

# **Detailed Reserve Sale Requirements and Instructions**

***California Cap-and-Trade Program Sale of  
Greenhouse Gas Allowances from the  
Allowance Price Containment Reserve  
Issued on February 10, 2023***



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# **I. Introduction**

## **A. Background**

Assembly Bill 32 (AB 32, 2006) requires California to reduce greenhouse gas (GHG) emissions to 1990 levels by 2020, and Senate Bill 32 (SB 32, 2016) extends the goals of AB 32 and sets a 2030 goal of reducing emissions 40 percent below 1990 levels. AB 1279 establishes the policy of the State to achieve carbon neutrality by 2045 and to reduce anthropogenic GHG emissions 85 percent below 1990 levels by 2045. The initial Scoping Plan and subsequent Scoping Plan updates lay out the sector-by-sector roadmap for California to achieve these targets. The California Cap-and-Trade Regulation (Regulation) is a key element of California's Scoping Plan. The California Cap-and-Trade Program is administered by the California Air Resources Board (CARB).

In 2017, AB 398 directed CARB to strengthen key cost containment features of the Cap-and-Trade Program (Program) post-2020. Specifically, AB 398 required revisions to the structure of the Program's Allowance Price Containment Reserve (Reserve) to implement a 2-tier format and a new price ceiling. Amendments to conform to these legislatively mandated revisions were adopted by CARB in 2018 and took effect on January 1, 2021. In a Reserve sale, CARB will offer allowances from the Reserve (Reserve allowances) for sale in two fixed-price tiers. Section 95913(d)(2)(A) of the Regulation states that all the allowances in the Reserve will be offered for any Reserve sale. Allowances from Reserve Tier 1 must be depleted before allowances from Reserve Tier 2 can be purchased. If an entity bids for Reserve Tier 2 allowances, but there are still unsold Tier 1 allowances, then this will result in a tier roll-down, where qualified bids for Tier 2 allowances are filled at the Tier 1 price until all available Tier 1 allowances are exhausted.

CARB will offer sales of allowances from the Reserve in any quarter that the Current Auction held in the preceding quarter resulted in a settlement price greater than or equal to 60% of the lowest Reserve tier price. In addition, a Quarter 3 Reserve sale will be offered each year in September, prior to the compliance deadline on November 1. A Reserve sale is conducted only if at least one entity that intends to participate in the Reserve sale informs CARB at least 20 days prior to the scheduled Reserve sale and submits a bid guarantee before the deadline in the Reserve Sale Notice. Reserve sales are scheduled pursuant to Appendix C of the Regulation and offered pursuant to section 95913(d)(1).

**Table 1: 2023 Reserve Tier Prices**

<b>Reserve Tier</b>	<b>Tier Prices</b>
Tier 1	\$51.92 per allowance
Tier 2	\$66.71 per allowance

Information on the specific quantity of Reserve allowances available for sale in each tier will be made available in a Reserve Sale Notice for any offered Reserve sale, which is posted at least 30 days prior to an offered Reserve sale on the [Reserve Sale Information](#) webpage. **A Reserve Sale Notice will only be posted if a Reserve sale is offered.**

## **B. General Terms Used in Reserve Sale Notices and Supporting Documents**

For the purpose of the Reserve Sale Notice, Detailed Reserve Sale Requirements and Instructions, and [Reserve Sale Examples](#) documents, the following general terms are used to describe Reserve sale requirements, instructions, and systems used:

- **“Account Representatives”** refers to individuals who are designated or authorized to act on behalf of a registered entity. Account Representatives may include a Primary Account Representative (PAR) or an Alternative Account Representative (AAR).
- **“Applicant”** refers to an entity for which its Primary Account Representative or an Alternate Account Representative has submitted an application in the Compliance Instrument Tracking System Service (CITSS) to participate in an auction or Reserve sale (event).
- **“Approval or rejection of Reserve sale participation”** refers to the determination to approve or deny an entity’s participation in a Reserve sale by CARB per section 95913(e) of the Regulation.
- **“Auction and Reserve Sale Administrator”** or **“Auction Administrator”** refers to the party that provides Auction and Reserve Sale Administrative Services.
- **“Auction Platform”** refers to the electronic platform through which allowance auctions and Reserve sales are conducted. The Auction Platform can be accessed at <https://www.wci-auction.org>.

- **“Bank Transfer”** or **“Wire Transfer”** refers to an electronic funds transfer, generally in the context of a bid guarantee sent to the Financial Services Administrator or returned from the Financial Services Administrator. For simplicity, this document uses the term wire transfer.
- **“Bid Guarantee”** refers to the financial assurance required to be provided by applicants for the purpose of bidding in a Reserve sale, as described in section 95913(g) of the Regulation.
- **“CITSS”** refers to the Compliance Instrument Tracking System Service, the web-based system used to register entities, track allowances and credits from issuance to retirement, and apply to participate in an auction or Reserve sale.
- **“Corporate Association Group”** or **“CAG”** refers to a group of separate accounts in CITSS held by entities with a direct corporate association as defined in section 95833 of the Regulation.
- **“Entity”** refers to all entities registered under the California Cap-and-Trade Program: Covered Entities, Opt-in Covered Entities, and Voluntarily Associated Entities, as defined in the Regulation.
- **“Financial Services Administrator”** refers to Deutsche Bank National Trust Company, the entity contracted by WCI, Inc. to provide Financial Services Administration for auctions and Reserve sales.
- **“General Account”** refers to the holding account assigned to all entities in CITSS to hold emissions allowances and offset credits.
- **“Qualified Applicant”** refers to an entity that has submitted an application to participate in a Reserve sale and has submitted a bid guarantee that was accepted by the Financial Services Administrator.
- **“Qualified Bidder”** refers to an entity that has submitted an application to participate in a Reserve sale, has submitted a bid guarantee that was accepted by the Financial Services Administrator, and has been approved by CARB to participate in the Reserve sale.
- **“Qualified Bids”** are the bids that remain after a qualified bidder’s submitted bids have been evaluated and reduced to meet all bidding limitations.
- **“Related Entities”** refers to all entities with a “direct corporate association” that meet at least one of the indicia of control in section 95833 of the Regulation.
- **“Reserve Sale Notice”** refers to the official Reserve sale notice that will be released for each offered Reserve sale, notifying the public of the upcoming

Reserve sale as described in section 95913(d) of the Regulation. Release of a Reserve Sale Notice marks the beginning of the application period for a Reserve sale.

