



AD-A269 364 INSTRUCTION



Department of Defense

C, DoD
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July 26, 1989
NUMBER 1000.12

C, DoD

SUBJECT: Procedures Governing Banking Offices on DoD Installations

- References:
- (a) DoD Instruction 1000.12, subject as above, February 3, 1986 (hereby canceled)
 - (b) DoD Directive 1000.11, "Financial Institutions on DoD Installations," July 26, 1989
 - (c) Federal Acquisition Regulation
 - (d) DoD Directive 5530.3, "International Agreements," June 11, 1987
 - (e) through (y), see enclosure 1

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A. REISSUANCE AND PURPOSE

This Instruction reissues reference (a) and provides procedural guidance to supplement reference (b) concerning relations with banking offices serving on DoD installations.

B. APPLICABILITY AND SCOPE

This Instruction applies to:

1. The Office of the Secretary of Defense (OSD), the Military Departments, the Joint Chiefs of Staff (JCS), the Joint Staff and supporting Joint Agencies, the Unified and Specified Commands, the Inspector General of the Department of Defense (IG, DoD), the Uniformed Services University of the Health Sciences (USUHS), the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as "DoD Components").

2. All banking institutions and military exchange outlets that operate on DoD installations.

C. DEFINITIONS

Terms used in this Instruction are defined in enclosure 2 of reference (b).

D. RESPONSIBILITIES

1. The Comptroller of the Department of Defense (C, DoD), or designee, the Deputy Comptroller (Management Systems) (DC(MS)), shall:

a. Coordinate the DoD domestic and overseas banking programs, consulting on aspects that pertain to the morale and welfare of DoD personnel with the Assistant Secretary of Defense (Force Management and Personnel) (ASD(FM&P)).

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b. In coordination with affected DoD Components, authorize the specific types of banking services that will be provided by overseas banking facilities and specify the charges or fees, or the basis for these, to be levied on users of these services.

c. Coordinate with the Fiscal Assistant Secretary of the Treasury on the designation of domestic and overseas banking facilities as depositories and financial agents of the U.S. Government.

d. Maintain liaison, as necessary, with Federal and equivalent State bank regulatory agencies as defined in enclosure 2 of DoD Directive 1000.11 (reference (b)).

e. Designate a technical representative to provide policy direction for the procuring and administrative contracting officer(s) responsible under the Federal Acquisition Regulation (FAR) (reference (c)) for acquiring banking services required at overseas DoD installations.

f. Serve as principal liaison with banking institutions having offices on overseas DoD installations. In this capacity, monitor banking facility managerial and operational policies, procedures, and operating results and take action as appropriate.

g. Coordinate on DoD Component actions that contemplate a banking institution's removal for cause from an installation before final decision and referral to the appropriate regulatory agency.

h. As necessary, negotiate government-to-government agreements for the provision of banking services on overseas DoD installations, in accordance with DoD Directive 5530.3 (reference (d)).

i. Take final action on requests for exception to this Instruction.

2. The Assistant Secretary of Defense (Production and Logistics) (ASD(P&L)) shall carry out responsibilities outlined in subsection F.2. of reference (b).

3. The Assistant Secretary of Defense (Force Management and Personnel) (ASD(FM&P)) shall carry out responsibilities outlined in subsection F.3. of reference (b).

4. The Secretaries of the Military Departments and Directors of Defense Agencies shall:

a. Prescribe procedures for soliciting banking institutions to establish banking offices on respective domestic DoD installations. Such procedures shall prohibit DoD personnel from subjecting banking institutions to any form of coercion either while banking arrangements are under consideration or after banking offices are established.

b. Review proposals to establish banking offices on respective domestic DoD installations, select the banking institution making the best offer, and recommend designation of that institution to the appropriate regulatory agency.

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c. Forward proposals to establish banking facilities to the DC(MS) for determination in conjunction with the Fiscal Assistant Secretary of the Treasury.

d. Provide for liaison to banking institutions operating banking offices on respective domestic DoD installations.

e. Supervise the use of banking offices on respective DoD installations within the guidance contained in this Instruction and in DoD Directive 1000.11 (reference (b)).

f. Evaluate the services provided by banking offices to ensure that they fulfill the requirements upon which establishment and retention of those services were justified.

g. Monitor practices and procedures of respective on-base banking offices to ensure that the welfare and interests of DoD personnel as consumers are protected.

h. Assist respective on-base banking offices in developing and expanding necessary services for DoD personnel consistent with this Instruction.

i. Determine the level of logistic support to be provided to respective domestic banking institutions that submit reports reflecting nonself-sustaining status.

j. Encourage the conversion of existing domestic banking facilities on respective installations to independent or branch bank status where feasible.

k. Provide logistic support to overseas banking facilities under terms and conditions identified in respective contracts.

l. Ensure that the recommendations of the Unified or Specified Command concerned are considered before processing requests for overseas banking service or related actions emanating from Component commands overseas.

m. Refer matters requiring policy decisions or proposed changes to this Instruction or reference (b) to the DC(MS).

5. The Commanders of Unified and Specified Commands, or designees, shall:

a. Ensure the appropriate coordination of requests to:

(1) Establish banking offices in countries not presently served. Such requests shall include a statement that the requirement has been coordinated with the U.S. Chief of Diplomatic Mission or U.S. Embassy and that the host country will permit the operation.

(2) Totally eliminate banking offices in a country. Such requests shall include a statement that the U.S. Chief of Diplomatic Mission has been informed and that appropriate arrangements to coordinate local termination announcements and procedures have been made with the U.S. Embassy.

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b. Monitor and coordinate military banking operations within the command area. Personnel assigned to security assistance positions shall not perform this function without the prior approval of the Director, Defense Security Assistance Agency (DSAA).

