COUNCIL OF DEFENSE AND SPACE INDUSTRY ASSOCIATIONS
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Sent via the Federal eRulemaking Portal

Defense Acquisition Regulations System
Department of War
ATTN: Ms. Heather Kitchens
3060 Defense Pentagon
Washington, DC 20301-3060
Docket DARS-2026-0133
RIN 0750-AL30

RE: CODSIA Comments on DFARS Case 2021-D011, Mitigating Risks Related to Foreign Ownership, Control, or Influence

Dear Ms. Kitchens:

On behalf of the members of the Council of Defense and Space Industry Associations (CODSIA), we write to submit these comments regarding the proposed rulemaking entitled, *Mitigating Risks Related to Foreign Ownership, Control, or Influence*, DFARS Case 2021-D011, published in the Federal Register on May 7, 2026.[1] The proposed rule would implement paragraphs (b)(2)(A), (b)(2)(C), and (c)(1) of section 847 of the FY 2020 National Defense Authorization Act (NDAA), paragraph (c)(2) of section 819 of the FY 2021 NDAA, and elements of DoD Instruction 5205.87.[2]

CODSIA members are longstanding supporters of the Department of War's (DoW) efforts to improve the security and resilience of the Defense Industrial Base. Our member associations include companies with substantial experience in the National Industrial Security Program (NISP); Defense Counterintelligence and Security Agency (DCSA) processes; foreign ownership, control, or influence (FOCI) mitigation; supply-chain compliance; and DoW acquisition.

We support DoW's objective of protecting national security, sensitive data, systems, processes, and the defense industrial base from adversarial influence and supply-chain risk. We also support a risk-based approach to identifying and mitigating FOCI

[1] Defense Federal Acquisition Regulation Supplement: Mitigating Risks Related to Foreign Ownership, Control, or Influence (DFARS Case 2021-D011), 91 Fed. Reg. 24783 (May 7, 2026).
[2] Id.

and beneficial ownership risks. The Department should have appropriate visibility into beneficial ownership and FOCI risks that may affect sensitive DoW work, including work that may not involve classified information. CODSIA also recognizes that FOCI risk is not static; ownership, governance, voting rights, investment rights, board participation, and affiliated entities may change during performance.

However, as drafted, the proposed rule would move a security-centered disclosure and mitigation framework into the broader, multi-layer DoW acquisition process without sufficiently clear implementation procedures. Without further clarification, this approach could create acquisition delays, contract administration burdens, uncertainty for prime contractors and subcontractors, and avoidable barriers to subcontractor competition. The proposed rule would create new solicitation, award, option, modification, and subcontract performance dependencies on DCSA review, National Industrial Security System (NISS) eligibility status, and risk management strategies addressed by multiple parties. The rule therefore should not be treated as merely a disclosure rule. If finalized as proposed, it will operate as a responsibility, supply-chain, and acquisition-timing requirement across a large portion of the DoW industrial base.

In general, CODSIA urges DoW to implement the rule in a practical, acquisition-compatible manner. Specifically, CODSIA recommends that DoW finalize the rule only with clear implementation procedures that preserve the statutory national security objective while minimizing award-process burdens and delays, avoiding inconsistent contracting officer interpretation, and preventing avoidable barriers to DoW's ongoing effort to increase supply-chain competition.

In the attachment, we have aggregated comments and recommendations that impact our collective members, representing a significant portion of the DIB. Specifically, we recommend the following:

1. **Preserve competition and avoid treating FOCI mitigation as a domestic preference or exclusionary rule.**
2. **Clarify that the $5 million threshold is based on a single contract or subcontract value, not the aggregate value of performed work.**
3. **Clarify the circumstances under which NISS eligibility becomes an acquisition gate.**
4. **Provide early notice for covered solicitations so offerors and subcontractors can prepare before proposal submission.**
5. **Identify the "designated senior DoW official" and define the commercial-products and commercial-services determination process**.
6. **Enhance NISS and DCSA capacity before the final rule becomes operational. Phase implementation and pilot the process before broad application.**
7. **Avoid repeating the ICD-705/TEMPEST implementation pattern.**
8. **Clarify contractor responsibility and avoid imposing strict liability for subcontractor FOCI matters.**
9. **Protect confidentiality of SF 328, ownership, and mitigation information.**

