

U.S. NUCLEAR REGULATORY COMMISSION MANAGEMENT DIRECTIVE (MD)

MD 8.12		DT-17-165	
DECOMMISSIONING FINANCIAL ASSURANCE INSTRUMENT SECURITY PROGRAM			
<i>Volume 8:</i>	Licensee Oversight Programs		
<i>Approved By:</i>	Mark A. Satorius Executive Director for Operations		
<i>Date Approved:</i>	November 22, 2013		
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<i>Issuing Office:</i>	Office of Federal and State Materials and Environmental Management Programs Decommissioning and Uranium Recovery Licensing Directorate		
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EXECUTIVE SUMMARY			
<p>Directive and Handbook 8.12 provide NRC staff with a guide for ensuring that financial instruments, submitted as financial assurance for decommissioning by material licensees and fuel cycle licensees licensed under Title 10 of the <i>Code of Federal Regulations</i> Parts 30, 40, 61, 70, or 76, fulfill their intent of providing reasonable assurance that financial resources for decommissioning will be available when needed. This management directive describes the proper handling and safeguard of financial instruments, the appropriate signature authority for drawing on financial instruments, appropriate signature authority for returning financial instruments that are no longer valid or needed, and the procedure for regularly reviewing the financial instrument inventory.</p> <p>Major changes made at this time include revising the office responsible for the decommissioning financial assurance instrument security program, appropriate signature authority for drawing on financial instrument and returning financial instruments that are no longer valid or needed, the policies concerning the placement of financial instruments in ADAMS, the frequency and scope of financial instrument inventory reviews, and the requirements of the security container for storing financial instruments.</p>			

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I. POLICY

It is the policy of the U.S. Nuclear Regulatory Commission to establish and implement a process for the security of and signature authority for withdrawing funds from decommissioning financial assurance instruments, submitted in accordance with applicable rules in Title 10 of the *Code of Federal Regulations* (10 CFR), “Energy,” and to perform periodic evaluations of the instruments in its possession to ensure they are safeguarded and complete.

II. OBJECTIVES

- Ensure that the accepted, originally signed decommissioning financial assurance instruments, submitted in accordance with 10 CFR 30.35, 40.36, Appendix A to Part 40, 61 Subpart E, 70.25, 72.30, and 76.35(n), are safeguarded and used only for the purposes intended.
- Ensure that NRC signature authority for drawing on a decommissioning financial assurance instrument is unambiguously determined and, when needed, the appropriate individuals sign the needed documents.
- Ensure that monies drawn on decommissioning financial assurance instruments are placed in standby trust accounts and not transferred directly to the NRC or other parties.
- Ensure that decommissioning financial assurance instrument evaluations are performed to ascertain that the instruments are properly secured and are complete.

III. ORGANIZATIONAL RESPONSIBILITIES AND DELEGATIONS OF AUTHORITY

A. Executive Director for Operations (EDO)

Establishes a process for decommissioning financial assurance instrument security (DFAIS) and implements it by the decommissioning financial assurance instrument security program. The program will include a process for evaluating the security and completeness of the instruments submitted.

B. Chief Financial Officer (CFO)

Approves the process established for DFAIS.

C. Director, Office of Federal and State Materials and Environmental Management Programs (FSME)

1. Establishes the DFAIS program and jointly administers the program with the regional administrators.
2. Develops, approves, and maintains procedures governing the DFAIS program as it relates to licenses administered by FSME.
3. Safeguards financial assurance instruments for licenses managed within FSME and the Office of Nuclear Material Safety and Safeguards (NMSS).
4. For licenses managed within FSME, signs documents for drawing on instruments. This signature authority may not be delegated below the level of deputy office director.
5. Designates decommissioning financial assurance instrument custodians (FAICs), alternate custodians (AFAICs), and FAIC managers, and ensures performance of appropriate program verifications.
6. Provides guidance to decommissioning FAICs, AFAICs, and FAIC managers to ensure that instrument evaluations are properly performed.

D. Director, Nuclear Material Safety and Safeguards (NMSS)

Signs documents for drawing on instruments for licenses managed within NMSS. This signature authority may not be delegated below the level of deputy office director.

E. Director, Office of Nuclear Reactor Regulation (NRR)

1. Signs documents for drawing on instruments for Power Reactor (PR) and Research and Test Reactor (RTR) licensees. This signature authority may not be delegated below the level of deputy office director.
2. Safeguards financial assurance instruments for PR and RTR licensees.