E. GENERAL OPERATING POLICIES AND PROCEDURES

1. Limitation on Service

Under singular circumstances, more than one banking institution may be permitted to operate on a DoD installation to ensure that personnel on the installation receive adequate financial services.

a. If a particular installation demonstrably needs more services, the existing banking office shall first be given the opportunity to meet those needs.

b. When conditions warrant consideration of a second banking institution on the installation, a request providing full details shall be forwarded through channels to the DoD Component headquarters concerned for evaluation and appropriate action. All interested institutions near the installation that are insured by the Federal Deposit Insurance Corporation (FDIC) or Federal Savings and Loan Insurance Corporation (FSLIC) should be given the opportunity to offer a proposal. After coordination with the DC(MS), the Head of the DoD Component or designee may select an institution and notify the appropriate regulatory agency.

2. Uniformity of Service

Financial services provided on DoD installations shall be as uniform as possible for all DoD personnel. Similarly, service charges and fee schedules shall, wherever possible, be uniform at overseas DoD installations.

3. Establishing Banking Offices

a. Banking offices on domestic DoD installations shall be established only with prior approval of the DoD Component concerned and the appropriate regulatory agency. Specific procedures are identified in enclosure 2. No commitment may be made to any banking institution regarding its proposal until a designation is made by the appropriate regulatory agency.

b. Only banking institutions insured by the FDIC or the FSLIC shall operate on domestic DoD installations.

c. Except under singular circumstances, DoD Components may establish banking facilities only overseas and in those States that prohibit branch banking.

d. Where domestic DoD installations are unable to obtain on-base banking services, the DoD Component concerned may contact the financial community about installing automated teller machines (ATMs).

(1) Proposals that offer shared-access ATMs shall receive preference.

(2) The financial institution selected must secure regulatory agency approval, where necessary, before commencing ATM service.

(3) Action taken in response to such proposals shall be exempt from the limitation in subsection E.1., above. The availability of ATM service shall not prevent the later establishment of a banking office if conditions on an installation should change.

e. The provision of banking services by means other than duly chartered public sector banking offices or ATM service is subject to prior review and approval by the DC(MS).

4. Operating Agreements. An operating agreement, conforming to the guidelines set forth herein, shall be executed and maintained between each installation (community) commander and on-base banking institution. A sample format is contained in DoD 4000.19-R (reference (e)). At a minimum, each agreement shall include the following provisions:

a. Services to be rendered and the conditions therefor. To the extent feasible, full financial services shall be provided; however, agreements entered into under this provision may not restrict the banking institution's right to adjust services and fees to maintain consistency with competing institutions or the banking institution's branch-wide service offerings and fee schedules.

b. Banking institution agreement to:

(1) Comply with this Instruction, DoD Directive 1000.11 (reference (b)), and DoD Component regulations that implement these issuances.

(2) Indemnify and hold harmless the U.S. Government from (and against) any loss, expense, claim, or demand to which the Government may be subjected as a result of death, loss, destruction, or damage in conjunction with the use and occupancy of premises of the DoD Component caused in whole or in part by agents or employees of the banking institution.

(3) Accommodate, whenever possible, local command requests for lecturers and printed materials for consumer credit education programs. Banking office personnel invited to participate in such programs shall not use the occasion to promote the exclusive services of a particular financial institution.

c. Agreement that neither the DoD Component concerned nor its representatives shall be responsible or liable for the financial operation of the banking office or for any loss (including criminal losses), expense, or claim for damages arising from banking office operation.

d. Installation (community) commander's agreement to provide support as specified in enclosure 2.

5. Liaison Officers. In the interest of maintaining effective lines of communication, each commander of an installation with an on-base banking office shall appoint a bank liaison officer as defined in enclosure 2 of DoD Directive 1000.11 (reference (b)).

a. The bank liaison officer's name and duty telephone number shall be displayed in the lobby of each on-base banking office.

b. The liaison officer shall maintain regular contact with the banking office manager to confer, help resolve customer complaints, and discuss quantitative and qualitative improvements in the services provided. However, neither liaison officers nor their superiors shall become involved in the internal operations of the banking office.

c. No one on the board of directors or serving the banking institution in another official capacity may serve as bank or credit union liaison officer.

6. DoD Personnel as Directors of Banking Institutions

a. DoD personnel may not serve as directors of banking institutions that operate on installations where they are currently assigned.

b. Members of DoD Reserve components called to active duty while serving as directors of banking institutions with on-base banking offices need not resign those directorships because of their changed status.

7. Complaints Processing

a. Discrimination. Any installation commander who suspects discrimination or receives complaints of discrimination by the on-base banking institution shall try to resolve any such problem by negotiation. Failing this, in accordance with implementing DoD Component regulations, a written request for investigation shall be forwarded to the appropriate regulatory agency. The request must document the problem and command efforts toward resolution. Information copies of all related correspondence shall be sent through channels to the DoD Component concerned for transmittal to the DC(MS).

b. Malpractice. The installation commander shall report to the appropriate regulatory agency evidence suggesting malpractice by banking office personnel, in accordance with implementing DoD Component regulations.

c. Followup. A DoD Component unsatisfied with action taken by the appropriate regulatory agency shall submit a full report with recommendations to the DC(MS). The DC(MS) shall pursue the matter with the appropriate regulatory agency and apprise the respective DoD Component of progress or resolution.

8. Logistic Support

a. Categories of Domestic Banking Offices. For the purpose of authorizing logistic support, banking offices are categorized either as self-sustaining or nonself-sustaining.