10. **Make the 90-day mitigation requirement risk-based and workable, providing examples of risk-based mitigation approaches.**
11. **Clarify the meaning of beneficial ownership and FOCI for companies newly subject to these requirements.**
12. **Reassess the regulatory flexibility and paperwork reduction analyses.**
13. **Clarify treatment of changes during performance and avoid over-reporting requirements.**

If you have any questions or request additional information, please contact Trey Hodgkins, the CODSIA Administrator, by email at codsia@codsia.org.

Signed,

Aerospace Industries Association
Alliance for Digital Innovation
American Council of Engineering Companies
Associated General Contractors of America
Business Software Alliance
Information Technology Industry Council
National Defense Industrial Association
Professional Services Council

1. Preserve competition and avoid treating FOCI mitigation as a domestic preference or exclusionary rule.
FOCI and beneficial ownership review should be a risk-identification and risk-mitigation process, not a categorical exclusion of companies with lawful foreign investment, allied ownership, or multinational corporate structures. CODSIA members include U.S.-based employers that support DoW missions, employ American workers, comply with U.S. security requirements, and operate under lawful and effective FOCI mitigation. A broad or poorly understood implementation could reduce competition, discourage commercial firms from entering the defense industry, and harm DoW access to innovative services and technologies.

This distinction is particularly important because domestic-preference concepts have appeared frequently in recent legislative and policy discussions. Those concepts should not be imported into a FOCI mitigation regime. FOCI mitigation is not, and should not become, a preference for one corporate ownership model over another. DoW already has other tools for country-of-origin, sanctioned-country, trade-agreement, and prohibited-source concerns, including FAR 52.225-13 and FAR Subpart 25.4. This rule should remain focused on DCSA-led risk assessment and mitigation of ownership, control, or influence risk, not on imposing a separate domestic-preference screen through acquisition personnel.

CODSIA Recommendation: DoW should state clearly that the rule is not a domestic-preference rule and that lawful foreign or allied ownership does not automatically disqualify a company or establish unmitigable FOCI risk. DoW should preserve competition by focusing on identified, contract-relevant national security risk; should point sensitive determinations to DCSA and NISS rather than contracting officers; and should avoid turning FOCI review into a categorical exclusion of U.S.-based employers with lawful foreign investment, allied ownership, or effective mitigation controls.

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2. Clarify that the $5 million threshold is based on a single contract or subcontract value, not the aggregate value of performed work.
The proposed DFARS text defines a “covered contractor or subcontractor” as an existing or prospective contractor or subcontractor, at any tier, of the DoW for a contract valued in excess of $5 million. This is a contract or subcontract value trigger. CODSIA appreciates that the proposed text is directed to covered contracts and subcontracts, but inclusion of the definition, and uncertainty regarding different contract types, already reflects potential confusion over whether the rule applies to awardees with aggregate DoW obligations over $5 million.

CODSIA Recommendation: DoW should expressly state in the final rule and accompanying guidance that the threshold is based on the value of a singular contract or subcontract, not the aggregate value of work performed for a specific DoW program or prime contract. DoW should further clarify how the threshold applies to indefinite-delivery vehicles, blanket purchase agreements, options, modifications, bridge actions, and lower-tier subcontracts. Because the proposed procedures already expressly address task orders and delivery orders, the more important unresolved issues are how the rule applies at the master vehicle level, order level, and subcontract level when the value threshold is crossed at different points in the acquisition lifecycle.