- **“Reserve Sale Tier Prices”** refers to the prices at which Reserve allowances are offered in each of the two tiers as described in section 95913(h)(5) of the Regulation. The tier prices are posted in the document “Annual Allowance Price Containment Reserve Notice” on the [Reserve Sale Information](#) webpage.
- **“User”** refers to an individual who has undergone the process to obtain a valid CITSS User ID approved pursuant to the California Regulation or Québec Regulation.

## **II. Reserve Sale Administration**

### **A. Reserve Sale Eligibility**

The sections below outline the requirements that must be met before an entity is eligible to participate in a Reserve sale. The steps required to submit a Reserve sale application<sup>1</sup> are discussed in Section III of this document. Any entity that has an approved CITSS account and is a covered entity or opt-in covered entity can apply to participate in a Reserve sale.

#### **1. Entity CITSS Account**

An entity must be eligible and have an approved account in CITSS before applying to participate in a Reserve sale. Additionally, an individual must be approved as an account representative of an entity in order to submit an application to participate in a Reserve sale and/or bid on behalf of that entity.

#### **2. CITSS Representative and Entity Account Information**

Certain entity information submitted as part of the process of registering in CITSS for an account, or updated after approval of a CITSS account, will be included as part of the entity’s Reserve sale eligibility information. This includes:

- Corporate identity, ownership, and capital structure of the entity;

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<sup>1</sup> A Reserve sale application is submitted to provide an entity’s notice of intent to participate pursuant to Section 95913(f) of the California Regulation.



- The existence of any direct corporate associations or indirect corporate associations; and
- The allocation of the purchase limit and holding limit within a Corporate Association Group (CAG), if applicable.

Most information related to corporate identity of an entity is submitted in CITSS, while information related to corporate ownership, capital structure, the existence of any direct corporate associations or indirect corporate associations, and any allocation of the purchase limit and holding limit within a CAG, is submitted by hard copy or electronic form outside of CITSS.

Entities are required to ensure that their account information in CITSS and on file with California, including registration information required to be submitted and updated pursuant to section 95833 of the Regulation, is up-to-date prior to each event in which the entity intends to participate.

If during a Reserve sale application period, an entity needs to add, remove, or update the entity information, this should be completed prior to a Reserve sale application being submitted where possible.

If during a Reserve sale application period, an entity needs to add, remove, or change the current account representatives this should be completed as soon as possible. If any change to entity account representatives is not reflected in CITSS, it may limit the account representatives' ability to represent an entity in a Reserve sale.

To update account representative or entity account information in CITSS, the following steps should be followed:

- Enter changes as needed in CITSS. CITSS can be accessed at <https://www.wci-citss.org/>.
- Complete and submit any forms or hard copy documentation required to support the changes entered in CITSS in accordance with regulatory requirements.

### **3. Participation by Related Entities**

All entities must disclose related entities and business relationships with entities registered under the California Cap-and-Trade Program and entities registered under the Québec Cap-and-Trade System.

Entities registered in CITSS must disclose all related entities and business relationships, as specified in section 95830 and defined in sections 95833(a)(2), (a)(3), (a)(4), (a)(5), or (a)(6) of the Regulation.

Any change to an entity's registration information listed in section 95830(c) of the Regulation must be updated within thirty (30) calendar days from the effective date of the changes, or as otherwise specified in section 95830(e) of the Regulation.

Entities must disclose how the holding limits and purchase limits will be shared with related entities registered in either California or Québec. These disclosure requirements (by all related entities) are a condition of participation for all entities that wish to participate in a Reserve sale. Providing incomplete or inaccurate information regarding related entities may cause an entity's Reserve sale application to be rejected.

The Regulation requires CARB to provide a consolidated set of accounts to entities that have a direct corporate association. Direct corporate associates may choose to register for separate entity accounts in CITSS, with purchase and holding limits shared among members of the CAG. Entities that choose not to be in a consolidated account are referred to in the Regulation as entities who have chosen to "opt-out" of consolidation.

Most information related to an entity's corporate legal identity is submitted in CITSS, while information related to corporate ownership, capital structure of the applicant, the existence of any parent company, subsidiaries and other business relationships, and allocation of the purchase limit and holding limit among members of a CAG is submitted using the "[Corporate Associations and Structure Disclosure Form #3](#)."

For all entities, if a change to related entities or business relationships affects Reserve sale participation, that change, and any additional actions required by that change, must be approved prior to the end of an auction application period or the entity(ies) involved may not be able to participate in the Reserve sale.

More information on Reserve sale participation by entities with related entities and business relationships can be found on the Cap-and-Trade Program webpage.<sup>2</sup>

#### **4. Reserve Sale Eligibility Information Material Change**

An entity may need to change Reserve sale eligibility information that is either submitted in CITSS or submitted in hard copy or electronic form outside of CITSS.