(1) A domestic banking office is considered to be self-sustaining until, based upon financial data provided by the banking institution, the DoD Component concerned determines it to be nonself-sustaining. Payment of rent for space and reimbursement for utilities furnished shall be required from self-sustaining banking offices. Nonself-sustaining banking offices may receive building space and utilities free of charge under procedures prescribed by the DoD Component concerned.

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(2) Normally, a domestic banking office shall have nonself-sustaining status for at least 4 consecutive calendar quarters before qualifying for logistic support. Conversely, a nonself-sustaining banking office would not be designated as self-sustaining until it had experienced 4 consecutive quarters of profitable operation.

b. Detailed Procedures. Details of required and authorized support for on-base banking offices are provided in enclosure 2.

9. Termination of Banking Service

a. Termination of Operations by the Banking Institution. An on-base banking office planning to terminate its operations should notify the installation commander at least 90 days before the closing date. This notification should precede any public announcement of the planned closure. When appropriate, the commander shall attempt to negotiate an agreement permitting the banking office to continue operations until the installation has made other arrangements. Immediately upon notification of a closing, the commander shall advise the DoD Component headquarters concerned. If it is determined that continuation of banking services is justified, action to establish another banking office shall be taken in accordance with subsection E.3., above.

b. Termination for Cause. Installation commanders should ensure that on-base banks are providing services in the best interest of DoD personnel. If, after discussion with banking institution officials, the installation commander determines that the operating policies of the banking office are inconsistent with this Instruction, a recommendation for termination of logistic support and space arrangements may be made through DoD Component channels. Removal of a banking office from the installation shall be made only with approval by the DoD Component headquarters, after coordination with the DC(MS) and the appropriate regulatory agency.

F. EFFECTIVE DATE AND IMPLEMENTATION

This Instruction is effective immediately. Forward two copies of implementing documents to the Comptroller of the Department of Defense within 120 days.



Sean O'Keefe
Comptroller of the
Department of Defense

Enclosures - 3

1. References
2. Procedures for Establishing, Supporting and Terminating On-base Banking Offices
3. Operation of On-base Banking Offices

REFERENCES, continued

- (e) DoD 4000.19-R, "Defense Regional Interservice Support (DRIS) Regulation," March 1984, authorized by DoD Directive 4000.19, October 14, 1980
- (f) DoD 4165.63-M, "DoD Housing Management," June 1988, authorized by DoD Instruction 4165.63, July 20, 1989
- (g) DoD Directive 1344.9, "Indebtedness of Military Personnel," May 7, 1979
- (h) DoD Directive 4165.6, "Real Property Acquisition, Management and Disposal," September 1, 1987
- (i) Military Handbook (MIL-HDBK)-1190, "Facility Planning and Design Guide," September 1, 1987
- (j) Public Law 92-313, "Public Building Amendments of 1972," June 16, 1972
- (k) DoD Directive 4270.24, "Unspecified Minor Construction, Emergency Construction, and Restoration or Replacement of Damaged or Destroyed Facilities," March 21, 1983
- (l) Title 10, United States Code, Section 2667
- (m) DoD Instruction 4165.64, "DoD Real Property Maintenance Activities Program," May 23, 1985
- (n) DoD Directive 4525.6, "Single Manager for Military Postal Service," May 5, 1980
- (o) DoD Directive 4000.6, "Policy on Logistical Support of United States Nongovernmental, Nonmilitary Agencies and Individuals in Overseas Military Commands," January 23, 1976
- (p) DoD Instruction 7700.18, "Nonappropriated- and Privately-Funded Construction Projects - Review and Reporting Procedures," May 12, 1983
- (q) DoD Directive 1440.1, "The DoD Civilian Equal Employment Opportunity (EEO) Program," May 21, 1987
- (r) DoD Directive 7330.1, "Voluntary Military Pay Allotments," January 14, 1986
- (s) DoD Directive 1418.4, "Civilian Pay Allotments," March 16, 1979
- (t) DoD Directive 1344.7, "Personal Commercial Solicitation on DoD Installations," February 13, 1986
- (u) DoD Instruction 5120.4, "DoD Newspapers and Civilian Enterprise Publications," November 14, 1984
- (v) DoD Directive 5120.43, "Department of Defense Periodicals," April 8, 1977
- (w) DoD Directive 5120.20, "American Forces Radio and Television Service," December 23, 1980
- (x) DoD Directive 7360.11, "Use of Foreign Currencies," September 8, 1981
- (y) DoD Directive 7360.5, "Policies Governing Use and Disposition of Currency and Coins Under Emergency Conditions," April 28, 1987

PROCEDURES FOR ESTABLISHING, SUPPORTING, AND
TERMINATING ON-BASE BANKING OFFICES

A. ESTABLISHING BANKING OFFICES

1. General. DoD Components shall review banking institution proposals and recommend selections in accordance with subsection E.3., above, of this Instruction. Banking institutions selected for domestic on-base operations must obtain authority from the appropriate regulatory agency before commencing such operation.

a. In the case of State-chartered institutions that are members of the Federal Reserve System, approval shall also be obtained from the Federal Reserve Bank for the district in which the proposed banking office is located.

b. In the case of State-chartered savings associations, approval shall be obtained from appropriate State regulatory agencies.

c. In the case of federally chartered savings associations, the determination shall be made by the Federal Home Loan Bank Board or its principal supervisory agent for the district in which the association does business.

2. Domestic Banking Offices

a. Each DoD Component shall develop internal instructions that govern the submission and justification of requests to establish banking facilities on respective installations. The following information shall be included in requests to the DoD Component headquarters for banking facility establishment:

(1) Justification for establishment of a banking facility as opposed to another type of banking office.