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3. Clarify the circumstances under which NISS eligibility becomes an acquisition gate.
The proposed procedures would direct contracting officers not to award, modify, exercise an option, or otherwise extend a contract, task order, or delivery order valued above $5 million unless the contractor or prospective contractor has an eligible status in NISS, unless an exception applies. The proposed rule also would amend DFARS 217.207(c)(3) to add a mandatory NISS eligibility verification step before the exercise of an option. This construct creates a significant acquisition gating function not only for new awards, but also for routine contract extensions, options, and potentially administrative modifications that may have no meaningful nexus to a newly identified security risk.

If DCSA review or NISS eligibility status is delayed, the acquisition may be delayed even where the offeror is otherwise responsible, technically capable, performing successfully, and not subject to any identified unmitigable national security risk. This concern is especially acute for option exercises and other extensions because the government may depend on continuity of performance and may have limited time to resolve a government-side processing delay before contract coverage lapses.

CODSIA Recommendation: DoW should clarify the precise point at which NISS eligibility must be achieved and should include safe harbors for delays caused by DCSA, NISS availability, or unresolved government processing. At a minimum, DoW should permit award, option exercise, modification, or extension to proceed where the offeror (and its subcontractor) has made a timely and complete submission and DCSA has not identified an unmitigable national security risk. DoW should also provide a temporary grace period such as 30 calendar days after identification of the apparent successful offeror, to resolve remaining issues to NISS eligibility status, or permit award with conditions where mitigation is underway and DCSA has not identified an unmitigable national security risk. DoW should not allow NISS processing delays to become de facto procurement delays, especially for routine options or administrative actions that do not materially increase national security risk.

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4. Provide early notice for covered solicitations to enable offerors and subcontractors to prepare before proposal submission.
The proposed solicitation provision would require offerors to represent, by submission of an offer, that they have submitted the SF 328 and beneficial owner contact

information in NISS and that the information is current, accurate, and complete. It is unclear whether this representation is limited to prime contractors or extends to its subcontractor(s). For many offerors and subcontractors, especially companies that do not currently hold facility clearances or routinely use NISS, preparation of SF 328 materials, beneficial ownership information, and supporting documentation may require review across multiple jurisdictions of legal, security, privacy, and corporate governance information. Offerors also may need to determine whether subcontractors proposed to receive covered subcontracts can access NISS and timely submit required information.

CODSIA Recommendation: DoW should require solicitations to state clearly whether the FOCI/beneficial ownership provision and clause apply, whether commercial product or commercial service exemption is being triggered, which proposed subcontractors are expected to be covered, and by what point in the process offerors and covered subcontractors must have NISS/SF 328 submissions completed. DoW should use draft RFPs, RFIs, industry days, and pre-solicitation Q&A to provide early notice where the clause may affect teaming, pricing, proposal strategy, or subcontractor selection.

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5. Identify the "designated senior DoW official" and define the commercial-products and commercial-services determination process.

The proposed rule provides that the requirements do not apply to commercial products and commercial services unless "a designated senior DoW official" determines that the contract involves a risk or potential risk to national security or potential compromise because of sensitive data, systems, or processes. The preamble states that the senior DoW official has not yet been designated and that the term is used as a placeholder.[3] Because many CODSIA member companies provide commercial services, commercial products, commercially available-off-the-shelf (COTS) items, commercial technology, cloud, cyber, engineering, logistics, and professional services to DoW, the scope and timing of this determination are critical to ensuring fair and open competition.

The terms "sensitive data, systems, or processes" are not defined in the proposed rule. Without definition or examples, those terms could be interpreted broadly and inconsistently, resulting in categorical application to commercial work without a contract-specific nexus to national security risk. This would undermine Congress's distinction between covered contracts and commercial products or commercial services subject to a designated official's determination.

