

DOD'S FOCI EXPANSION PROPOSAL

WHAT IS HAPPENING

The Department of Defense (DoD), also known as the Department of War, has proposed amendments to the Defense Federal Acquisition Regulation Supplement (DFARS) aimed at strengthening oversight of foreign ownership, control, or influence (FOCI) in all defense contractors. Under the proposal, contractors seeking federal contracts valued above \$5 million would be required to disclose beneficial ownership information and report any FOCI through the SF-328 process.

The proposal would also require contractors to submit ownership information through the Defense Counterintelligence and Security Agency (DCSA) National Industrial Security System (NISS) and to keep that information current if ownership, foreign influence, or other relevant information changes during contract performance.

HOW IT AFFECTS INDUSTRY

The proposed rule would significantly expand the universe of contractors subject to formal FOCI disclosure obligations, including companies and higher education institutions that are not currently operating under facility clearances.

If a contractor presents a FOCI-related risk, it may still be eligible for award if it agrees to mitigation measures identified by the government and implements them within 90 days of the award date. However, a key challenge is that the proposed rule does not identify the potential mitigation measures, creating uncertainty as to whether they might include requirements such as special board resolutions, the appointment of outside directors, or formal compliance plans.

WHAT INDUSTRY PROFESSIONALS SHOULD DO

Industry professionals should monitor the proposed rule closely, as it may bring contractors that were not previously subject to FOCI scrutiny into the reporting regime. This is especially important for organizations whose leadership is not already familiar with FOCI mitigation requirements because the rule reflects a broader federal push to tighten contractor supply-chain security and scrutinize foreign influence in sensitive industries.

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Industry professionals should also consider engaging their leadership on whether to submit comments to the DoD in coordination with DCSA through the Federal Register process. [Public comments may be submitted here.](#)