(2) Such other supporting data as deemed necessary by the DoD Component concerned.

b. Proposals received by installation commanders to establish an independent or branch bank or a savings association office shall be forwarded through channels to the DoD Component headquarters concerned, together with recommendations for acceptance or rejection.

c. The DoD Component headquarters concerned shall evaluate each proposal to establish such offices and, if acceptable, recommend designation by the appropriate regulatory agency.

(1) If there is no existing banking office on the installation and it is determined that one is needed, the DoD Component concerned shall solicit proposals from other nearby banking institutions before making a determination.

(2) If a banking office other than a banking facility already is operating on the DoD installation, the provisions of paragraph E.1.a., above, of this Instruction apply.

(3) If the proposal offers to replace an existing banking facility with an independent or branch bank, the DoD Component concerned shall offer the banking institution currently operating the facility an opportunity to submit a proposal to convert the facility.

(4) With respect to a proposed independent or branch bank, preference shall be given to the banking institution that has operated the banking facility, provided that prior banking service has been satisfactory and that the institution's proposal is deemed adequate.

(5) DoD Component selections of banking facility operators shall be forwarded to the DC(MS) for coordination with the Fiscal Assistant Secretary of the Treasury.

3. Conversions of Domestic Banking Facilities to Independent or Branch Banks. DoD Components shall encourage banking institutions that operate banking facilities to convert them to independent or branch banks, if consistent with State law. Proposals from a banking institution to convert an existing banking facility to an independent or branch bank shall be forwarded to the DoD Component headquarters concerned for its approval after coordination with the DC(MS) and Treasury Department.

4. Domestic Automated Teller Machine (ATM) Service

a. ATMs may be used to augment service provided by an on-base banking office.

(1) An on-base banking facility may be authorized to site ATMs on the installation if it conforms to the requirements of paragraphs A.4.b. and A.4.c., below. Further approval by the Treasury Department is not required.

(2) An on-base branch or independent bank may site ATMs on the installation after obtaining the approval of the appropriate regulatory agency, if required to do so by the regulations of that agency, and by conforming to the requirements of paragraphs A.4.b. and A.4.c., below.

b. A banking institution proposing to augment on-base banking office service by installing one or more ATMs shall:

(1) Coordinate the ATM proposal through the installation commander according to DoD Component regulations.

(2) Provide a statement that the cost of ATM installation and maintenance shall be borne by the banking institution alone or in conjunction with other financial institutions.

(3) Provide for access through debit and credit cards.

c. Upon approval, appropriate leases shall be negotiated in accordance with this Instruction.

(1) No lease is needed to site an ATM within the existing banking office.

(2) When a banking office requests up to 100 square feet of additional floor space in an existing structure, and the banking office agrees to bear all expenses for modifying the structure, a lease providing for nominal rental, i.e., \$1.00 for the term of the lease shall be locally negotiated and approved. This lease provision also shall be offered if the banking office requests up to 250 square feet of land to construct, at its expense, a kiosk or other structure to house an ATM. In either case, the cost of any maintenance, utilities, and services provided by the installation shall be borne by the banking office.

(3) Leases pertaining to other situations shall be negotiated in accordance with section C., below, of this enclosure.

5. Overseas Banking Facilities Operated under Contract

a. In implementing this Instruction, each DoD Component shall develop internal instructions governing the submission of requests justifying the need for banking facilities proposed for particular overseas installations. Upon favorable review by the DoD Component headquarters concerned, such requests shall be submitted to the DC(MS) with a recommendation for inclusion in the appropriate contract, subject to the following conditions.

b. As a general rule, banking facilities may be established when the installation (community) population meets the following criteria:

(1) Full-Time Banking Facility. Except in unusual circumstances, a total of at least 1,000 permanent party military personnel and DoD civilian employees is necessary to qualify for a full-time banking facility.

(2) Part-Time Banking Facility. Except in unusual circumstances, a total of at least 250 permanent party military personnel and DoD civilian employees is necessary to qualify for a part-time banking facility.

c. If the population at certain remote areas is not sufficient to qualify under the criteria for full- or part-time banking facilities, the installation (community) commander shall explore all other alternatives for acquiring limited banking services (such as check-cashing and accommodation exchange service by disbursing officers and their agents) before requesting establishment of a banking facility as an exception to these provisions.

d. The data used to justify establishment of overseas banking facilities shall include but not be limited to:

(1) The approximate number of DoD personnel at the installation and any other persons who may be authorized to use the banking facility.

(2) The distances between the installation and the nearest banking facility and credit union offices, the operators of those institutions, and the installations (military communities) at which they are located.

(3) The availability of official and public transportation between the installation and the nearest banking facility and credit union office.

(4) The approximate loss of duty time as a result of DoD personnel leaving the installation to obtain banking services.

(5) The number of DoD personnel in duty assignments that confine them to the installation or who cannot obtain transportation (such as hospital patients).

(6) Source(s) from which the military disbursing officer presently obtains operating and payroll cash, the frequency of these cash acquisitions, and the approximate dollar value obtained monthly.

(7) The name and location of the depository now being used by the military disbursing officer to make official deposits for credit to the U.S. Treasury's General Account.

(8) The estimated savings to the military disbursing officer if a banking facility is established on the installation.

(9) A list of organizational and nonappropriated fund accounts, the name(s) and location(s) of the banking institution where presently deposited, and the average daily activity and balance of each account.

(10) A written description and photographs or drawings of the space proposed for banking facility use. The extent and approximate cost of required alterations, including the construction of counters and teller cages, shall be included.

(11) A statement detailing the requirements of the proposed banking facility for safes, a vault, or both; appropriate alarm systems; and camera surveillance equipment, where deemed necessary. The statement shall include the costs of such equipment and the manner in which it will be acquired.