CODSIA Recommendation: DoW should identify the designated senior official before issuing the final rule. In the final rule, DoW should also publish the national security determination process the designated official will undertake to revoke the commercial exception, including defining "sensitive data, systems, or processes," and

[3] 91 F.R. 24783

defining the risk factors to be considered in revoking the commercial exception; and require early solicitation notice when a commercial product or commercial service exemption is being waived. The final rule should clarify whether such determinations will be made at the contract, program, portfolio, category, or agency level. These recommendations will help the DoW avoid broad categorical determinations revoking the commercial exception that might sweep in commercial offerings without a contract-specific nexus to sensitive data, systems, or processes. DoW should make clear that where commercial products or commercial services are not covered by this proposed DFARS provision and clause, contractors may still have obligations under other FOCI, prohibited-source, sanctioned-country, or transaction-specific restrictions. Where inconsistent rulings are made, DoW should provide a review process for challenges by potential offerors or subcontractors.

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6. Enhance NISS and DCSA capacity before the final rule becomes operational; phase implementation and pilot the process before broad application.

DoW estimates that the proposed rule may impact 37,740 potentially affected entities, including 21,511 small businesses. That estimate is based on the proposed rule's assumptions about offerors and subcontractors; it is not a statutory number. Even if the actual number of required reviews is lower, the rule would substantially expand processes historically associated with cleared contractors and FOCI review into the broader DoW contractor and subcontractor community. Many of these entities may have no prior experience with NISS, SF 328, DCSA workflows, or FOCI mitigation.

The proposed rule depends heavily on NISS status and DCSA review. CODSIA member companies have expressed concerns about NISS stability, DCSA workload, staffing, system modernization, and DCSA's ability to support a major expansion of reviews while also managing other technology and industrial security transitions. The rule's effectiveness will depend on whether DCSA can process submissions, identify risks, communicate determinations, and support mitigation fast enough to avoid disrupting acquisitions.

These concerns are not merely theoretical. GAO has documented significant challenges with NISS, including slow performance, frequent downtime, limited interoperability, manual data entry, limited query functionality, poor workflow management, and industry-facing difficulties in processing change conditions.[4] Before DoW finalizes a rule that would make NISS eligibility a precondition to award, option exercise, modification, or covered subcontract award, DoW should confirm NISS/NI2 readiness, publish expected review timelines, provide escalation and appeals procedures, and ensure that contractors are not penalized for delays caused by government systems or government processing constraints.

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[4] U.S. Government Accountability Office, *Industrial Security: Improved Risk Management and Stakeholder Engagement Needed to Help DOD Address Mission Gaps*, GAO-26-107861, Apr. 2026, at 28–33, 49–51.

DCSA capacity and timeliness should also be addressed before a final rule takes effect that uses NISS eligibility as an acquisition gate. DCSA is already managing significant personnel-vetting inventory and system modernization demands; the proposed rule would add a new pre-award FOCI/beneficial ownership review function across a much broader contractor and subcontractor population. DoW should include with the final rule an explanation of DCSA's expected review timelines, staffing model, NISS readiness, escalation process, and contingency procedures so that awards, option exercises, modifications, and subcontract awards are not delayed by government-side processing constraints.

Finally, there should be a process in place for timely cross-agency collaboration on FOCI issues to address process efficiencies and review determination challenges. This should enable contracting officer participation and advance inquiry where inconsistent determinations arise.

CODSIA Recommendation: The final rule should require that before full implementation, DoW must publish service-level expectations for DCSA review, NISS status updates, help-desk support, escalation, and appeals. DoW should also confirm that DCSA has sufficient resources, trained personnel, and stable systems to support the expected workload. The final rule should also provide for interim status mechanisms that allow acquisitions to proceed absent an identified and immitigable national security risk where DCSA cannot complete review within the defined period identified in the final rule.