F. Regional Administrators

1. Jointly administer the DFAIS program with Director, FSME.
2. Maintain procedures governing the DFAIS program as it relates to the licenses administered by the respective regions.
3. Safeguard financial assurance instruments for licenses managed within their region.
4. Sign documents for drawing on instruments for those licenses managed within their region. This signature authority may not be delegated below the level of deputy regional administrator.
5. Designate decommissioning FAICs, AFAICs, and FAIC managers, and ensure performance of appropriate program verifications.
6. Provide guidance to regional FAICs, AFAICs, and FAIC managers to ensure that instrument evaluations are properly performed.

IV. APPLICABILITY

The policy and guidance in this directive and handbook apply to all NRC employees.

V. HANDBOOK

Handbook 8.12 contains procedures for implementing decommissioning financial assurance instrument security for materials and fuel cycle licensees.

VI. REFERENCES

Code of Federal Regulations

Title 10 of the *Code of Federal Regulations*, "Energy."

10 CFR 2.390, "Public Inspections, Exemptions, Requests for Withholding."

10 CFR Part 30, "Rules of General Applicability to Domestic Licensing of Byproduct Material."

10 CFR Part 30, Appendix A, "Criteria Related to Use of Financial Tests and Parent Company Guarantees for Providing Reasonable Assurance of Funds for Decommissioning."

10 CFR Part 30, Appendix C, "Criteria Related to Use of Financial Tests and Self-Guarantees for Providing Reasonable Assurance of Funds for Decommissioning."

10 CFR Part 30, Appendix D, "Criteria Related to Use of Financial Tests and Self-Guarantees for Providing Reasonable Assurance of Funds for Decommissioning by Commercial Companies That Have No Outstanding Rated Bonds."

10 CFR Part 30, Appendix E, "Criteria Related to Use of Financial Tests and Self-Guarantees for Providing Reasonable Assurance of Funds for Decommissioning by Nonprofit Colleges, Universities, and Hospitals."

10 CFR Part 40, "Domestic Licensing of Source Material."

10 CFR Part 40, Appendix A, Criteria 9 and 10.

10 CFR Part 50, "Domestic Licensing of Production and Utilization Facilities."

10 CFR Part 61, "Licensing Requirements for Land Disposal of Radioactive Waste."

10 CFR Part 70, "Domestic Licensing of Special Nuclear Material."

10 CFR Part 72, "Licensing Requirements for the Independent Storage of Spent Nuclear Fuel and High-Level Radioactive Waste, and Reactor-Related Greater than Class C Waste."

10 CFR Part 76, "Certification of Gaseous Diffusion Plants."

Federal Register

"Timeliness in Decommissioning of Materials Facilities," 59 FR 36026 (July 15, 1994), as amended at "Clarification of Decommissioning Funding Requirements," 60 FR 38235 (July 26, 1995).

NRC Documents

Management Directive—

5.6, "Integrated Materials Performance Evaluation Program (IMPEP)."

12.1, "NRC Facility Security Program."

NUREG-1757, Vol. 3, "Consolidated Decommissioning Guidance: Financial Assurance, Recordkeeping and Timeliness."

United States Code

Atomic Energy Act of 1954, as amended (42 U.S.C. 2011, et seq.).

Securities and Exchange Act of 1934 (15 U.S.C. 78a, et seq.).

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<i>Contact Name:</i>	Kenneth Kline 301-415-7075	Reginald Augustus 301-415-0165

EXECUTIVE SUMMARY

Directive and Handbook 8.12 provide NRC staff with a guide for ensuring that financial instruments, submitted as financial assurance for decommissioning by material licensees and fuel cycle licensees licensed under Title 10 of the *Code of Federal Regulations* Parts 30, 40, 61, 70, or 76, fulfill their intent of providing reasonable assurance that financial resources for decommissioning will be available when needed. This management directive describes the proper handling and safeguard of financial instruments, the appropriate signature authority for drawing on financial instruments, appropriate signature authority for returning financial instruments that are no longer valid or needed, and the procedure for regularly reviewing the financial instrument inventory.