(12) In countries without U.S. contractor-operated banking facilities, a statement as required by paragraph D.5.a. of this Instruction.

e. Establishment of an overseas banking facility is predicated upon:

(1) Designation of the facility contractor as a depository and financial agent of the U.S. Government by the Fiscal Assistant Secretary of the Treasury.

(2) The availability of proposed banking contractors able and willing to bid for the operation of the facility, and the reasonableness of such proposals.

(3) The availability of appropriated funds to underwrite such banking services.

6. Other Overseas Banking Offices. The banking and currency control laws of certain host countries do not permit U.S. banking institutions to operate banking facilities on DoD installations.

a. Commanders of installations (communities) in such countries where there is a demonstrated need for additional banking service and the population meets the criterion in paragraph A.5.b., above, shall forward requests for banking services, or unsolicited proposals from local banks, through command channels with supporting data as required in paragraph A.5.d., above, of this enclosure.

b. If the DoD Component concerned concurs in the request, it shall be forwarded to the DC(MS) for approval and coordination with the Fiscal Assistant Secretary of the Treasury for designation of the parent banking institution as a depository and financial agent of the U.S. Government.

c. Overseas banking facilities shall become operational only after Treasury designation of the parent banking institution and an indication of the institution's willingness and ability to provide collateral backing for any official and nonappropriated fund U.S. dollar deposits in a form acceptable to the DC(MS) and the Fiscal Assistant Secretary of the Treasury.

B. SUPPORT OF ON-BASE BANKING OFFICES

1. General. DoD Component regulations that implement this Instruction shall provide for installation support to all on-base banking offices, including:

a. Military or civilian guards (the latter to be used within the installation only), military police, or other protective services to accompany shipments of money from the parent banking institution or other source when such monies are primarily for use by the military disbursing officer, on pay-days, and when required to avoid undue risks or insurance costs on the part of the on-base banking office. In this regard, overall security precautions normally present shall be considered.

b. Central locator service, under conditions identified in enclosure 3 of DoD Directive 1000.11 (reference (b)), when requested by on-base banking offices. This service shall be provided at no cost in accordance with DoD Instruction 7230.7 (reference (f)).

c. Debt processing assistance in accordance with DoD Directive 1344.9 (reference (g)), as limited by the Privacy Act guidelines set forth in enclosure 3 of reference (b). If delinquent loans or dishonored checks are not recouped within 48 hours, banking institutions operating on DoD installations may bring them to the attention of the local commander, bank liaison officer, or other designee for assistance in effecting restitution of the amount due, if not otherwise prohibited by law.

d. Clearance procedures for military personnel departing their installations that provide the on-base banking office with adequate notice of its customers' impending departure. Clearance involves reporting a change of address, reaffirming allotments or notes payable, and arranging for counseling, if appropriate. Clearance shall not be denied to facilitate the collection of debts or the resolution of disputes between the financial institution and its departing customers. Where administratively feasible, similar clearance procedures shall be used for departing DoD civilian personnel.

e. Prohibition of traveler's check and money order sales by organizations other than the on-base banking office, post office, and credit union during times when the banking office is open for business.

2. Domestic Nonself-Sustaining Banking Offices. When a DoD Component determines that a banking office has nonself-sustaining status, it may furnish logistic support without charge, as provided in paragraph B.2.d., below.

a. Through no-cost permits or licenses, a nonself-sustaining banking office may be provided space on a DoD installation at one or more locations for up to 5 years, as prescribed in DoD Directive 4165.6 (reference (h)). The cumulative total of space authorized for one or more locations is subject to the limitations contained in MIL-HDBK-1190 (reference (i)).

b. All space assigned by the GSA, whether leased or in Federal office buildings, is reimbursable to the GSA at the current GSA rental rates under P. L. 92-313 (reference (j)). Consequently, the GSA shall charge the benefiting DoD Component for any GSA space assigned for banking office operations.

c. In those exceptional cases when a nonself-sustaining banking office is authorized to construct its own building or use its funds to expand, modify, or renovate Government-owned space, a no-cost permit or license may be provided. Duration of the permit or license shall be commensurate with the extent of the improvements as determined by the DoD Component concerned. It shall be effective until the agreed date of expiration or until the banking office is determined to be self-sustaining, whichever occurs first. The provisions of section C., below, in this enclosure apply in the latter case.

d. The term "logistic support" shall include:

(1) Customer and work areas, in accordance with MIL-HDBK-1190 (reference (i)). It is important that the banking office be housed in a building accessible to most DoD personnel on the installation, in a location permitting maximum security.

(2) Steel bars, grillwork, security doors, a vault or safe (or both), burglar alarm system, other security features normally used by banking institutions, construction of counters and teller cages, and other necessary modifications and alterations to existing buildings subject to the procedures and fiscal limits in DoD Directive 4270.24 (reference (k)).

(3) Utilities, custodial and janitorial services, and intra-station telephone service. The banking office shall pay costs for long-distance toll calls, however.

(4) Air-conditioning, which is considered a normal utility for banking offices located on installations qualifying for air-conditioning under DoD Component regulations. Banking space is classified as administrative space on DoD installations.

(5) When available from local stock, lease of the following at nominal cost; i.e., \$1.00 per year, under authority of 10 U.S.C. 2667 (reference (l)): typewriters, adding machines, other office equipment, and office furniture.

e. All maintenance, repair, rehabilitation, alterations, or construction for on-base banking offices shall comply with DoD Instruction 4165.64 (reference (m)).

f. Upon determination that a banking office has become self-sustaining, its no-cost lease or permit shall be canceled and a lease negotiated in accordance with section C., below, of this enclosure.