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<sup>2</sup> Guidance on California's regulatory provision on corporate associations is available in the [Corporate Disclosures Guidance \(Updated February 2015\)](#) document available from the CARB CITSS Registration and Guidance webpage at <https://www.arb.ca.gov/citss>.

If a material change occurs to an entity's Reserve sale eligibility information after a Reserve sale application period closes, it may limit the entity's ability to participate in the Reserve sale or for an account representative to represent an entity in a Reserve sale. A material change to the information contained in an approved application is a change in any eligibility information that could influence a decision by a jurisdiction to approve, or not approve, Reserve sale participation. This would include, but is not limited to, a change in ownership, corporate identity (e.g., entity legal name, type of organization, date and place of incorporation, tax identification number), direct or indirect corporate associations with entities registered in CITSS, and allocation of the purchase limit or holding limit among associated entities. Other changes may be a material change depending on the specific nature of the change (e.g., change in names of officers and directors, change in names and contact information for employees with market position knowledge, and change in names and contact information for cap-and-trade consultants).

### **III. Reserve Sale Application**

#### **A. Submittal of Reserve Sale Application**

This section outlines the steps for submitting an application to participate in a Reserve sale. For each Reserve sale, the application period starts at least thirty (30) days prior to the Reserve sale with the release of the Reserve Sale Notice and ends no later than twenty (20) days prior to the Reserve sale. The due date for submitting a Reserve sale application in CITSS is the date and time the Reserve sale application period closes as set out in the Reserve Sale Schedule provided in the Reserve Sale Notice available from the [Reserve Sale Information](#) webpage.

For each Reserve sale, one CITSS entity account representative completes and submits the entity's Reserve sale application in CITSS.

Reserve sale application information (such as bid guarantee return instructions) is retained in CITSS once an entity becomes a qualified bidder for an auction or Reserve sale (event) (i.e., the auction or Reserve sale application submitted for the prior event is approved).

In CITSS, entity representatives can create Reserve sale applications, as well as view existing Reserve sale applications, using the buttons in the Initiate Event Participation section of the Auction tab. For more details on how to access the Auction tab or create Reserve sale applications, please refer to the CITSS Auction and Reserve Sale Event Applications reference material on the CARB [CITSS Registration and Guidance](#)

webpage. The Reserve sale application process includes the following steps, which are described in more detail in the sections that follow:

- Select the Reserve sale in which the entity intends to bid.
- Provide information on the form of the bid guarantee to be submitted and instructions for returning any unused portion of the bid guarantee.
- Complete the Attestation response in CITSS, and submit the Reserve sale application.

### **1. *Select the Event in Which the Entity Intends to Bid***

An account representative must access CITSS and initiate event participation for the Reserve sale in which the entity intends to bid. To do so, an account representative must access the Auction tab on the Account Detail page for an entity. The Auction tab includes access to auctions and to Reserve sales. From the Auction tab, an account representative will be able to initiate an event participation once an application period is opened for an event.

### **2. *Provide Information on the Bid Guarantee Form and Return Instructions***

The entity account representative must select the form of bid guarantee that the entity intends to submit for the Reserve sale. Reserve sale applicants can identify one or a combination of the allowable forms of bid guarantee in CITSS on the Create Event Application/Confirm Existing Data for Event Page.

A bid guarantee submitted for a Reserve sale must be in one or a combination of the following forms:

- Cash in the form of wire transfer; or
- An irrevocable letter of credit (LOC); or
- A bond.

All forms of 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.

Based on the form of bid guarantee selected, the representative will also complete instructions for returning any unused bid guarantee amounts or physical bid guarantee instruments after the Reserve sale is completed.

When a cash bid guarantee is provided, unused cash on deposit will be returned through a Federal Reserve Wire Network (Fedwire) transfer. The return instructions typically require the following information:

- Beneficiary Bank Name

- Beneficiary Bank Routing Number
  - An American Bankers Association (ABA) number must be provided in the return instructions.
  - A SWIFT/Bank Identifier Code (BIC) should be provided for international transfer of funds. If the Beneficiary Bank and the Financial Services Administrator returning funds are in the same country, a SWIFT/BIC is not required.
  - If a SWIFT/BIC is provided, a Bank Routing Number does not need to be provided.
- Beneficiary Account Name
- Beneficiary Account Number

After a Reserve sale is conducted, if return of funds to the qualified bidder requires an Intermediary Bank, such as if a qualified bidder is using a non-U.S. financial institution, additional information may be required and can be submitted in the Intermediary Bank Information section of the Bid Guarantee Return Instructions - Cash Bid Guarantee pane in CITSS.

It is recommended that the entity's account representative contact the Financial Services Administrator to ensure all necessary information for return instructions has been received.

Physical bid guarantee instruments delivered to the FSA in hard copy form will be returned by UPS, FedEx, or DHL delivery, and therefore must be returned to a physical address. The return instructions require the following information:

- Name of a contact individual
- Complete street address for return mailing
  - Return Address (must be a physical address; no P.O. Box<sup>3</sup>)
  - Return City
  - Return Postal Code
  - Return State/Province

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<sup>3</sup> The Financial Services Administrator cannot return physical bid guarantee instruments to a P.O. Box address as a signature is required to confirm receipt and to ensure security of the instruments.

- Return Country
- Return Contact Phone Number

Electronic bid guarantee instruments delivered to the FSA by email will be returned by the FSA by replying to the email to which the bid guarantee instrument was attached.

The account representative must also select the currency in which the bid guarantee will be submitted. For Reserve sales, entities can only select USD.

All bid guarantees (cash, letters of credit, or bonds) must be submitted directly to the Financial Services Administrator as described in the "Submit a Bid Guarantee" section of this document (Section IV).