Major changes made at this time include revising the office responsible for the decommissioning financial assurance instrument security program, appropriate signature authority for drawing on financial instrument and returning financial instruments that are no longer valid or needed, the policies concerning the placement of financial instruments in ADAMS, the frequency and scope of financial instrument inventory reviews, and the requirements of the security container for storing financial instruments.

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I. DECOMMISSIONING FINANCIAL ASSURANCE INSTRUMENT SECURITY PROGRAM

A. Purpose

1. The U.S. Nuclear Regulatory Commission established technical and financial regulations for decommissioning licensed facilities (53 FR 24018; June 27, 1988) to ensure that the decommissioning of all licensed facilities will be accomplished in a safe and timely manner and that licensees will provide adequate funds to cover all costs associated with decommissioning. The regulations (10 CFR 30.35, 40.36, Appendix A to Part 40, 61 Subpart E, 70.25, 72.30, and 76.35(n)) address decommissioning planning needs, timing, funding methods, and environmental requirements for public and private facilities. They further specify which financial instruments licensees may use to provide financial assurance. As a result of these regulations, the NRC receives financial assurance instruments that require safeguarding to permit ready retrieval when needed and to prevent unauthorized use.
2. The decommissioning financial assurance instrument security (DFAIS) program provides procedures for the security of financial assurance instruments submitted by licensees licensed under 10 CFR 30, 40, 61, 70, and 76. The procedures prescribe the positions of specific individuals authorized to sign documents for drawing on financial assurance instruments. They also address the transfer of monies drawn on

instruments so that monies are placed in standby trusts or escrows and are not transferred directly to the NRC or other parties.

3. The program also provides for the designation of financial assurance instrument custodians (FAICs), alternate custodians (AFAICs), and FAIC managers to organize, evaluate, and secure the storage of financial assurance instruments.

B. Security of the Decommissioning Financial Assurance Instrument

1. The Director of the Office of Federal and State Materials and Environmental Management Programs (FSME) and the regional administrators have responsibility for safeguarding financial assurance instruments submitted by licensees managed under their programs. In addition, FSME has the responsibility for safeguarding financial assurance instruments submitted by licensees managed by the Office of Nuclear Material Safety and Safeguards (NMSS). These individuals shall designate in writing the decommissioning FAICs, AFAICs, and FAIC managers within their office or region.
2. No one shall have access to the records other than through the FAICs, AFAICs, and FAIC managers. Their responsibilities follow.
 - (a) Financial Assurance Instrument Custodian

The FAIC is responsible for—

 - (i) Ensuring that financial assurance instruments are properly secured, and
 - (ii) Maintaining instrument inventories and logs and performing annual verifications of instrument inventories (see Section I.E of this handbook).
 - (b) Alternate Financial Assurance Instrument Custodian

The AFAIC is responsible for assisting the FAIC in maintaining instrument inventories and logs and performing annual verifications of instrument inventories (see Section I.E of this handbook).
 - (c) FAIC Managers

Managers of FAICs are responsible for performing, or appointing a designee to perform, annual verifications of the DFAIS program and reporting the results to the office director or applicable regional administrator (see Section I.E of this handbook).

Licensing project managers verify that the licensees they manage have submitted the required financial assurance instruments. The licensing project managers are responsible for providing the originally signed financial assurance instruments to the FAIC or the AFAIC. The instruments must be stored in—

 - (a) A fire-rated safe, defined as having at least a fire rating of 350 degrees for 1 hour;

- (b) A fire-rated box, defined as having at least a fire rating of 350 degrees for 1 hour, and placed in a safe; or
 - (c) A security container (safe) for classified information as approved by the NRC Division of Facilities and Security (see Section II.G in Management Directive (MD) 12.1, "NRC Facility Security Program").
3. Instruments must be stored in an organized manner so that instruments can be readily retrieved.
 4. Licensing project managers shall also submit copies of the instruments to the Agencywide Document Access and Management System (ADAMS). Financial instruments that contain information requested to be withheld under 10 CFR 2.390, "Public Inspections, Exemptions, Requests for Withholding," as proprietary information shall be marked as non-public and proprietary in ADAMS. Financial instruments that are suitable for public release shall be made publicly available in ADAMS, provided that the identification number of the instrument and any information withheld under 10 CFR 2.390 is redacted.
 5. In addition to Section I.B.5 above, for offices that maintain paper records of financial instruments, the licensing project managers shall provide copies of the financial instruments for the licensing file. These copies shall be stamped "nonnegotiable," and the identification numbers contained in the instruments shall be redacted.
 6. The Director of FSME and regional administrators shall designate in writing those individuals authorized to have access to the safe.