CODSIA further recommends that DoW adopt a phased implementation period in the final rule, and pilot the process before imposing full enforcement. A pilot should test NISS capacity, DCSA review timelines, contracting officer procedures, and inter-agency collaboration, as well as subcontractor status verification, commercial-item determinations, privacy handling for foreign investor contact information, option-exercise procedures, and mitigation timelines across representative acquisition types. DoW should publish lessons learned and update the DFARS Procedures, Guidance, and Information (PGI) before broad application.

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7. Avoid repeating the ICD-705/TEMPEST implementation pattern.
Members have raised concerns that DoW should not impose a security mandate first and resolve acquisition implementation mechanisms later. Recent experience with ICD-705/TEMPEST compliance illustrates the risks that arise when security requirements, acquisition execution, facility approval processes, timelines, and agency interpretations are not aligned before solicitations begin incorporating requirements. A similar pattern in the FOCI context could lead to inconsistent solicitation language; delays in award; disputes over eligibility; protests; and confusion among contracting officers, requiring activities, DCSA personnel, primes, and subcontractors.

CODSIA Recommendation: DoW should align DCSA, contracting officers, program offices, requiring activities, and industry before enforcement. The final rule should be accompanied by PGI, model solicitation language, DCSA processing standards, industry-facing FAQs, and contracting officer training that explain how the rule will operate in pre-award, post-award, option, modification, and subcontract contexts.

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8. Clarify contractor responsibility and avoid imposing strict liability for subcontractor FOCI matters.
The proposed clause would require contractors to ensure that subcontractors and suppliers awarded subcontracts exceeding $5 million have an eligible status in NISS before subcontract award and maintain eligible status for the duration of subcontract performance. The proposed clause also requires flowdown in subcontracts and other contractual instruments over $5 million. While prime contractors can flow down clauses and verify status, they generally cannot view other contractor information in the NISS, adjudicate FOCI risk, direct a subcontractor's corporate governance, require investors to restructure ownership rights, or control DCSA review timelines.

CODSIA Recommendation: The final rule should clarify that prime contractors cannot view subcontractor FOCI data in NISS and are not responsible for determining whether a subcontractor is under FOCI, adjudicating the risk presented by beneficial ownership, or developing DCSA mitigation strategies. Under the final rule, prime contractor responsibility should be limited to receiving representations at the time of the prospective award from covered subcontractors that have made required submissions, are engaged in any required review or mitigation process, have the required NISS status, or have an applicable exception. The final rule should also clarify that subcontractors should submit SF 328 and ownership materials directly to DCSA, and primes who are obligated to flow the clause in the awarded subcontract should receive only status information necessary for subcontract administration. CODSIA proposes an additional paragraph be added at 252.240-70YY(d), *Reporting*, to clarify what is out of scope of contractor responsibilities:

"(3) Nothing in this clause shall be construed as requiring a Contractor to conduct continuous surveillance, auditing, or monitoring of subcontractor ownership structures, beneficial ownership, or foreign ownership arrangements. A Contractor may satisfy its subcontractor-verification obligations through reasonable, good-faith reliance on subcontractor representations, absent actual knowledge that such representations or status information are inaccurate."

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9. Protect confidentiality of SF 328, ownership, and mitigation information.
SF 328 submissions and supporting information may include highly sensitive corporate, ownership, investor, governance, and security information.[5] CODSIA

[5] Defense Counterintelligence and Security Agency, *Instructions for Completion of the Certificate Pertaining to Foreign Interests*, SF 328 Instructions.

member companies have reported instances where agencies have requested SF 328 submissions directly from contractors during the procurement process. That approach creates confidentiality, source selection, competitive sensitivity, and data handling concerns. The proposed rule should not be implemented in a manner that causes broad distribution of sensitive ownership or mitigation information outside DCSA.

The proposed clause also contemplates submission of contact information for foreign owners that are beneficial owners if a contractor is determined to be under FOCI. DoW should address the privacy, legal, and jurisdictional implications of collecting and submitting personal contact information for foreign investors or beneficial owners into a U.S. government system, particularly where investors are in jurisdictions with strict data privacy laws, including the European Union.