### **3. Complete the Attestation Response in CITSS and Submit the Reserve Sale Application**

#### **3.1 Complete Attestation Response**

The Create Event Application/Confirm Existing Data for Event Page in CITSS includes a required Attestation response.

The Attestation requirement does not apply to Reserve sales, but an entity must provide a response in this step to continue the application process. Representatives of entities applying for a Reserve sale should select "No" to respond to the Attestation step in CITSS.

#### **3.2 Submit the Reserve Sale Application**

After the Attestation response has been completed, the representative submits the Reserve sale application by selecting the "Confirm" button. By submitting the Reserve sale application, the representative agrees to have the entity name, entity contact information, account numbers, representative names, representative phone numbers, bid guarantee information, and representative email addresses transferred to the Auction and Reserve Sale Administrator and Financial Services Administrator for the purpose of facilitating participation in the selected event.

### **B. Receipt of Reserve Sale Application**

Upon successful submission of a Reserve sale application, the entity's account representatives will receive an email from CITSS with the subject line "CITSS Event Application Update" indicating that there is a change to the application status. The email will only indicate a change in the application status. For information on any change in application status, including acceptance of an application, an account

representative can log in to CITSS to confirm the current Reserve sale application status.

### **C. Editing a Reserve Sale Application**

Reserve sale applications can be edited before the application period has closed. For more details on how to edit an event application, refer to the CITSS user guides and reference material on the [CITSS Registration and Guidance](#) webpage.

### **D. Editing Bid Guarantee Return Instructions**

Bid guarantee return instructions can be edited before or after the application period has closed. For more information on how to edit the bid guarantee return instructions, refer to the CITSS user guides and reference material on the [CITSS Registration and Guidance](#) webpage.

### **E. Cancelling a Reserve Sale Application**

Reserve sale applications can be canceled up until the application period closes. Entities that apply to participate in a Reserve sale and subsequently decide not to participate can cancel the application in CITSS.

## **IV. Submit a Bid Guarantee**

### **A. Bid Guarantee Requirements and Use**

After a Reserve sale application has been submitted, each applicant that wishes to participate in a Reserve sale must submit a bid guarantee directly to the Financial Services Administrator. The Financial Services Administrator will receive and maintain all bid guarantees submitted as financial assurance. All cash bid guarantees submitted will be held in a non-interest bearing account with the Financial Services Administrator.

**Final bid guarantees must be received by the Financial Services Administrator in United States Dollars (USD) by no later than the date listed in the Reserve Sale Schedule provided in the Reserve Sale Notice.**

The amount of the bid guarantee provided to the Financial Services Administrator will be used to set applicant bidding limitations in the Reserve sale. The amount of the bid guarantee must be greater than or equal to the applicant's maximum bid value (i.e., maximum value of the bids the applicant intends to submit during the event). Bid guarantee examples are provided in the [Reserve Sale Examples](#) document available

from the [Reserve Sale Information](#) webpage. These are only examples; applicants are responsible for doing their own calculations to determine the amount of bid guarantee to submit.

## **B. Bid Guarantee Submittal Process**

The process for submitting a bid guarantee includes the following steps, which are described in more detail in the sections that follow:

1. Receive notice that a Financial Services Account has been established or verified.
2. Download Financial Services Delivery Instructions.
3. Submit a bid guarantee to the Financial Services Administrator.

### ***1. Receive Notice that a Financial Services Account has Been Established or Verified***

After the Reserve sale application is submitted, the Financial Services Administrator will complete the process to establish (first time applicant) or verify (previous applicant) a Financial Services Account in which the applicant's bid guarantee will be recorded.

Applicants that have not previously established a Financial Services Account and those with changes in corporate disclosures may need to provide additional information to the Financial Services Administrator to support the account being established or verified.

The Financial Services Administrator will establish or verify a Financial Services Account for each applicant to a Reserve sale for purposes of facilitating bid guarantee submission (prior to the Reserve sale) and payment for allowances awarded (after Reserve sale certification).

An applicant's account representatives will receive an email from CITSS with the subject line "CITSS Event Financial Services Information Update" when the applicant's financial services account number is established or verified and becomes available in CITSS.

### ***2. Download Financial Services Delivery Instructions***

Once an applicant's Financial Services Account Number has been established or verified, the account representatives may download the applicant's Financial Services Delivery Instructions from CITSS. The Financial Services Delivery Instructions will include the information needed to submit the bid guarantee, including the Financial



Services Account Number, which must be referenced when submitting a bid guarantee to the Financial Services Administrator, wiring instructions for submitting cash by wire transfer, mailing instructions for submitting physical bid guarantee instruments, and instructions for submitting electronic bid guarantee instruments.

To access an applicant's Financial Services Delivery Instructions, an account representative must log in to CITSS and select the "Generate Financial Services Instructions" button on the Event Application Detail page to access the Auction and Reserve Sale Financial Services Delivery Instructions page.

### **3. *Submit a Bid Guarantee to the Financial Services Administrator***

#### **3.1 Requirements for Submitting a Cash Bid Guarantee (Wire Transfer)**

Cash wire transfers must be received by the Financial Services Administrator by the deadline date and time for receipt of bid guarantees listed in the Reserve Sale Schedule provided in the Reserve Sale Notice. Cash wire transfer instructions are provided in the Financial Services Delivery Instructions and outlined below. Be advised that Automated Clearing House (ACH) wire transfers can take at least 24 hours to complete.

**If the cash wire transfer (Fedwire or ACH) is not received by the deadline for receipt of a bid guarantee, it will not be accepted regardless of the time the transfer was initiated.**

Cash wire transfer instructions are provided in the Financial Services Delivery Instructions available in CITSS.