C. Verification of the Decommissioning Financial Assurance Inventory

The FAIC or the AFAIC shall perform verifications annually of the decommissioning financial assurance inventory to ensure proper accounting of all instruments removed from the safe. After the verification, the FAIC or the AFAIC will prepare a report to the FAIC manager, providing the results of the verification, identifying any discrepancies, and recommending actions to correct the discrepancies.

1. Inventory List

- (a) The FAIC or the AFAIC shall maintain an inventory list of the decommissioning financial assurance instruments held in the safe. The inventory list must include—
 - (i) The licensee name and license number;
 - (ii) The type of instrument submitted;
 - (iii) The name of the entity issuing the instrument;
 - (iv) The issuer's designation of the instrument (usually a number);
 - (v) The amount of the instrument; and
 - (vi) The date of the instrument issuance, expiration date, and any amendments made to the original instrument.

- (b) An example of an acceptable inventory list is provided in Exhibit 1. The inventory list shall be marked as controlled. In bold, uppercase font, the top and bottom of each page of the report shall contain the following markings:

OFFICIAL USE ONLY – PROPRIETARY INFORMATION

OFFICIAL USE ONLY – SENSITIVE INTERNAL INFORMATION

2. Inventory Log

The FAIC or the AFAIC shall maintain an inventory log of instrument removals from, and returns to, the safe. Removal of instruments from the safe must be for official use only (e.g., review by project manager, replacement of an instrument). The inventory log must indicate the licensee, specifics about the instrument removed from or returned to the safe, the date and the signature of the person handling the inventory change, and the reasons for the change. An example of an acceptable inventory log is provided in Exhibit 2.

3. Changed or Cancelled Financial Instruments

- (a) Financial instruments must be returned to licensees per their written instructions if licensees replace their existing financial assurance instrument(s) with an alternative instrument, if licenses are terminated, or if the amount under the license falls below the possession limit thresholds requiring financial assurance. When instruments are removed from the safe to be returned to the licensee, the licensing project manager shall be responsible for returning them to the licensee and documenting their return in ADAMS.
- (b) A deputy division director is the appropriate level of signature authority for returning financial assurance documents for those licenses under his or her office's program responsibilities. If authorized, this signature authority may be delegated down: (1) to the branch chief responsible for financial reviews; or (2) the branch chief responsible for the site whose financial assurance instrument(s) will be returned to the licensee. In either case, the cover letter returning the financial assurance instrument(s) shall, at a minimum, receive the concurrence of both above-mentioned branch chiefs and a licensing assistant. A cancelled notation or stamp must be placed on the documents that are no longer valid, unless the licensee specifically requested that the NRC not do so. All original, executed copies or replacement copies of the applicable financial assurance instruments that are no longer valid must be returned per the licensee's instructions provided to the NRC in writing. A copy of the returned canceled instrument is maintained by NRC. Copies of the transmittal letter also may be sent to the issuer of the instrument, if specifically requested by the licensee. All transmittal letters regarding the cancellation and return of instruments shall be documented in ADAMS. The public version of the transmittal letters, if available, shall have the instrument number and any information withheld under 10 CFR 2.390 redacted. Inventory logs must be modified, as appropriate.

- (c) When a licensee replaces one instrument with another, the new instrument must be fully reviewed and approved prior to returning the superseded instrument(s). The superseded instrument(s) shall be returned to the licensee per the licensee's instructions provided to the NRC in writing.

D. Signature for Drawing on the Decommissioning Financial Assurance Instrument

The Director of FSME, NMSS, and the Office of Nuclear Reactor Regulation (NRR), and the regional administrators are authorized to sign documents for drawing on decommissioning financial assurance instruments for those licenses under their program responsibilities. This signature authority may not be delegated below the level of deputy office director or deputy regional administrator.

