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Mr. Peter N. Brush, Director
Nuclear Nonproliferation Policy
Office of International Affairs
U.S. Department of Energy
Washington, DC 20585

Dear Mr. Brush:

This responds to your memorandum of October 24, 1986. The NRC has no objection to the flag swap involving Canadian and U.S.-origin material which has been proposed by the Euratom Supply Agency.

In addition, since the proposed transaction is the functional equivalent of a direct retransfer of U.S.-origin material from Euratom to Canada, the NRC believes that it should be processed as a formal "subsequent arrangement" under Section 131 of the Atomic Energy Act.

Sincerely,

151

Marvin R. Peterson, Assistant Director
Export/Import and International Safeguards
Office of International Programs

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