**For the Financial Services Administrator to receive the funds by the deadline for receipt of bid guarantees, it is very important that the cash wire transfer details are set up exactly as provided in the applicant's Financial Services Delivery Instructions. Also note that if the instructions are incomplete or inaccurate, the Financial Services Administrator may not receive the cash wire. The funds may also be retained by an intermediary bank due to the lack of accurate information in the wiring instructions. If funds are not received by the Financial Services Administrator by the deadline date and time listed in the Reserve Sale Schedule provided in the Reserve Sale Notice, approval to participate in the Reserve sale will be denied.**

#### **3.2 Instructions for Wiring Funds**

Fedwire transfer details must include the information described in Table 2.

**Table 2: Instructions for Bid Guarantee Cash Wire Transfers**

Field Name	Field Content
Bank Name:	<b>Deutsche Bank Trust Company Americas<sup>4</sup></b>
Routing Number:	Provided in the Financial Services Delivery Instructions, available in CITSS
SWIFT/Bank Identifier Code (for financial institutions outside US):	Provided in the Financial Services Delivery Instructions, available in CITSS
Address:	4 Albany Street, 5 <sup>th</sup> Floor New York, NY 10006, USA
DDA Number:	Provided in the Financial Services Delivery Instructions, available in CITSS
Beneficiary:	<b>Trust And Agency Services</b>
Payment Details:	<b>WCI Auction<sup>5</sup> and Financial Services Account Name</b> , as provided in the Financial Services Delivery Instructions, available in CITSS
Port:	<b>Applicant's Financial Services Account Number</b> , as provided in the Financial Services Delivery Instructions, available in CITSS

If using a Fedwire transfer to wire cash to the Financial Services Administrator, the Fedwire Transfer Payment Details section should be set up including both the reference to WCI Auction and the applicant's Financial Services Account Name. The applicant's Financial Services Account Number must be entered in the Port section. The Financial Services Account Number and Account Name are provided in the applicant's Financial Services Delivery Instructions available in CITSS.

If using an ACH transfer to wire cash, an applicant may not be able to include all payment details. In this case, include the WCI Auction reference to assist in the proper identification and delivery of the transfer. Due to the limited identifying information provided in an ACH transfer, it is recommended that an entity account **representative**

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<sup>4</sup> Receiving Bank Name must be entered exactly as shown for a USD cash wire transfer.

<sup>5</sup> WCI Auction is how the Financial Services Administrator refers to any joint California-Québec auction or California Reserve sale. WCI refers to the Western Climate Initiative, Inc.

notify the Financial Services Administrator in advance of the ACH transfer to ensure proper receipt of the funds.

If an applicant is using a non-U.S. financial institution, additional information may be required for cash wire transfer details and can be submitted in the Comments field of the cash wire transfer request. Contact the Financial Services Administrator if you have questions on how to provide complete wire transfer instructions.

### 3.3 Instructions for Wiring Internationally

A cash wire transfer bid guarantee may require an international funds transfer. There are fees associated with an international funds transfer. All the fees associated with a SWIFT wire transfer must be paid by the applicant in advance or the fees will be deducted from the amount of the bid guarantee wire transfer.

- The SWIFT instruction <<OUR>> indicates that the party making the transfer has paid the fees in advance.
- Applicants are advised to communicate with their financial institutions to verify how to proceed with bank (wire) transfers.

Cash wire transfers that are returned by the Financial Services Administrator to an applicant due to an error or incomplete wire transfer details may result in a returned wire fee, which would be reflected in the wire amount returned to the applicant. A returned wire fee is not a Reserve sale fee and is not received by CARB. A returned wire fee is a common banking transaction fee not related to the California Cap-and-Trade Program or the Reserve sale process.

### 3.4 Requirements for Submitting a Bid Guarantee Instrument (LOC or Bond)

Bid guarantee instruments must be received by the Financial Services Administrator in final form by the deadline date and time for receipt of bid guarantees listed in the Reserve Sale Schedule provided in the Reserve Sale Notice. The instructions for submitting bid guarantees are provided in the Financial Services Delivery Instructions and outlined below.

**Complete and proper addressing is critical to ensure receipt of all physical bid guarantee instruments by the deadline date and time. When sending physical bid guarantee instruments, include the following full address for the Financial Services Administrator:**

Auction and Reserve Sale Financial Services Administrator  
c/o Deutsche Bank Trust Company Americas  
Attn: Jibril Sembene

1 Columbus Circle, 17<sup>th</sup> Floor  
Mailstop: NYC01-1710  
New York, NY 10019  
Phone: (212) 250-3018  
Email: [db.wcisupport@db.com](mailto:db.wcisupport@db.com)

**“Deutsche Bank Trust Company Americas”** is the institution name required for receipt of USD funds via cash wire transfer and delivery of physical bid guarantees, while **“Deutsche Bank National Trust Company, DBTCA for DBNTC as FSA for WCI, Inc.”** is used as the Beneficiary Bank Name provided for a bid guarantee instrument. Applicants submitting physical bid guarantees should note the different names and ensure that both the Beneficiary Bank Name and the institution name included in the mailing address are correct. Refer to the Financial Services Delivery Instructions available in CITSS for complete information.