CODSIA Recommendation: The final rule should specify that SF 328 materials, supporting ownership information, foreign beneficial-owner contact information, and mitigation details must be submitted directly to DCSA through NISS and should not be submitted to contracting officers, requiring activities, prime contractors, or other offerors except where expressly required, and even then, such submissions should be limited to necessary status confirmation. The final rule should also clarify how such information will be protected from public disclosure, source-selection misuse, unnecessary distribution, and privacy-law conflicts. Further, DoW should clarify how such information will be protected under applicable FOIA exemptions, including procedures for safeguarding proprietary investor information and limiting retention, redaction, and internal dissemination consistent with privacy and data-protection laws.

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10. Make the 90-day mitigation requirement risk-based and workable.
The proposed clause would require contractors, within 10 business days of notification by DCSA that the contractor is under FOCI or that there is beneficial ownership risk, to initiate a plan of action and confirm it will comply with DCSA mitigation recommendations. The proposed rule also requires implementation of risk mitigation strategies within 90 calendar days of contract award, option exercise, modification, or identification of risk during contract performance. CODSIA appreciates the need for timely mitigation, but both deadlines may be unrealistic in cases involving complex ownership, governance, board rights, investor consent, data segmentation, security control agreements, exclusion plans, proxy arrangements, or other measures requiring negotiation and DCSA approval.

The 10-business-day plan-of-action deadline is distinct from the 90-day implementation deadline and should be addressed separately. Initiating a credible plan may require the contractor to coordinate with parent companies, boards, investors, foreign beneficial owners, outside counsel, lenders, and DCSA. In some cases, a mitigation plan may require changes to governance documents or investor rights that cannot be responsibly designed within 10 business days. The problem is particularly acute for companies newly brought into the FOCI process and for small businesses without existing industrial security infrastructure.

CODSIA Recommendation: The final rule should replace the rigid plan-of-action and mitigation deadlines with a risk-based framework that allows DCSA to establish an appropriate schedule based on risk severity, the complexity of mitigation, and the contractor's good-faith progress. The final rule should provide for extensions, interim measures, and safe harbors where delays are caused by DCSA review, government processing, NISS availability, investor negotiations, or factors outside the contractor's control. DoW should clarify the consequences of failure to meet a mitigation milestone and provide a dispute/escalation process before adverse contractual action is taken. DCSA should provide models of best-practice risk-based mitigation approaches for likely scenarios.

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11. Clarify the meaning of beneficial ownership and FOCI for companies newly subject to these requirements.
The proposed clause defines beneficial owner by reference to 17 CFR 240.13d-3 and defines FOCI by reference to 32 CFR part 117.11.[6] Those concepts are familiar to some cleared contractors and public-company counsel but may be difficult to apply to privately held companies, private equity-backed firms, venture-backed companies, Employee Stock Ownership Plans (ESOPs), S corporations, limited liability companies, joint ventures, mentor-protege arrangements, public companies with dispersed ownership, and U.S. subsidiaries of foreign or allied parent companies. For example, stock in publicly traded companies is held by thousands of individuals and changes daily, making it unreasonable to track nationality of investors. Unlike many large defense contractors, many small engineering, architecture, consulting, and professional services firms lack existing industrial security and back-office compliance infrastructure. The final rule should translate these standards into procurement-facing guidance that companies can operationalize for NISS registration, disclosure, and update purposes.

CODSIA Recommendation: The final rule should provide examples, FAQs, and decision trees addressing how beneficial ownership and FOCI concepts apply to common contractor ownership structures, including private equity, venture capital, public companies, ESOPs, S corporations, LLCs, joint ventures, U.S. subsidiaries of foreign parents, allied ownership, board observer rights, negative control rights, and complex holding-company structures. Guidance is needed particularly due to DCSA's 2025 update to the SF 328 form for the purpose of identifying avenues of possible foreign control, particularly related to foreign outsourcing contractual relationships. In the final rule, DoW should also clarify that lawful foreign or allied ownership or control does not equal unmitigable FOCI risk. In the case of publicly traded companies, passive ownership of publicly traded stock by dispersed foreign persons, without additional indicia of control or influence, should not by itself establish unmitigable

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[6] 91 F.R. 24788.

