TFM 4-2085](#)) or for a U.S.

CASH MANAGEMENT POLICIES AND PROCEDURES HANDBOOK

dollar payment in an excess or near-excess foreign currency country. Note: affected organization units will be notified by Treasury of restricted currencies. Information on the scheduling of foreign currency payments is provided in [ITFM 4-2075](#). Organization units should determine in advance from foreign vendors if payment may be made in the local currency before scheduling payments. This determination is necessary because some countries prohibit local exporters from receiving or accepting payment in local currency for items to be exported.

- d. If the invoice or enclosure allows payment in either U.S. dollars or foreign currency, and the payee is not located in a restricted currency or in an excess or near-excess foreign currency country, the SF 1166 will be scheduled for payment in U.S. dollars.
- e. If the invoice or enclosure indicates payment in U.S. dollars to a payee located in a foreign country and the country is identified as an excess or near-excess foreign currency country, the SF 1166 OCR will be scheduled for payment in foreign currency. If there is reason for payment in U.S. dollars, the authorized certifying officer must specify that the SF 1166 OCR be paid in U.S. dollars.

.03 Payments Scheduled Overseas

- a. Seldom would Commerce organization units need disbursing authority in foreign countries because of the availability of foreign disbursing facilities provided by the Department of State. However, if the need exists, Commerce organization units can have their own disbursing activities by a delegation of authority from Treasury's Chief Disbursing Officer.
- b. For overseas payments, an organization unit may use a foreign disbursing facility provided by the Department of State for payments in connection with the organization unit's operation located overseas.

CASH MANAGEMENT POLICIES AND PROCEDURES HANDBOOK

Payment may be made in U.S. dollars or foreign currencies. The Department of State may levy charges to cover salaries and other expenses in providing this service on a regular basis. United States Disbursing Officers may also process collections for bureaus. To arrange such services write to:

Management/Comptroller
Office of Financial Operations
Department of State
Washington, DC 20520

The Department of State has been delegated the authority to certify payments for bureau offices operating overseas. (See Department of State, [Volume 4, Foreign Affairs Manual, Section 038.2.](#))

- c. Foreign currency payments scheduled or accomplished and collections processed by a United States Disbursing Officer overseas will be acknowledged on an SF 1221, Statement of Transactions According to Appropriation, Funds, and Receipt Accounts (Foreign Service Account). The statement will be forwarded by the disbursing officer to the central accounting office of the appropriate organization unit. The disbursements will be accompanied by a copy of the SF 1166, documentation supporting payments, and check-issue number information (or by documentation supporting collections). Organization units will not include such SF 1166 payments or collections on its monthly Statement of Transactions, SF 224, sent to Treasury.

Section 8.0 System of Control Over the Use of Foreign Currencies

.01 Use of Treasury Held Foreign Currencies

The Treasury holds excess and near-excess supplies of certain foreign currencies. These supplies should generally be used before purchasing additional supplies through the exchange of U.S. dollars. Annually, the Treasury determines if its supply of certain available United States-owned currencies is in excess (more than a two (2)-year supply) or near-excess (sufficient for immediate needs) of probable requirements of the United States for the coming year. The list of such currencies is announced by an OMB bulletin.

CASH MANAGEMENT POLICIES AND PROCEDURES HANDBOOK

.02 Applicability

Organization unit personnel who manage programs that may use excess or near-excess foreign currencies in any way, or who travel to or through any of the countries named by OMB, should be made aware that the system of control over the use of foreign currencies imposes certain responsibilities that may influence their activities.

.03 System of Control

The system of control over the use of excess or near-excess foreign currencies is outlined in OMB Circular A-20. Important elements of the system are described below and should be shared with appropriate employees involved in overseas activities of the Department, including persons who occasionally have temporary duty travel overseas.

- a. Efforts should be made to ensure that any obligations incurred in excess and near-excess foreign currency countries are made payable in the currencies of those countries rather than in U.S. dollars. This is true even though U.S. dollar appropriations are charged for the payment, unless such use would be contrary to an international agreement. Organization units should consult with the Funds Flow Division, Department of the Treasury, (202) 874-6890, in cases where the use of Treasury held excess or near-excess foreign currencies would result in materially increased charges to U.S. dollar appropriations because of Treasury's selling (exchange) rate, as compared with the direct expenditure of dollars.
- b. Contractual obligations with U.S. contractors doing business overseas are subject to these policies. When such a contractor may be expected to require the use of such currencies for necessary expenses in excess or near-excess foreign currency countries, insert a provision in the applicable contract(s) requiring that:
 1. U.S. dollars not be expended in those countries; and
 2. Foreign currency required to carry out the contract be obtained solely through a United States Disbursing Officer at a United States Embassy.

CASH MANAGEMENT POLICIES AND PROCEDURES HANDBOOK

- c. Allowances payable to employees or others sponsored by an organization unit, and who are located in excess or near-excess currency countries, should be paid in the currency of that country.
- d. Department personnel are to use United States Government accommodations exchange facilities overseas, i.e., United States Disbursing Officers or cashiers at United States Embassies to the maximum extent possible when obtaining local currency for their personal needs while residing or traveling in excess or near-excess foreign currency countries.
- e. When feasible, transportation and travel expenses of individuals traveling within excess or near-excess foreign currency countries paid or reimbursed from organization unit funds should be paid in the currencies of the countries. This applies to employees and/or non-employees, whether on temporary duty travel, invitational travel, or assignment in one of the excess or near-excess foreign currency countries.
- f. The Department of State issues a Foreign Currency Bulletin which provides information on procedures for making payments in foreign currencies for the transportation of persons and things. The Bulletin also covers the use of personal funds, including per diem, while in designated excess and near-excess foreign currency countries.

.04 Obtaining Advice and Assistance

Advice and assistance on foreign currencies is available overseas at United States Embassies, or in the U.S. Department of State, Office of Banking and Foreign Currency, Washington, D.C. 20520, (703) 875-5616.