**Electronic bid guarantee instruments that are consistent with U.S. banking laws and the practices of the issuing bank may be submitted by email to the Financial Services Administrator:**

The issuing bank must include the following statement in the email to which the electronic PDF version is attached:

*“This [Letter of Credit or Bond] signed by the issuing bank is legally valid and enforceable. The issuing bank is transmitting this [Letter of Credit or Bond] to the beneficiary by electronic transmission (PDF via email) to DB.WCISUPPORT@DB.COM. For the avoidance of doubt, any electronic PDF version of this [Letter of Credit or Bond] received by the beneficiary shall be the operative instrument and may be used by the beneficiary as it would a hardcopy original. The beneficiary is able to submit a draw request on the operative instrument. In addition, when applicable, the beneficiary will reply to all addressees on this email to confirm cancellation of the electronic operative instrument. The reply email will serve as the return of the bid guarantee.”*

The issuing bank should copy bank representatives that will cancel the electronic bid guarantee as instructed by the beneficiary. DBNTC will cancel the electronic operative instrument by replying to the email to which the electronic bid guarantee was attached.

**Please include the Entity Legal Name, CITSS Entity ID, and Financial Services Account Number on the Letter of Credit or Bond when submitting the bid guarantee form(s) to ensure the bid guarantee is properly associated to the applicant's account. Include this information as it appears in the Financial Services Delivery Instructions (available in CITSS).**

When an applicant submits a bid guarantee instrument, the Financial Services Administrator will evaluate the instrument and identify any amendments that are necessary to meet the requirements. If a bid guarantee instrument must be amended, the amendment must be completed and received by the Financial Services Administrator by the deadline for receipt of bid guarantees. **Amendments to bid guarantee instruments will not be accepted after the deadline date and time listed in the Reserve Sale Schedule provided in the Reserve Sale Notice.**

CARB encourages entities to do the following:

- Submit a sample LOC or bond to the Financial Services Administrator for review;
- Submit final documents early enough to provide time for amendment, if needed;
- Submit final physical documents via overnight delivery and retain a tracking number;
- Provide contact information for the issuing bank in the event that a draw on the bid guarantee instrument is required to complete financial settlement for allowances awarded; and,
- Confirm receipt of bid guarantees with the Financial Services Administrator.

If a bid guarantee is not received by the Financial Services Administrator in final form by the deadline date and time listed in the Reserve Sale Schedule provided in the Reserve Sale Notice, the Reserve sale application will be rejected.

### 3.5 Requirements for Submitting a Letter of Credit (LOC)

Applicants may submit a bid guarantee in the form of a Letter of Credit (LOC). A LOC submitted 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.

All bid guarantees in the form of a LOC require the following non-negotiable terms:

- The LOC must refer to the Entity Legal Name or Entity Operating Name in CITSS as provided in the entity's Reserve sale application.

- The beneficiary must be listed as:<sup>6</sup>

**Deutsche Bank National Trust Company,  
DBTCA for DBNTC as FSA for WCI, Inc.  
1 Columbus Circle, 17<sup>th</sup> Floor  
Mailstop: NYC01-1710  
New York, NY 10019**

- The LOC must be irrevocable.
- The amount of the LOC must be included.
- The expiration or maturity date must be at least twenty-six (26) days after the scheduled Reserve sale day.
- There must be instructions included indicating where to submit the LOC for payment.
- The LOC must allow for presentment by fax (delivery in person or by courier cannot be required).
- There must be a payment certificate/form of draw included as an exhibit or annex to the LOC.
- The LOC must be payable within three (3) business days.
- 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.

If any of these terms are not met by the date and time listed in the Reserve Sale Schedule provided in the Reserve Sale Notice for receipt of all bid guarantees by the Financial Service Administrator, the submitted LOC will be rejected. **If the submitted LOC requires revisions, all revisions must be completed and received by the deadline for receipt of bid guarantees or the LOC will not be accepted and the Reserve sale application will be rejected.**

### 3.6 Requirements for Submitting a Bond

Applicants may submit bid guarantees in the form of a bond. A bond submitted as a bid guarantee must be in a form that can be accepted by the Financial Services Administrator consistent with U.S. banking laws and bank practices.

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<sup>6</sup> The Beneficiary Bank Name, which differs from the institution name provided in the mailing address, must be entered exactly as shown. Refer to the Financial Services Delivery Instructions available in CITSS for complete information.

All bid guarantees in the form of a bond require the following non-negotiable terms:

- The bond must refer to the Entity Legal Name or Entity Operating Name in CITSS as provided in the applicant's application.
- The beneficiary must be listed as:<sup>7</sup>

**Deutsche Bank National Trust Company,  
DBTCA for DBNTC as FSA for WCI, Inc.  
1 Columbus Circle, 17<sup>th</sup> Floor  
Mailstop: NYC01-1710  
New York, NY 10019**
- The party named as "Principal" in the bond must be identical to that named in the applicant's application.
- The expiration date must be at least twenty-six (26) days after the scheduled Reserve sale day.
- The amount of the bond must be included.
- There must be instructions included indicating where to submit the bond for payment.
- There must be a payment certificate/form of draw included as an exhibit or annex to the bond.
- The bond must allow for presentment by fax (delivery in person or by courier cannot be required).
- The bond must be payable within three (3) business days.
- 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.

If any of these terms are not met by the date and time listed in the Reserve Sale Schedule provided in the Reserve Sale Notice for all bid guarantees due to the Financial Service Administrator, the submitted bond will be rejected. **If the submitted bond requires revisions, all revisions must be completed and received by the deadline for receipt of bid guarantees or the bond will not be accepted and the Reserve sale application will be rejected.**

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<sup>7</sup> The Beneficiary Bank Name, which differs from the institution name provided in the mailing address, must be entered exactly as shown. Refer to the Financial Services Delivery Instructions available in CITSS for complete information.

