



INDUSTRIAL SECURITY

LETTER

Industrial Security letters are issued periodically to inform cleared Contractors, User Agencies and DoD Activities of developments relating to industrial security. The contents of these letters are for information and clarification of existing policy and requirements. Suggestions for Industrial Security Letters are appreciated and should be submitted to the local Defense Security Service cognizant industrial security office. Articles and ideas contributed will become the property of DSS. Inquiries concerning specific information in Industrial Security Letters should be addressed to the cognizant DSS industrial security office.

ISL 2011-03

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Disclosure of Classified Information between Parent and Subsidiaries within a Corporate Family (NISPOM 5-503)

NISPOM paragraph 5-503 requires that disclosure of classified information between a parent and its subsidiaries be accomplished in the same manner as disclosure between a prime contractor and a subcontractor. That means a classified subcontract must be in place between the legal entities involved to allow for such disclosures.

A valid facility clearance (FCL) at the same level, or higher, than the classified information to be disclosed must be in place between the legal entities involved to allow for such disclosures. The recipient of the information must also have a need-to-know (see NISPOM Appendix C definition) for the information involved and approved storage capability, if a physical transfer of classified material occurs.

The NISPOM definition of a subcontract includes purchase orders, service agreements, and other types of agreements or procurement actions between contractors that requires or will require access to classified information to fulfill the performance requirements of a prime contract. The agreement or procurement action that constitutes the subcontract should be in writing and available for review by DSS. This clarification also applies to disclosure of classified information between any of the separate legal entities within the corporate family. The disclosure or transfer of the information must be in furtherance of a bona fide Government purpose.

Appropriate classification guidance for the classified information to be disclosed must be conveyed with the agreement or procurement action in the form of a Contract Security Classification Specification (DD Form 254), a security classification guide provided by

the Government Contracting Activity (GCA), or other written security classification guidance.

All current waivers to the requirements of NISPOM paragraph 5-503 granted by DSS are no longer necessary, and are hereby cancelled.