E. Annual Evaluations

1. Evaluation of the Security of Decommissioning Financial Assurance Instruments
 - (a) The FAICS, AFAICS, or FAIC managers shall verify that the financial assurance instruments are safeguarded in a container meeting the requirements specified in Section I.B.3 and that none of the instruments has been removed without being properly accounted. The financial assurance inventory log will be used to identify any instruments that were not in the safe at the time of the evaluation.
 - (b) The evaluation will verify that access to the safe is limited to the persons who are authorized to have access to the safe.
 - (c) Evaluations will be conducted annually by the FAIC, AFAIC, or FAIC manager. This will constitute a portion of the evaluation report that the FAIC manager will provide to those applicable individuals specified in Section I.E.3.
2. Evaluation of the Decommissioning Financial Assurance Inventory
 - (a) The person performing the evaluation will use the financial assurance inventory-controlled list to systematically verify whether the instruments provided on the controlled list are in the safe and whether the information related to the instruments is correct, current, and complete.
 - (b) A 100 percent evaluation will be performed of each financial assurance instrument in the safe to—
 - (i) Ensure that the current inventory list is up to date and verify the complete instrument is in the safe.
 - (ii) Ensure that the corporation name is correct and current on the inventory list.
 - (iii) Verify that the instrument type and issue date is correct on the inventory list.
 - (iv) Verify that the instrument amount is correct on the inventory list.
 - (v) Verify that the instrument amendments are present and the issue dates are correctly listed on the inventory list.
 - (vi) Verify that all documents that accompany the instrument are in the safe.

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- (vii) Verify that the instruments in the safe are the original executed documents or that there is an acceptable replacement copy.
 - (viii) Verify that the name of the instrument issuer is correctly listed on inventory list.
 - (ix) Verify that the instrument number is correctly listed on the inventory list.
 - (x) Verify that a standby trust instrument has been submitted for all instruments that require a standby trust.
 - (xi) Verify the name of the standby trust trustee.
 - (xii) Verify that Trust Agreements and Standby Trust Agreements include the documentation recommended by Appendix A.4 and Appendix A.17, respectively, of NUREG-1757, Vol. 3, "Consolidated Decommissioning Guidance: Financial Assurance, Recordkeeping and Timeliness."
 - (xiii) Verify that the parent company guarantees include the parent guarantee agreement, a letter from the Chief Executive Officer (CEO) of the licensee, a letter from the Chief Financial Officer (CFO) of the corporate parent, a financial test using either Alternative I or Alternative II (see 10 CFR Part 30, Appendix A), an auditor's special report by a certified public accountant reconciling amounts contained in the CFO's letter, and documentation that the parent guarantor has a majority ownership interest in the licensee.
 - (xiv) Verify that the self-guarantees include the self-guarantee agreement; a letter from the CEO and CFO of the self-guarantor; a financial test using one of the applicable financial tests set forth in 10 CFR Part 30, Appendices C, D, and E (as applicable to the licensee); an auditor's special report by a certified public accountant reconciling amounts contained in the CFO's letter; and documentation that the self-guarantor has at least one class of equity securities registered under the Securities Exchange Act of 1934.
 - (xv) Verify that all licensees relying on a self or parent company guarantee agreement have annually submitted documentation demonstrating that the guarantor passes the financial test, as required by 10 CFR 30, Appendix A, Section II.C.1; Appendix C, Section II.B.(3); Appendix D, Section II.B.(2); and Appendix E, Section II.C.(2).
 - (xvi) Verify that all surety bonds have a broker/agent's power of attorney attached.
 - (xvii) Verify that all statements of intent provide documentation that the signatory has the authority to request and obtain funds from its governmental authority for decommissioning when needed.
 - (xviii) Verify that all Part 30, 40, and 70 licensees, excluding uranium recovery licensees, have an up-to-date certification that financial assurance is in an amount at least as great as the amount of the cost estimate, as required by 10 CFR 30.35(e), 40.36(d), and 70.25(e).
 - (xix) Review the licensing tracking system (LTS) listing of licenses requiring decommissioning financial assurance.

- (xx) Ensure that there is a financial assurance instrument for all licenses required to have financial assurance. This includes verifying that the licensees have updated their decommissioning cost estimates as required by regulation and/or license condition.
- (xxi) Verify that the LTS has correct, updated information.
- (c) The results and any discrepancies in the financial assurance inventory also will constitute a portion of the evaluation report.