## **C. Receipt of Bid Guarantee**

An applicant's account representatives will receive an email from CITSS with the subject line "CITSS Event Financial Services Information Update" when there is an update to the applicant's financial services account number or bid guarantee information. For information on any updates, including if the Financial Services Administrator has accepted a bid guarantee, an account representative can log in to CITSS to confirm the current Reserve sale application status. Once a bid guarantee has been accepted by the Financial Services Administrator, the application status for the entity will change from "Applicant" to "Qualified Applicant." Additionally, the Bidding Limitation Data section of the Event Application Detail page in CITSS will display the Total Bid Guarantee amount recorded by the Financial Services Administrator. If no bid guarantee that meets the requirements is received by the deadline date and time listed in the Reserve Sale Schedule provided in the Reserve Sale Notice, the Reserve sale application will be rejected.

## **D. Bid Guarantee Revision Process**

If a bid guarantee in the form of a LOC or bond requires revision, all revisions must be completed and received by the deadline date and time for receipt of bid guarantees listed in the Reserve Sale Schedule provided in the Reserve Sale Notice or the bid guarantee will not be accepted and the Reserve sale application will be rejected.

If a bid guarantee in the form of a LOC or bond provided to the Financial Services Administrator needs to be revised:

- The applicant will be notified by the Financial Services Administrator of the need for revision.
- The applicant should contact the financial institution that issued the bid guarantee instrument and request an amendment.
- The revised bid guarantee must be received by the deadline for receipt of bid guarantees or it will be rejected.



The Financial Services Administrator (Deutsche Bank) may be contacted as follows:

Email: [db.wcisupport@db.com](mailto:db.wcisupport@db.com)

Phone: (714) 247-6167 and (212) 250-3018

### **Bid Guarantee Submittal Summary**

- An applicant submitting a bid guarantee by cash wire transfer must provide all required wire transfer information listed in this document and in the Financial Services Delivery Instructions to ensure the bid guarantee is accepted and associated with the proper account.
- Cash wire transfers must be received by the Financial Services Administrator by the deadline date and time for receipt of bid guarantees listed in the Reserve Sale Schedule provided in the Reserve Sale Notice.
- An applicant is responsible to ensure proper addressing when mailing a physical bid guarantee instrument.
- An applicant is responsible to ensure a bid guarantee instrument (LOC or Bond including all required non-negotiable terms) is received in final form by the Financial Services Administrator by the deadline date and time for receipt of bid guarantees listed in the Reserve Sale Schedule provided in the Reserve Sale Notice.
- A bid guarantee or bid guarantee amendment received after the deadline date and time for receipt of bid guarantees listed in the Reserve Sale Schedule in the Reserve Sale Notice will not be accepted.
- If a bid guarantee is not received by the deadline date for receipt of bid guarantees listed in the Reserve Sale Schedule provided in the Reserve Sale Notice, the Reserve sale application will be rejected.

## **V. Receive Notice of the Qualified Applicant's Approval to Participate**

CARB staff will review Qualified Applicant's information, CITSS account status, and bid guarantee, and make a determination to approve or deny each entity's participation in the Reserve sale. Once CARB approves or rejects an entity for Reserve sale participation, the account representatives for the entity will receive an email

confirming approval or denial to participate in the Reserve sale. In CITSS, the status of the Reserve sale application for the entity will either change from “Qualified Applicant” to “Qualified Bidder” if the entity is approved, or it will change from “Qualified Applicant” to “Rejected” if the Reserve sale application is rejected. This is anticipated to occur within two (2) business days before the scheduled Reserve sale date. Each entity that has completed a Reserve sale application, submitted a bid guarantee that was accepted by the Financial Services Administrator, and has been approved to participate in the Reserve sale is referred to as a “Qualified Bidder.”

The possible reasons for denial of an applicant’s (or qualified applicant’s) participation in a Reserve sale include, but are not limited to, the following:

- The applicant does not have an active CITSS account.
- The applicant’s general account has been revoked or is currently suspended.
- The applicant is not represented by an active account representative.
- The applicant has not provided complete information on corporate associations.
- The applicant has not submitted a bid guarantee to the Financial Services Administrator by the deadline date and time listed in the Reserve Sale Schedule provided in the Reserve Sale Notice.
- The applicant has provided false or misleading information in the Reserve sale application.

## **VI. Participate in the Reserve Sale**

All previous steps related to Reserve sale application are conducted in CITSS. The following steps, directly related to bidding in a Reserve sale and retrieving the Reserve sale results, are conducted in the Auction Platform. The Auction Platform can be accessed at <https://www.wci-auction.org>.

The Reserve sales will be conducted through the electronic, internet-based Auction Platform. Bid quantities must be submitted in multiples of 1,000 allowances. Bids for both tiers will be accepted simultaneously at the date and time identified in the Reserve Sale Notice. Bids for both tiers will be accepted during the same scheduled bidding window, which commences at 10 a.m Pacific Standard Time (or Pacific Daylight Time, when in effect) until 1 P.M Pacific Standard Time (or Pacific Daylight Time, when in effect) pursuant to section 95913(i)(2).

Sales of Reserve allowances shall be conducted at the prices listed in Table 1 and in the Reserve Sale Notice.

## **A. Access to the Auction Platform**

### **1. PAR/AAR Auction Platform Accounts**

An account representative authorized by a qualified bidder to act on its behalf in a Reserve sale must have an active Auction Platform account, which is separate and distinct from a CITSS account. Only those representatives with an active Auction Platform account will be able to access the Auction Platform to submit bids on behalf of the qualified bidder during an open bidding window or download reports specific to the Reserve sale.

Access to the WCI, Inc. Auction Platform is protected. Account Representatives who attempt to access the application from a location that differs from the country of their CITSS registration may be unable to connect. Users should confirm access before every auction.

