



FINANCIAL ASSURANCE OVERVIEW

- Federal National Mortgage Association bonds (FNMA's);
 - Federal Home Loan Mortgage Corporation (FHLM) bonds; and
 - State or municipal bonds rated BBB or higher by Standard & Poor's, or Baa or higher by Moody's Investment Services.
- Specification of the current market value of the securities deposited.
 - Specification of the date on which securities were transferred to the fund or account.
 - Specification of the licensee's prescribed amount or estimated cost of decommissioning (and, if applicable, site control and maintenance).
 - Letter from the State or State agency stating that use of funds will be restricted to covering the costs of decommissioning (and, if applicable, site control and maintenance) upon the licensee's default (needed *only* if a government fund is established to hold securities).
- The securities used in a deposit of government securities are backed by the Federal government or a State or local government.
 - The licensee has deposited the government securities into a trust fund, escrow account, or government fund that meets all applicable NRC requirements, as discussed in Sections 4.3.2.1, 4.3.2.2, and 4.3.2.3.
 - The licensee has not assumed any real rate of return on funds in the deposit of government securities that apply to decommissioning.
 - The licensee has not assumed a real (i.e., inflation adjusted), after-tax rate of return greater than 2 percent per year on funds in the deposit of government securities that apply to site control and maintenance.
 - Under the appropriate assumptions regarding earnings on the deposit of government securities, the current market value of the deposit is sufficient to pay for all required activities.
Exception: If the deposit of government securities is being used in combination with another financial assurance mechanism(s), the value of the deposit (accounting for earnings on pre-paid funds for site control and maintenance activities, if applicable) must at least equal the difference between the cost estimate or prescribed amount and the sum of the coverages being provided by the other mechanism(s).

4.3.2.6 SURETY BONDS

In addition to the general criteria outlined in Section 4.3.1, a surety bond submission that meets the following *additional* criteria will be acceptable to NRC:

- The following items have been included in the submission:
 - surety bond;

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- standby trust agreement and all supporting documentation (see Section 4.3.2.15); and
- copy of broker/agent’s power of attorney authorizing the broker/agent to issue bonds.
- The company issuing the surety bond is listed in the most recent edition of the U.S. Department of the Treasury’s *Circular 570* for the State where the surety bond was signed, and has an underwriting limitation greater than or equal to the level of coverage specified in the bond. If evidence of the issuing company’s qualifications is not provided in the submission, the reviewer will consult the most recent edition of *Circular 570*, which is published annually on approximately July 1 and is updated periodically in the *Federal Register*. (*Circular 570* can also be found on the World Wide Web at <http://www.fms.treas.gov/c570/index.html>.)
- The surety bond is payable to a standby trust fund that meets all applicable NRC requirements, as discussed in the section on standby trust funds (Section 4.3.2.15).
- The broker/agent’s power of attorney authorizes the broker or agent to issue bonds on behalf of the issuing company.
- The surety bond is in an amount that is at least as great as the licensee’s cost estimate or prescribed amount—unless the surety bond is being used in combination with another financial assurance mechanism(s), in which case the amount of the surety bond must at least equal the difference between the cost estimate or prescribed amount and the sum of the coverages being provided by the other mechanism(s).
- No credit is taken for earnings on any financial assurance mechanism (e.g., a surety bond) that does not set aside actual funds as prepayment for site control and maintenance activities.

4.3.2.7 LETTERS OF CREDIT

In addition to the general criteria outlined in Section 4.3.1, a letter of credit submission that meets the following *additional* criteria will be acceptable to NRC:

- The following items have been included in the submission:
 - letter of credit; and
 - standby trust agreement and all supporting documentation (see Section 4.3.2.15).
- The bank issuing the letter of credit is a financial institution whose operations are regulated and examined by a Federal or State agency. If evidence of the issuer’s qualifications is not provided in the submission, the reviewer will verify the qualifications of the issuer as follows:
 - The word “National” in the title of a financial institution signals that the institution is *Federally regulated*, as do the words “National Association” or the initials “N.A.” following its title. To determine whether such a financial institution qualifies as an acceptable issuer of a letter of credit, the reviewer will access the Federal Deposit

Insurance Corporation's (FDIC) Institution Directory on the World Wide Web at <<http://www2.fdic.gov/structur/search>>.

Alternatively, the reviewer may contact the appropriate district office of the Office of the Comptroller of the Currency (OCC) and confirm that the institution is Federally regulated. The OCC's home page on the World Wide Web is located at <<http://www.occ.treas.gov>>. The six district offices of the OCC, along with the States and territories under their jurisdiction, are as follows:

- Northeastern District Office (Telephone: (212) 819-9860)—CT, DE, ME, MD, MA, NH, NJ, NY, PA, RI, VT, District of Columbia, Puerto Rico, and Virgin Islands.
- Southeastern District Office (Telephone: (404) 659-8855)—AL, FL, GA, MS, NC, SC, TN, VA, and WV.
- Central District Office (Telephone: (312) 360-8800)—IL, IN, KY, MI, OH, and WI.
- Midwestern District Office (Telephone: (816) 556-1800)—IA, KS, MN, MO, NE, ND, and SD.
- Southwestern District Office (Telephone: (214) 720-0656)—AR, LA, OK, and TX.
- Western District Office (Telephone: (415) 545-5900)—AK, AZ, CA, CO, HI, ID, MT, NM, NV, OR, UT, WA, WY, and Guam.

- The word "State" in the title of a financial institution signals that the institution is State regulated. U.S. branches of foreign banks are usually regulated by the State in which they are located. To determine whether a State-regulated financial institution qualifies as an acceptable issuer of a letter of credit, the reviewer will access the FDIC's Institution Directory on the World Wide Web at <<http://www2.fdic.gov/structur/search>>.

Alternatively, the reviewer may contact the applicable State banking authority and confirm that the institution is State regulated.

- The titles of some financial institutions do not suggest that they are either Federally regulated or State regulated. In many such cases (but not all), these institutions are State regulated. This is also often true in the case of domestic branches of foreign banks.
- The letter of credit is payable to a standby trust fund that meets all applicable NRC requirements, as discussed in the section on standby trust funds (Section 4.3.2.15).
- The letter of credit is in an amount that is at least as great as the licensee's cost estimate or prescribed amount—unless the letter of credit is being used in combination with another financial assurance mechanism(s), in which case the amount of the letter of credit must at least equal the difference between the cost estimate or prescribed amount and the sum of the coverages being provided by the other mechanism(s).
- No credit is taken for earnings on any financial assurance mechanism (e.g., a letter of credit) that does not set aside actual funds as prepayment for site control and maintenance activities.