

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 3728]
June 27, 1951

STANDARD PROVISION IN MILITARY CONTRACTS
PERTAINING TO ASSIGNMENT OF CLAIMS

*To all Banks, Other Financing Institutions, and
Others Concerned, in the Second Federal Reserve District:*

We quote below from a memorandum to the Board of Governors of the Federal Reserve System from the Office of the Assistant Secretary of Defense, dated June 20, 1951:

In furtherance of the provisions of the recent amendment to the Assignment of Claims Act of 1940 (Public Law 30, 82nd Congress), the Military Departments have adopted, for use in contracts to be made in the future, the following standard provision pertaining to assignment of claims:

(a) Pursuant to the provisions of the Assignment of Claims Act of 1940, as amended (31 U.S. Code 203, 41 U.S. Code 15), if this contract provides for payments aggregating \$1,000 or more, claims for moneys due or to become due the Contractor from the Government under this contract may be assigned to a bank, trust company, or other financing institution, including any Federal lending agency, and may thereafter be further assigned and reassigned to any such institution. Any such assignment or reassignment shall cover all amounts payable under this contract and not already paid, and shall not be made to more than one party, except that any such assignment or reassignment may be made to one party as agent or trustee for two or more parties participating in such financing. Notwithstanding any other provision of this contract, payments to an assignee of any moneys due or to become due under this contract shall not, to the extent provided in said Act, as amended, be subject to reduction or set-off.

(b) In no event shall copies of this contract or of any plans, specifications, or other similar documents relating to work under this contract, if marked "Top Secret," "Secret," "Confidential," or "Restricted," be furnished to any assignee of any claim arising under this contract or to any other person not entitled to receive the same; *provided* that a copy of any part or all of this contract so marked may be furnished, or any information contained therein may be disclosed, to such assignee upon the prior written authorization of the Contracting Officer.

It has been concluded by the Military Departments, with concurrence of the General Accounting Office, that it is not necessary to amend existing contracts, containing the standard assignment of claims provisions, including the no set-off clause (as set forth in paragraph 7-103.8 of the Armed Services Procurement Regulation), in order for the assignee to obtain the benefits of the new amendment of the Assignment of Claims Act. It is the position of the Military Departments that such contracts not only need not be amended, but also—in the interests of simplicity and for the convenience of all concerned—that they should not be amended in this respect.

Additional copies of this circular will be furnished upon request.

ALLAN SPROUL,
President.