

LETTER OF CREDIT OR BOND

CHECKLIST OF REQUIREMENTS AND SAMPLE LANGUAGE

Updated March 15, 2023

This document provides an example format for California Cap-and-Trade program entities to submit a Letter of Credit (LOC or L/C) or a Bond as a bid guarantee for an auction or reserve sale. A LOC or Bond submitted as a bid guarantee must be issued in a form that may be accepted by the Financial Services Administrator (FSA) consistent with U.S. banking laws and bank practices. Auction or reserve sale applicants are encouraged to work with their financial institutions to ensure that all of the bid guarantee requirements are met, as described in the [Detailed Auction Requirements and Instructions](#) (and summarized in the checklist below), prior to submitting any bid guarantee documents to the FSA. Auction and reserve sale applicants are also encouraged to submit a sample LOC or Bond to the FSA for review in advance of the bid guarantee deadline.

Checklist of Requirements:

The following non-negotiable terms must be met in order to submit a LOC or Bond.

- The LOC or Bond must refer to the Financial Services Account Name and Financial Services Account Number as provided in the Financial Services Delivery Instructions available in CITSS.
- Deutsche Bank National Trust Company** must be listed as the beneficiary.

BENEFICIARY:

DEUTSCHE BANK NATIONAL TRUST COMPANY
DBTCA FOR DBNTC AS FSA FOR WCI, INC
1 COLUMBUS CIRCLE, 17TH FLOOR
MAILSTOP: NYC01-1710
NEW YORK, NY 10019

- The LOC must be irrevocable. For Bonds the party named as “Principal” in the bond must be identical to that named in the applicant’s application.
- The amount of the LOC or Bond must be included.
- The expiration or maturity date must be at least twenty-six (26) days after the scheduled auction.
- There must be instructions included indicating where to submit the LOC or Bond for payment.
- The LOC or Bond must allow for presentment by facsimile (Fax). Delivery in person or by courier cannot be required. Include the fax and phone number of the contact.
- There must be a payment certificate/form of draw included as an exhibit or

annex to the LOC or Bond.

- The LOC or Bond must be payable within three (3) business days of a payment request.
- There must be a draw cut off time of no earlier than 9:00 AM Pacific Time (PT) / 12:00 PM (Noon) Eastern Time (ET) for same day draw.
- An entity submitting multiple LOCs and/or Bonds must designate the order that the bid guarantees should be drawn upon in the event the FSA does not receive funds by the financial settlement deadline.¹

If any of these terms are not met by the date and time provided in the Auction or Reserve Sale Notice for receipt of all bid guarantees by the Financial Services Administrator, the submitted LOC or Bond will be rejected. If the submitted LOC or Bond requires revisions, all revisions must be completed and received in physical form by the deadline for receipt of bid guarantees or the LOC or Bond will not be accepted.

For questions on bid guarantee submittal for an auction or reserve sale, please contact Deutsche Bank National Trust Company at db.wcisupport@db.com or call (714) 247-6167 or (212) 250-3018.

Sample Language:

Provided below is sample LOC language, with areas highlighted in grey that need to be completed by the issuing bank or beneficiary bank. These areas include a description of the information to be entered in brackets, for example [Insert Information]. Language underlined by double red lines would require revision to use this example letter of credit language to submit a bond as a bid guarantee. To submit a bond as a bid guarantee, remove section nine (underlined by double red lines), which is LOC-specific. A bond delivered as a bid guarantee must be in a form that may be accepted by the financial services administrator consistent with U.S. banking laws and bank practices. Please note that language provided here is meant as a guide only; all submitted LOCs must, at minimum, meet the required non-negotiable terms provided in the Checklist of Requirements above or will be rejected.

[Insert Date:]

[Insert Issuing Bank – Branch]

¹ If multiple bid guarantees are a combination of cash and another form of bid guarantee (LOC or Bond), the cash bid guarantee will be drawn upon first and only the remaining funds due will be drawn from the other form(s) of bid guarantee.