3. Additional Support in Overseas Areas

a. Banking Facilities Operated Under Contract. In addition to the logistic support identified in paragraph B.2.d., above, the following shall be made available to banking facilities operating under DoD contract at overseas installations:

(1) U.S. Military Postal Service under DoD Directive 4525.6 (reference (n)). Use of the free intra-theater delivery system (IDS) is authorized for all routine mail sent and received between Army Post Offices (APOs) and Fleet Post Offices (FPOs) within a theater.

(2) Access to DoD voice and data telecommunication systems as granted by the Defense Communications Agency on a case-by-case basis.

(3) Certificates of nonavailability, if required by the designated property administrator, when items of office equipment or furniture requested by the banking facility are unavailable for loan on memorandum receipt.

(4) Vehicle registration and purchase of fuel from Government-owned facilities for bank-operated vehicles if not in conflict with host-country agreements. Vehicle registrations shall be subject to normal fees.

(5) DoD housing on a rental basis to key banking facility personnel unable to find suitable, reasonably priced housing in the vicinity of the DoD installation, subject to the assignment procedures and other requirements of DoD 4165.63-M (reference (f)).

(6) Travel of U.S.-based banking institution officials to their overseas on-base offices as set forth in DoD Directive 4000.6 (reference (o)). Invitational travel orders that authorize travel at no expense to the U.S. Government may be issued by the local commander for official onsite visits.

(7) Other support as required under the terms and conditions established during annual contract negotiations and confirmed in respective contracts. Suggestions for change may be forwarded through military channels to the DC(MS).

b. Other Overseas Banking Offices

(1) Logistic support shall be negotiated with the parent banking institution and the resulting provisions incorporated into written operating agreements.

(2) Logistic support should not exceed that provided to banking offices in the United States. Whenever possible, parent banking institutions shall reimburse the DoD Component concerned for logistic support.

C. LEASES OF GOVERNMENT REAL PROPERTY

1. Government-Owned Buildings. The lease of an existing structure to house a self-sustaining banking office shall be at appraised fair market rental value under the following terms and considerations:

a. The lease term shall not exceed 5 years, subject to renewal by mutual agreement, with the head of the DoD Component concerned reserving the right to terminate the lease under conditions specified in paragraph C.2.a., below, of this enclosure. The banking institution shall reimburse the DoD Component concerned for GSA-assigned space at the current GSA rental rates.

b. When the banking institution uses its own funds to modify or renovate Government building space, a lease may be negotiated for a period not to exceed 25 years. Duration of the lease shall be commensurate with the extent of the improvements as determined by the DoD Component concerned.

c. The lessee shall perform any required interior alteration and maintenance and shall pay for utilities and custodial, janitorial, and other services furnished.

2. Government-Owned Land

a. Except as provided in paragraph B.2.c., above, of this enclosure land required for approved building construction at bank expense shall be made available by real estate lease, at minimal charge; e.g., \$1.00 per year. Once determined, the charges shall be applicable for the term of the lease.

b. When a banking institution participates in the construction of a complex, such as an installation shopping mall, it shall be provided a lease covering only underlying land for the specific space to be occupied by the banking office.

c. If determined, in accordance with 10 U.S.C. 2667 (reference (1)), to be in the Government's interest, an existing lease of land may be extended before expiration of its term. Passage of title to facilities shall be deferred until all extensions have expired. Such extensions shall be for periods not to exceed 5 years. The banking institution shall continue to maintain the premises and pay for utilities and services furnished in accordance with DoD Instruction 7230.7 (reference (f)).

d. Once determined, the rental charge under any lease granted at fair market value is applicable for the term of the lease. However, an extension of any such existing lease may provide for nominal rental, i.e., \$1.00 for the term of the lease extension.

e. When, under the terms of a lease, title to improvements passes to the Government, arrangements shall normally be made:

(1) By no-cost permit or license for the continued occupancy of those improvements by a nonself-sustaining banking office if it continues to be nonself-sustaining. When the square footage involved exceeds that authorized in MIL-HDBK-1190 (reference (i)), the banking office shall be given first choice to continue occupying the excess space under a lease that provides for nominal rental for the land underlying that excess space; or

(2) By lease for continued occupancy of those improvements by a self-sustaining banking office at nominal rental only for the land associated therewith. The lessee shall continue to maintain the premises and pay the cost of utilities and services furnished, in accordance with DoD Instruction 7230.7 (reference (f)).

3. Other Lease Considerations

a. The term of a lease may exceed 5 years only when a Military Department Secretary, or designee, determines that such an extended term will promote the national defense or be in the public interest, under 10 U.S.C. 2667(b)(1) (reference (1)).

b. Leases shall include the provision that, in the event of national emergency or the following events, at the option of the Government, structures and other improvements erected thereon shall be conveyed to the Government without reimbursement or removed and the land restored to its original condition:

(1) Installation inactivation, closing, or other disposal action;
or

(2) Termination of the banking institution's lease under subsection E.9., above, of this Instruction.

c. Leases executed before this Instruction takes effect shall not be altered unless a lessee specifically requests a renegotiation under these provisions. No lease contract may be negotiated or renegotiated, nor may any rights thereunder be waived or surrendered, without compensation to the Government, except as provided in subsection E.8., above, of this Instruction.

D. CONSTRUCTION OF BANK BUILDINGS

Banking institution proposals to finance construction of buildings on domestic DoD installations must be processed in accordance with DoD Instruction 7700.18 (reference (p)). In support of each construction proposal, the banking institution shall provide written assurance that:

1. Management understands its potential loss of the building in the event of installation closure or other delimiting condition identified in paragraph C.3.b., above, of this enclosure.

2. The proposed building shall serve only the needs of the banking office and shall not be used to house other activities.

