



## OFFICE OF THE UNDER SECRETARY OF DEFENSE

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WASHINGTON, DC 20301-3000

ACQUISITION  
AND SUSTAINMENT

FOR: Washington Headquarter Service

FROM: Katherine E. Arrington, Chief Information Security Officer (A&S)

SUBJECT: Temporary Relief from the Paperwork Reduction Act

- Trusted Capital (TC) is an Undersecretary of Defense for Acquisitions and Sustainment (USD (A&S)) program to strengthen the Defense Industrial Base (DIB) and limit the threat posed by adversarial capital on national security. The Trusted Capital program provides small to medium sized technology companies with a wide range of capital solutions via national security due diligence that is conducted on capital providers, to limit foreign access to critical technology through foreign investments. Through the Trusted Capital (TC) program, DoD can strengthen and illuminate early-stage supply chain risk and address critical DoD technological needs, while ensuring the DIB is free from adversarial capital or involvement.
- The Department of Defense requests a temporary six-month waiver from the requirements imposed by the Paperwork Reduction Act to launch its Trusted Capital Digital Marketplace. This marketplace will immediately begin to strengthen and illuminate early-stage supply chain risk and address critical DoD technological needs, while ensuring the DIB is free from adversarial capital or involvement in the following national security market sectors: Advanced Computing, Advanced Conventional Weapons Technologies, Advanced Engineering Materials, Advanced Manufacturing, Advanced Sensing Aero-Engine Technologies, Agricultural Technologies, Artificial Intelligence, Autonomous Systems, Biotechnologies, Chemical, Biological, Radiological and Nuclear (CBRN) Mitigation Technologies, Communication and Networking Technologies, Data Science and Storage, Distributed Ledger Technologies, Energy Technologies, Human-Machine Interfaces, Medical and Public Health Technologies, Quantum Information Science, Semiconductors and Microelectronics, Space Technologies.
- This request is in alignment with the National Defense Authorization Act (NDAA) FY2020, S.845 “Modernization of acquisition processes to ensure integrity of industrial base” and NDAA FY2020 S.847 “Mitigating risks related to foreign ownership, control, or influence of Department of Defense contractors or subcontractors.” This temporary waiver would also support Implementation of Executive Order 13924 “Regulatory Relief to Support Economic Recovery.”
- As recently as Dec 2, 2020 in a report in the Financial Times, “Chinese state-backed funds are still scouring the US for investments in critical technologies despite stiffer restrictions on such deals, prompting bipartisan concern in Washington over the national security implications. Pixelworks, Black Sesame Technologies and LightIC Technologies, three

companies' in the sensitive US semiconductor sector, have attracted investment in recent months from some of China's so-called government-guided funds. The strategic investment funds, which number more than 1,600, are estimated to control more than Rmb4tn (\$610bn) in capital, according to Chinese consultancy Zero2IPO."

- The United States stands to lose additional important companies to adversarial capital if another six months passes without this program being launched. Time is of the essence to create and re-shore critical domestic capability with vetted and trusted capital suppliers. The United States cannot afford to lose additional innovative small businesses to adversarial capital nor be forced into further supply chain dependencies for our most critical national security technologies by our adversaries.

COORDINATION: None

Attachments:

As stated

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