PLEASE ISSUE AN IRREVOCABLE STANDBY L/C AS DESCRIBED BELOW AND EMAIL A COURTESY COPY AND SEND ORIGINAL L/C TO:

Mailing Address:

AUCTION AND RESERVE SALE FINANCIAL SERVICES
ADMINISTRATOR C/O DEUTSCHE BANK TRUST COMPANY AMERICAS
1 COLUMBUS CIRCLE, 17TH
FLOOR MAILSTOP: NYC01-1710
NEW YORK, NY 10019

PHONE: (212) 250-2885

EMAIL: DB.WCISUPPORT@DB.COM

Beneficiary:

DEUTSCHE BANK NATIONAL TRUST COMPANY
DBTCA FOR DBNTC AS FSA FOR WCI, INC
1 COLUMBUS CIRCLE, 17TH FLOOR
MAILSTOP: NYC01-1710
NEW YORK, NY 10019

LADIES AND GENTLEMEN:

BY THE ORDER OF:

LEGAL OR OPERATING NAME OF AUCTION APPLICANT: [Insert Applicant Name]

ADDRESS OF APPLICANT: [Insert Address of Applicant]

REFERENCE: [Insert Financial Services Account Number]

FAX: [Insert Fax Number]

ATTN: [Insert Applicant Contact]

1. WE HEREBY ESTABLISH IN YOUR FAVOR THIS IRREVOCABLE LETTER OF CREDIT (THIS "LETTER OF CREDIT") FOR THE ACCOUNT OF [Insert appropriate identifying information such as the Applicant's Entity Legal or Operating Name], IN THE AMOUNT OF USD [Insert Amount in the format XX,XXX,XXX.XX or XXXXX MILLION US DOLLARS], EFFECTIVE IMMEDIATELY AND AVAILABLE TO YOU AT SIGHT UPON DEMAND BY YOU AT OUR COUNTERS AT [Insert Contact Information Details Including Phone Number and Location] and expiring on [Insert Date of Expiration (Note: the earliest expiration date for a Letter of Credit is twenty-six (26) days after the date that the subject auction or reserve sale is conducted.)] UNLESS TERMINATED EARLIER IN ACCORDANCE WITH THE PROVISIONS HEREOF OR OTHERWISE EXTENDED.
2. THIS LETTER OF CREDIT IS ISSUED AT THE REQUEST OF THE APPLICANT,

AND WE HEREBY IRREVOCABLY AUTHORIZE YOU TO DRAW ON US, IN ACCORDANCE WITH THE TERMS AND CONDITIONS HEREOF, UP TO THE MAXIMUM AMOUNT OF THIS LETTER OF CREDIT, SUBJECT TO REDUCTION AS PROVIDED IN PARAGRAPH 8 HEREOF. THIS LETTER OF CREDIT MAY BE DRAWN BY PRESENTING THE FOLLOWING DOCUMENTS:

- A. YOUR SIGHT DRAFT DRAWN ON US IN THE FORM OF ANNEX 1 HERETO (THE "SIGHT DRAFT"); AND
 - B. A DATED PAYMENT CERTIFICATE PURPORTEDLY SIGNED BY A DULY AUTHORIZED OFFICER OF THE BENEFICIARY IN THE FORM OF ANNEX 2 HERETO (THE "PAYMENT CERTIFICATE").
 - C. IN THE EVENT THE BENEFICIARY DRAWS ON THIS LETTER OF CREDIT, THIS INSTRUMENT WILL SERVE AS THE [Primary/Secondary/Etc.] DRAWING INSTRUMENT.
3. DEMANDS PRESENTED BY FACSIMILE: [Insert Facsimile Number / ATTN] ARE ACCEPTABLE. THE ORIGINAL DEMAND DRAW IS NOT REQUIRED AND ORIGINAL LETTER OF CREDIT IS NOT REQUIRED.
 4. ONLY YOU MAY MAKE ANY PAYMENT CERTIFICATE AND SIGHT DRAFT UNDER THIS LETTER OF CREDIT.
 5. ALL BANK CHARGES INCLUDING BUT NOT LIMITED TO, FEES OR COMMISSIONS, SHALL BE FOR APPLICANT'S ACCOUNT.
 6. THIS LETTER OF CREDIT SHALL AUTOMATICALLY TERMINATE AND BE DELIVERED TO US FOR CANCELLATION ON THE EARLIEST OF (I) THE MAKING BY YOU AND PAYMENT BY US OF THE DRAWINGS IN AN AMOUNT EQUAL TO THE MAXIMUM AMOUNT AVAILABLE TO BE MADE HEREUNDER, (II) THE ABOVE-STATED EXPIRATION DATE HEREOF. (III) RETURN OF THE ORIGINAL LETTER OF CREDIT FOR CANCELLATION PLUS AN EMAIL AUTHORIZATION FROM THE BENEFICIARY TO CANCEL THE LETTER OF CREDIT IN LIEU OF AN EXECUTED CANCELLATION LETTER.
 7. AS USED HEREIN:

"BUSINESS DAY" SHALL MEAN ANY DAY ON WHICH COMMERCIAL BANKS ARE NOT AUTHORIZED OR REQUIRED TO CLOSE IN NEW YORK, NEW YORK AND ANY DAY ON WHICH PAYMENTS CAN BE EFFECTED ON THE FEDWIRE SYSTEM.
 8. THE AMOUNT WHICH MAY BE DRAWN BY YOU UNDER THIS LETTER OF CREDIT SHALL BE AUTOMATICALLY REDUCED BY THE AMOUNT OF ANY DRAWINGS PAID THROUGH US REFERENCING THIS LETTER OF CREDIT NO. [Insert Letter of Credit No.]. PARTIAL DRAWINGS ARE PERMITTED HEREUNDER.
 9. THIS LETTER OF CREDIT IS NOT TRANSFERABLE, AND EXCEPT AS OTHERWISE EXPRESSLY STATED HEREIN, THIS LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR

DOCUMENTARY CREDITS (2007 REVISION), INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION 600 (PROVIDED, AS TO MATTERS NOT GOVERNED BY THE UCP, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK AND APPLICABLE U.S. FEDERAL LAW.

10. WE HEREBY AGREE WITH YOU THAT EACH DULY COMPLETED PAYMENT CERTIFICATE AND SIGHT DRAFT DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS LETTER OF CREDIT WILL BE DULY HONORED UPON PRESENTATION TO US ON OR BEFORE THE EXPIRY DATE. IF DOCUMENTS ARE PRESENTED PRIOR TO 12:00 PM EASTERN TIME ON ANY BUSINESS DAY, WE WILL HONOR THE SAME IN FULL IN IMMEDIATELY AVAILABLE FUNDS ON THE SAME BUSINESS DAY AND, IF SO PRESENTED AFTER 12:00 PM EASTERN TIME ON ANY BUSINESS DAY, WE WILL HONOR THE SAME IN FULL IN IMMEDIATELY AVAILABLE FUNDS ON THE NEXT BANKING DAY FOLLOWING PRESENTATION.

VERY TRULY YOURS,

[Insert Name and Address of Issuing Bank and Name of Contact Individual]

NAME: [Insert Name of Issuing Bank]

ADDRESS: [Insert Address of Issuing Bank]

NAME: [Insert Name of Contact]

TITLE: [Insert Title of Contact]

=====

BY: [Executed by issuing bank]

Authorized Signature

ANNEX 1 IRREVOCABLE LETTER OF CREDIT

SIGHT DRAFT

LETTER OF CREDIT NO.: [Insert Letter of Credit No.]