3. Evaluation Report

- (a) The FAIC manager shall prepare a report providing the results of the evaluation, identifying any discrepancies, and recommending actions to correct the discrepancies. The report shall be provided to the Deputy Director of the Division of Waste Management and Environmental Protection (DWMEP), FSME. Copies will be provided to the Director, DWMEP and the Director or Regional Administrator of FSME.
- (b) The report shall be marked as controlled. In bold, uppercase font, the top and bottom of each page of the report shall contain the following markings:

OFFICIAL USE ONLY – PROPRIETARY INFORMATION

OFFICIAL USE ONLY – SENSITIVE INTERNAL INFORMATION

- (c) The report shall be transmitted via a cover memorandum, briefly describing the review. For the benefit of the public, this cover memorandum shall be made publicly available in ADAMS and therefore shall not contain any non-public information.

F. External Evaluations

1. NRR shall evaluate 25 percent of the financial assurance instrument files of DWMEP, FSME, every 2 years. If any major concerns are identified (e.g., financial instruments are found to be missing without adequate documentation), NRR shall evaluate an additional 25 percent of the files of DWMEP, FSME, at its discretion. Results of the reviews must be provided to the Deputy Director of DWMEP, FSME, with copies provided to the Director of DWMEP, FSME, and the Director of FSME.
 - (a) The report shall be marked as controlled. In bold, uppercase font, the top and bottom of each page of the report shall contain the following markings:

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- (b) The report shall be transmitted via a cover memorandum, briefly describing the review. For the benefit of the public, this cover memorandum shall be made

publicly available in ADAMS and therefore shall not contain any non-public information.

2. FSME shall evaluate the regional programs through the integrated materials performance evaluation process (IMPEP) (see MD 5.6, "Integrated Materials Performance Evaluation Program (IMPEP)"). Results of the reviews must be provided to the Deputy Director of DWMEP, FSME, with copies provided to the Director of DWMEP, FSME, the Director, FSME, and the Regional Administrator.

- (a) The report shall be marked as controlled. In bold, uppercase font, the top and bottom of each page of the report shall contain the following markings:

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- (b) The report shall be transmitted via a cover memorandum, describing the purpose of the review, whether any issues were identified, what action was already taken to resolve any issues, and whether any further action is warranted. For the benefit of the public, this cover memorandum shall be made publicly available in ADAMS and therefore shall not contain any non-public information.

G. Types of Instruments

The following are examples of the types of decommissioning financial assurance instruments the NRC accepted at the time this management directive was published. Note that if the regulations stated in Section A.1 are revised, the types of instruments considered acceptable may change.

1. Letter of Credit

In an NRC letter of credit, the licensee is the account party, the financial institution is the issuer, and the NRC is the beneficiary. The issuer allows the beneficiary to draw funds upon presentation of the letter of credit in accordance with its terms. The purpose of an NRC letter of credit is to guarantee the availability of funds for certain activities. In general, these funds are deposited into a standby trust fund under the terms of the letter of credit.

2. Surety Bond

A surety bond is a contract providing for monetary compensation or performance should there be a failure to perform any specific act within a specific period. Under the NRC regulations, a surety bond is a contract in which a surety company is liable for the default or debts of a licensee on certain responsibilities, such as for decommissioning. The surety agrees to satisfy these responsibilities if the licensee does not. In general, these funds are deposited into a standby trust fund under the terms of the bonds.

3. Performance Bond

A performance bond is a type of surety bond under which the surety agrees either to pay the penal sum of the bond or to perform the required actions if the licensee fails to fulfill its obligation. In general, these funds are deposited into a standby trust fund under the terms of the bond.

4. Standby Trust Fund

Under the NRC regulations, a standby trust fund is established to receive funds from a surety bond or letter of credit in the event that the NRC draws on such instruments. A standby trust fund must accompany each surety bond or letter of credit, because the NRC lacks the authority to retain funds directly from a surety or bank. Instead, the funds are deposited in the standby trust fund and used at the direction of the NRC.

5. Parent Company Guarantee

This is a document stating that the guarantor—the parent corporation—guarantees that it will meet all financial assurance obligations specified in the regulations.

6. Trust Fund

A trust is a three-party agreement whereby one party, called the grantor (sometimes also called the trustor), transfers assets (often money) to a second party, called the trustee, to hold on behalf of a third party, called the beneficiary. In an NRC trust fund, the licensee is the grantor, a bank or other financial institution that fulfills the NRC requirements is the trustee, and the NRC is the beneficiary. The licensee, as grantor, pays into the trust fund resources (such as cash or securities acceptable to the trustee) that are managed by the trustee and will be used to pay for the applicable activities. The licensee usually pays a fee for the trust services provided by the trustee. The arrangement is governed by a trust agreement that sets out the responsibilities and rights of each party.