FOCI risk. DoW should develop communications, training materials, and practical tools to guide contractors and subcontractors that are newly subject to these requirements.

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12. Reassess the regulatory flexibility and paperwork reduction analyses.
DoW states that it does not expect the proposed rule to have a significant economic impact on a substantial number of small entities because the rule “simply” requires disclosure and, if applicable, risk management.[7] CODSIA respectfully disagrees that the burden can be understood primarily as a pre-approved SF 328/NISS information collection. The practical burden includes legal review, investor and parent-company diligence, ownership tracing, NISS onboarding, internal security processes, recurring updates, subcontractor management, negotiation and implementation of mitigation strategies, pricing impacts, proposal delays, option and modification delays, and potential lost business opportunities if DCSA processing is not timely.

DoW also should reassess the specific time and labor assumptions used for offeror and contractor representations. The proposed rule appears to rely on very limited administrative time assumptions for verifying that NISS information is current, accurate, and complete. For companies with complex ownership, private equity investment, foreign beneficial owners, public-market ownership, or multiple covered proposals, options, and modifications, verification may require more than a ministerial review by a single administrative employee. The act of certifying that ownership and FOCI information is current, accurate, and complete may require legal, corporate, investor, security, and mitigation review.

CODSIA Recommendation: In the publication of the final rule, DoW should revise the Regulatory Flexibility Act and Paperwork Reduction Act analyses to account for the full cost of compliance, including mitigation and supply-chain administration. DoW should specifically reassess the burden estimates associated with NISS verification and the offeror representation, including whether the assumed time and labor category realistically reflect the diligence required to certify current, accurate, and complete information. DoW should develop small-business assistance materials, standardized templates, help-desk support, sample subcontract language, implementation guides, and transition periods before enforcement begins. DoW should provide a process for offeror inquiry regarding prior reviews of a NISS-registered subcontractor, indicating whether mitigation plans have been required/approved for covered awards.

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13. Clarify treatment of changes during performance and avoid over-reporting.
The proposed clause requires contractors to report changes in FOCI or beneficial ownership and provides accelerated reporting obligations if the contractor determines

[7] 91 F.R. 24786.

that changes may place it or a subcontractor at any tier under FOCI. Because ownership and governance changes can occur at parent, fund, investor, public-market, affiliate, or lower-tier subcontractor levels, contractors need clear thresholds for when a change is reportable and when the three-business-day and ten-business-day deadlines are initiated.

CODSIA Recommendation: The final rule should clarify what constitutes a reportable change by a contractor or subcontractor, when the contractor has sufficient knowledge to trigger reporting, and what level of diligence is expected for subcontractors and lower-tier subcontractors. To avoid unnecessary burden to contractors and the agencies involved, DoW should avoid including in the final rule any standards that encourage over-reporting of immaterial changes or require primes to monitor or report on ownership structures over which they have no direct visibility or control. A three-business-day reporting period may be unrealistic where a contractor must investigate the event, validate information, identify affected contracts and subcontracts, and determine whether the change creates a reportable FOCI concern.

Conclusion
CODSIA appreciates DoW's attention to the national security risks associated with beneficial ownership and FOCI. CODSIA supports the objective of ensuring that DoW has appropriate visibility into, and tools to mitigate, such risks. However, the final rule must be implemented in a way that is workable for the acquisition community, DCSA, prime contractors, subcontractors, small businesses, and commercial providers. A successful final rule should protect national security while preserving competition, avoiding unnecessary procurement delays, and ensuring that security requirements are aligned with acquisition execution.