DATE OF LETTER OF CREDIT: [Insert the Date of the Letter of Credit]

DATE OF DRAFT: [Insert the Date of the Draft]

TO: [Insert Bank Name]
[Insert Address]
[Insert Fax Number]

ATTENTION:[Insert Contact Name]

FOR VALUE RECEIVED

PAY ON DEMAND TO: DEUTSCHE BANK NATIONAL TRUST COMPANY, DBTCA FOR DBNTC AS FSA FOR WCI, INC, USD [Insert Amount of the LOC] DOLLARS (USD \$ [Insert Amount of the LOC]). THE AMOUNT OF THIS DRAFT DOES NOT EXCEED THE AMOUNT AVAILABLE TO BE DRAWN BY THE BENEFICIARY UNDER THE LETTER OF CREDIT.

WE ACKNOWLEDGE THAT, UPON YOUR HONORING THE DRAWING HEREIN REQUESTED, THE AMOUNT OF THE LETTER OF CREDIT AVAILABLE FOR DRAWING SHALL BE AUTOMATICALLY DECREASED BY AN AMOUNT EQUAL TO THIS DRAWING.

CHARGE TO ACCOUNT OF [Insert Applicant Name].

DRAWN UNDER [Insert the Name of Bank] LETTER OF CREDIT NO. [Insert LOC No.]

FUNDS TO BE WIRED TO:

ABA ROUTING NUMBER: [Insert the ABA Routing number of the Receiving Bank]

RECEIVING BANK: [Insert the Name of the Receiving Bank]

BENEFICIARY: [Insert the Name of the Beneficiary]

ORIGINATING BANK INFORMATION (OBI FIELD): [Insert the Name of the Originating Bank Information]

VERY TRULY YOURS,

BY [Signed by the Beneficiary Bank]

NAME: [Completed by the Beneficiary Bank]

TITLE: [Completed by the Beneficiary Bank]

DATE: [Completed by the Beneficiary Bank]

ANNEX 2 IRREVOCABLE LETTER OF CREDIT

PAYMENT CERTIFICATE

TO: [Insert Issuing Bank Name]

[Insert Issuing Bank Address]

RE: IRREVOCABLE LETTER OF CREDIT NO: [Insert Letter of Credit No.]

THE UNDERSIGNED, A DULY AUTHORIZED OFFICER OF DEUTSCHE BANK NATIONAL TRUST COMPANY, DBTCA FOR DBNTC AS FSA FOR WCI, INC, HEREBY SUBMITS THIS PAYMENT CERTIFICATE TO [Insert Issuing Bank Name] WITH REFERENCE TO THE IRREVOCABLE LETTER OF CREDIT NO: [Insert Letter of Credit No.] ("LETTER OF CREDIT"), IN CONNECTION WITH A WINNING BID IN THE GHG ALLOWANCE AUCTION OR RESERVE SALE AND DEUTSCHE BANK NATIONAL TRUST COMPANY, DBTCA FOR DBNTC AS FSA FOR WCI, INC IS AUTHORIZED AND ENTITLED TO DRAW ANY AMOUNT UP TO THE MAXIMUM ALLOWED BY THE ATTACHED LETTER OF CREDIT.

THE TERMS USED HEREIN WHICH ARE NOT SPECIFICALLY DEFINED HEREIN ARE DEFINED IN THE LETTER OF CREDIT, A COPY OF WHICH IS ANNEXED HERETO.

IN WITNESS WHEREOF, THE BENEFICIARY HAS EXECUTED AND DELIVERED THIS PAYMENT CERTIFICATE AS OF THE [Insert the Day of the Date] DAY OF [Insert the Month, Year of the date].

VERY TRULY YOURS,

BY [Signed by the Beneficiary Bank]

NAME: [Completed by the Beneficiary Bank]

TITLE: [Completed by the Beneficiary Bank]

DATE: [Completed by the Beneficiary Bank]