7. Self-Guarantee

This is a document stating that the guarantor—the licensee itself—has demonstrated that it possesses the necessary financial strength and will meet all financial assurance obligations specified in the regulations.

8. Statement of Intent

This document is allowed for use only by Federal, State, or local government licensees who may certify that the entity will request funds for decommissioning costs from its governmental authority sufficiently in advance of decommissioning to prevent the delay of the required activities. This is not a commitment of funds, but rather a commitment to request decommissioning funds from the funding government body when necessary. The statement of intent is supported by the government's full faith and credit and underlying ability to raise the funds necessary to pay for decommissioning costs. In some cases, commercial licensees may rely on government statements of intent where there are contractual commitments from government entities to fund decommissioning.

9. Certificate of Deposit (CD)

These certificates are deposits of cash made into a bank for a prespecified time. CDs can be negotiable or nonnegotiable. If a CD is negotiable, the issuing bank is obligated to pay the holder, whoever it is, when the CD falls due. If a CD is nonnegotiable, the bank is obligated to pay the designated payee identified on the CD. CDs may be used as a financial assurance instrument, if accompanied by an escrow account, trust fund, or standby trust agreement.

10. Government Securities

These securities may be used as financial assurance instruments if deposited into a trust fund or escrow account. Acceptable government securities include those backed by the Federal, State, or local government, and include the following: U.S. Treasury bills, notes, and bonds; Government National Mortgage Association and Federal National Mortgage Association bonds and certificates; State or municipal bonds rated BBB or higher by Standard and Poor's or Baa or higher by Moody's Investors Service.

11. External Sinking Fund

This fund allows a licensee to periodically place funds into a trust fund or escrow account so that the total amount of funds would be sufficient to pay for decommissioning at the time termination of operations is expected. For materials licensees, a sinking fund must be combined with a surety, insurance, or guarantee instrument so that the decommissioning can be fully funded at any time. As the value of the sinking fund increases with time, the coverage under the surety, insurance, or guarantee instrument may be decreased.

EXHIBITS

Exhibit 1 Financial Assurance Inventory – Controlled List

Mark the Inventory List as controlled, per MD 8.12 Handbook, Section C.1.b



OFFICIAL USE ONLY – PROPRIETARY INFORMATION
OFFICIAL USE ONLY – SENSITIVE INTERNAL INFORMATION

Licensee; License No.	Instrument Type and No.	Provider	Issuance Date	Expiration Date	Amount	Date Placed in Safe	Notes	
ABC, LLC License SUA-ABC Docket 40- ABC	Standby Trust	LMN Trust Company	7/6/10	Until Cancelled	N/A	7/6/10	New Instrument	
	Surety Bond 567	DEF Insurance Co.	7/6/10	Until Cancelled	\$6,000,000	7/6/10		
	Certification of Financial Assurance	ABC, LLC	7/6/10	Until Cancelled	\$6,000,000	7/6/10		
	Surety Rider to Surety Bond 567	DEF Insurance Co.	7/6/11	Until Cancelled	\$8,000,000	7/6/11		Updated amount
	Schedule A and B to Standby Trust	LMN Trust Company	7/6/11	Until Cancelled	N/A	7/6/11		
	Certification of Financial Assurance	ABC, LLC	7/6/11	Until Cancelled	\$8,000,000	7/6/11		Updated amount
XYZ, Corp License SNM-XYZ Docket 70- XYZ	Self Guarantee	XYZ Corp	1/6/10	Until Cancelled	N/A	1/6/10	New Instrument	
	CFO Letter	XYZ Corp	1/6/10	Until Cancelled	\$50,000,000	1/6/10		
	Certification of Financial Assurance	XYZ Corp	1/6/10	Until Cancelled	\$50,000,000	1/6/10		
	CEO Letter	XYZ Corp	1/6/10	Until Cancelled	N/A	1/6/10		
	Auditor's Report	ABC Accounting	1/6/10	Until Cancelled	N/A	1/6/10		

OFFICIAL USE ONLY – PROPRIETARY INFORMATION
OFFICIAL USE ONLY – SENSITIVE INTERNAL INFORMATION



Mark the Inventory List as controlled, per MD 8.12 Handbook, Section C.1.b