3. Management accepts financial responsibility for and shall reimburse the U.S. Government for all costs of construction and maintenance, utilities, and other services furnished. Rates shall be established under DoD Directive 4000.6 (reference (o)) and confirmed by a written agreement between the DoD installation and the banking institution.

E. BANKING OFFICE TERMINATION

1. Domestic Banking Facilities

a. The installation commander shall notify the DoD Component headquarters concerned when a banking facility has been placed in an inactive status and when personnel reductions at the DoD installation have reduced banking facility operations to below a justifiable level. The DoD Component shall advise the DC(MS) and the Fiscal Assistant Secretary of the Treasury so that the banking institution's authority to operate the banking facility may be terminated.

b. In general, the parent banking institution may close a banking facility after sending written notification to the Treasury Department and the installation commander not less than 90 days before the closing date. The Treasury Department shall then terminate the banking institution's authority to operate the banking facility, and the DoD Component concerned shall determine the feasibility of requesting another banking institution to operate at the installation.

2. Other Domestic Banking Offices

a. Requests for termination for cause shall be processed in accordance with paragraph E.9.b., above, of this Instruction.

b. Banking offices other than banking facilities may be terminated by the parent banking institution provided written notice is furnished to the installation commander not less than 90 days before the closing date.

3. Overseas Banking Facilities Operated Under Contract

a. The installation (community) commander shall, through DoD Component channels, notify the DC(MS) when personnel reductions or other situations at the DoD installation (military community) have reduced banking facility activity to below a level justifying continued operation.

b. Such notifications shall indicate whether a part-time facility should be established and the number of hours and days per week that such an operation is justified.

4. **Other Overseas Banking Offices.** Terminations shall be effected under termination clauses in respective operating agreements. Notice of intent to terminate, including the closing date, shall be forwarded by the overseas component commander in accordance with DoD Component implementing instructions. The DoD Component shall so notify the DC(MS) and Fiscal Assistant Secretary of the Treasury so that the banking institution's authority as a depository and financial agent of the U.S. Government may be revoked.

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F. NOTIFICATION OF BANKING OFFICES

Each DoD Component shall ensure that every banking institution with an office at its installations receives a copy of the document that implements this Instruction and DoD Directive 1000.11 (reference (b)).

July 26, 1989
1000.12 (Encl 3)

OPERATIONS OF ON-BASE BANKING OFFICES

A. SERVICES RENDERED

1. To Individuals and Nonappropriated Fund Instrumentalities

a. Normally, banking offices shall provide the same services at DoD installations as available locally. Service charges or fees levied for such services may not exceed those customary for the banking institution that operates the banking office, with the following exceptions:

(1) Treasury checks shall be cashed for all DoD personnel and there will be no charge to the banking office's account holders.

(2) A reasonable charge may be made for cashing personal checks; however, checks drawn on the banking institution operating the banking office shall be cashed without charge provided sufficient collected funds are on deposit to cover such checks.

b. Counseling service shall be made available without charge to individual account holders. Such services shall include helping customers to budget and solve financial problems. Military members in junior enlisted grades or newly married couples who apply for loans shall receive special attention and counseling.

c. In accordance with accepted banking practice, policies on loans to individuals are expected to be as liberal as possible while remaining consistent with the overall interests of the banking institution and its stockholders.

(1) On-base banking offices must strive to provide the best possible service to all customers. Offices that evidence a policy of discrimination in their loan services are in violation of this Instruction. In resolving complaints of discrimination, the installation commander shall follow procedures specified in paragraph E.7.a., above, of this Instruction.

(2) On-base banking offices shall conform to the Standards of Fairness principles as set forth in DoD Directive 1344.9 (reference (g)) before executing loan or credit agreements. Should an on-base banking office refer a prospective borrower to an off-base office of the same institution, it shall advise the latter office that the DoD requires compliance with the Standards of Fairness before executing the loan or credit agreement.

2. To Disbursing Officers

a. Banking offices are expected to provide payroll cash to military disbursing offices, upon request. Local operating funds may be expended if the banking office requests reimbursement for costs incurred.

b. When so authorized, banking offices shall accept deposits for credit to the Treasury's General Account.

B. STAFFING

1. On-base banking offices are expected to be adequately staffed commensurate with banking industry standards for similar numbers of account holders and financial services rendered. Staffing at overseas banking facilities operated under contract shall be maintained within negotiated ceilings.

2. Remote service locations at the same installation may be staffed with one person alone, provided that there is a direct courier or message service to the main on-base banking office.

3. All staffing shall fully comply with the spirit and intent of the DoD equal employment opportunity policies and programs, in accordance with DoD Directive 1440.1 (reference (q)).

4. Neither active duty military personnel nor DoD civilian employees may be detailed to duty or employment with an on-base banking office. However, off-duty DoD personnel may be employed by a banking office if approved by the installation commander following a determination that such employment will not interfere with the full performance of the individual's official duties.

C. HOURS OF OPERATION

1. General. On-base banking offices may conduct operations during normal duty hours provided they do not disrupt the performance of official duties. Banking offices should set operating hours that meet the needs of all concerned. ATMs may be used to provide expanded service and operating hours.

2. Overseas Banking Facilities Operated Under Contract. Although respective contracts limit the number of operating hours per week, installation (community) commanders and banking facility managers are encouraged to agree on the specific days and hours of operation that best meet local needs.

a. Operating days negotiated locally may include Saturdays, and operating hours may include evening hours when necessary to complement or parallel other retail services available to DoD personnel, provided the contractor agrees to provide such service at no additional cost to the Government.

b. When cost implications are involved, the installation (community) commander shall forward his request for expanded or modified days or hours of operation, with a justification therefor, through military channels for consideration by the DC(MS).

D. DEPOSIT INSURANCE

Domestic on-base banking offices must provide insurance coverage by the FDIC (for commercial banks and certain savings banks) or FSLIC (for certain savings banks and all other savings associations as defined in DoD Directive 1000.11 (reference (b))). A banking office not maintaining such insurance shall be suspended from on-base operation.

E. ALLOTMENTS OF PAY

DoD personnel may use their allotment of pay privileges as authorized by DoD Directives 7330.1 and 1418.4 (references (r) and (s)) to establish sound credit and savings practices through on-base banking offices.

1. The banking institution shall credit customer accounts not later than the value date of the allotment check or electronic funds transfer.
2. Under no circumstances shall the initiation of an allotment of pay become a prerequisite for loan approval or disbursement to the banking office's customer. Allotments voluntarily consigned to a banking office shall continue at the option of the allotter.

F. ADVERTISING

1. Advertising of on-base banking services shall be in harmony with applicable policies continued in DoD Directive 1344.7 (reference (t)).
2. Advertising in official Armed Forces newspapers and periodicals (DoD Instruction 5120.4 and DoD Directive 5120.43) (references (u) and (v)) is prohibited with the exception of insert advertising in the Stars and Stripes overseas.
3. DoD Directive 5120.20 (reference (w)) prevents use of the Armed Forces Radio and Television Service to promote a specific financial institution.
4. An on-base banking office may use the unofficial section of that installation's daily bulletin, provided space is available, to inform DoD personnel of financial services and announce seminars, consumer information programs, and other matters of broad general interest. Announcements of free financial counseling services are encouraged. Such media may not be used for competitive or comparative advertising of, for example, specific interest rates on savings or loans.
5. An on-base banking office may use that installation's information bulletin boards for announcements of a broad general nature that complement the installation's financial counseling and thrift promotion programs. An on-base banking office may, with moderation, use that installation's message center services to distribute announcements for display on informational bulletin boards, provided this does not overburden the distribution system.
6. Installations, to include military exchange outlets or concessionaires, shall not permit the distribution of competitive literature from other banking institutions at locations served by on-base banking offices. This does not prevent:
 - a. A banking institution from using mail, telecommunications, or commercial advertising to serve its customers.
 - b. Exchange Services from distributing literature on affinity credit cards centrally acquired through competitive solicitation.

G. SUPPLEMENTAL CONDITIONS FOR OVERSEAS OPERATION

1. General. Overseas banking facilities shall operate under terms and conditions established at the time of annual contract negotiations and confirmed in respective contracts or contracting officer determinations.

2. Authorized Customers. Respective banking contracts specify personnel authorized to receive service. Additionally, overseas major commanders may approve banking services for other individuals and organizations that qualify for individual logistic support under the regulations of the DoD Component concerned, provided that use of banking services is not prevented by status of forces agreement, other intergovernmental agreement, or local law.

3. Services Rendered. Services to be rendered and related charges shall be specified in respective contracts. Suggestions for expansion or modification of authorized services, fees, or charges may be forwarded through military channels to the DC(MS). Proposals for any new service must be coordinated with the appropriate Unified Commander and U.S. Chief of Diplomatic Mission or U.S. Embassy to make certain that the proposal does not conflict with status of forces agreements or host-country law.

4. Acceptance of Services Rendered. DoD Component regulations implementing this Instruction shall require each commander of an installation (military community) with a banking facility, or designee, to:

a. Review monthly income, expense, and activity statements provided by full-time banking facilities.

b. Report to the banking facility manager within 7 calendar days of discovering any deficiency in the delivery of contractual banking services. If the deficiency is not remedied within 30 calendar days, the commander shall report the matter through military channels to the DC(MS).

5. Other Operating Conditions

a. Both the banking facility contractor and DoD disbursing officers shall ensure that cash management practices minimize the cash required to conduct business.

b. Banking facility provision of foreign currencies shall be in accordance with DoD Directive 7360.11 (reference (x)).

c. When military payment certificates are prescribed for the area in which the overseas banking facility is operating, they shall be used in accordance with DoD Directive 7360.5 (reference (y)) and any DoD Component regulations implementing that issuance.

d. Overseas major commanders shall cooperate with banking facility contractors in planning for the provision or termination of banking services in the event of hostilities or other emergencies.

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6. Other Overseas Banking Offices

a. Operating agreements executed under subsection E.4., above, of this Instruction shall specify authorized customers, services rendered and related charges, and conditions of operation. To the extent feasible, services and charges shall be negotiated to parallel those provided by banking facilities operated under the DoD banking contracts.

b. Before such agreements are executed, they shall be coordinated with the Unified Commander, or designee, and the DoD Component concerned. Upon approval, copies shall be provided to the DC(MS).

SUPPLEMENTARY

INFORMATION

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DEPARTMENT OF DEFENSE

DIRECTIVES SYSTEM TRANSMITTAL

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1000.12, Change 1	June 21, 1993	1000 Series

ATTACHMENTS

None

INSTRUCTIONS FOR RECIPIENTS

The following pen changes to DoD Instruction 1000.12, "Procedures Governing Banking Offices on DoD Installations," July 26, 1989, are authorized:

PEN CHANGES

Page 4, section E., insert a new subsection E.1.

"1. General

Given their role in promoting morale and welfare, banking offices on DoD installations shall be recognized and assisted by DoD Components at all levels, in accordance with Enclosure 2 of this Instruction."

Renumber subsections E.1. through 9. accordingly.

EFFECTIVE DATE

The above changes are effective immediately.


JAMES L. ELMER
Director
Correspondence and Directives

WHEN PRESCRIBED ACTION HAS BEEN TAKEN, THIS TRANSMITTAL SHOULD BE FILED WITH THE BASIC DOCUMENT