### **2. Auction Platform Account Activation**

If an individual account representative has previously activated their Auction Platform account, that individual will be able to access the Auction Platform using their previously established credentials.

Active PARs and AARs for entities with CITSS accounts that have been qualified bidders to a past auction or Reserve sale or that have submitted an application to an upcoming auction or Reserve sale are eligible to maintain or establish Auction Platform accounts.

Outlined below are details regarding reconciliation of CITSS user accounts, CITSS and entity account representative status, and the Auction Platform:

- CITSS account information, including entity and account representative information, is transferred on a daily basis from CITSS to the Auction Administrator.
  - The information transmitted contains information specific only to entities that have been a qualified bidder to a past auction or Reserve sale or that have submitted an application to an upcoming auction or Reserve sale.
- A user without an Auction Platform account will receive an email inviting the user to establish account credentials for an Auction Platform account within 24 hours of being approved as an active account representative of an entity that

has been a qualified bidder to a past event and/or that has submitted an application to participate in an upcoming event.

- The activation email will be sent to the account representative's current email address listed in CITSS.
- The email provides an activation link to activate an account and establish an Auction Platform password and security questions.
  - The activation link can only be used once.
  - The activation link will expire twenty-four (24) hours after receipt of the Auction Platform account activation email.
- The current email address in CITSS will be the account representative's username in the Auction Platform.

### **3. *Account Representatives Associated with Multiple Entities***

Regardless of the number of entities for which an individual acts as an account representative, that individual can only establish one Auction Platform account. Associations with entities for which an individual is an approved account representative will be reflected in the Auction Platform for all entities that have been a qualified bidder to a past event and/or that have submitted an application to participate in an upcoming event.

If an individual is an account representative on multiple CITSS entity accounts, each time the individual logs in to the Auction Platform they will need to select which entity to represent in that session. If an individual wants to submit information for a different entity that they represent, the individual may select the other entity, without needing to log out of the Auction Platform.

## **B. Bidding in the Reserve Sale**

The account representatives of qualified bidders will be able to submit bids on behalf of the qualified bidders they represent. Account representatives will be able to submit bids manually and upload bid schedules in a pre-defined Excel template in the Auction Platform during the scheduled bidding window.

To bid in the Reserve sale, the account representative of a qualified bidder will perform the following actions:

- Submit a bid, which includes a number of bid lots (1 lot = 1,000 Reserve allowances) and the tier at which they bid to purchase the Reserve allowances.

- Qualified bidders may submit as many bids as they wish during the bidding window.
- Edit or withdraw confirmed bids as needed during the bidding window.
  - Once the bidding window has been closed, no further bids may be entered and no changes to bids can be made.

## **C. Bidding Limitations**

The Regulation includes bidding limitations for Reserve sales related to the bid guarantee submitted and the current vintage holding limit. These bidding limits are described below.

The [Reserve Sale Examples](#) document provides additional information. The total value of allowances awarded to a qualified bidder cannot exceed the submitted bid guarantee value.

### **1. Bid Guarantee Bid Limitation**

The Regulation requires bid guarantees to be greater than or equal to the maximum value of the bids submitted (i.e., the maximum bid value). Submitted bids that contain bid quantities with a value in excess of the bid guarantee will be rejected, in bundles of 1,000 Reserve allowances, until the limit is met. Only that portion of the bid quantity that exceeds the limit will be rejected, not the entire bid quantity.

The [Reserve Sale Examples](#) document provides an example of how to determine an applicant's bid guarantee amount and bid evaluation procedures for bid guarantees. Bid evaluation procedures for bid guarantees occurs after the bidding window has been closed and before the bid fulfillment and purchase determinations process is completed.

### **2. Purchase Limit Bid Limitation**

There is no purchase limit applied to the purchase of Reserve allowances offered at Reserve sales.

### **3. Holding Limit Bid Limitation**

The holding limit is the maximum number of allowances that may be held by an entity or jointly held by a group of entities with a direct corporate association. Allowances purchased in the Reserve sale are subject to the current vintage holding limit detailed in section 95920(c)(1) of the Regulation. The current vintage holding limit applies to allowances from the current calendar year, previous calendar years, and allowances

purchased from the Reserve. More information on the holding limits can be found in the [Holding Limit Factsheet](#).

Entities that are in a direct corporate association with separate CITSS accounts must allocate shares of the holding limit amongst themselves. In CITSS, direct corporate associates that have separate CITSS accounts are assigned to a CAG to manage the allocation of shares of the holding limit amongst members of the CAG. This holding limit allocation results in each entity having a specified percentage share of the CAG's holding limit. The sum of the percentages allocated among the CAG members must sum to one (100 percent). The percentage assigned to each entity in a CAG is multiplied by the current vintage holding limit to calculate the entity holding limit.

In addition to the entity holding limit, each covered entity or opt-in covered entity has a limited exemption from the holding limit based on an entity's emissions. The maximum number of allowances an entity can hold at one time equals the entity holding limit plus the limited exemption. In a Reserve sale, each entity's submitted bids are evaluated to ensure that submitted bids do not exceed the entity holding limit plus the limited exemption.

In CITSS, on the Holding Limits tab on the Account Detail page, the Entity Holding Limit and Limited Exemption are displayed. This tab shows the current number of allowances counted towards these limits (displayed as "Balance") and the remaining number of allowances that may be acquired prior to reaching these limits (displayed as "Available").

A holding limit cap for each qualified bidder will be transmitted from CITSS to the Auction Administrator the day prior to the Reserve sale. This cap specifies the number of allowances a qualified bidder may acquire before exceeding its entity holding limit plus the limited exemption. Additional information on the Limited Exemption can be found in the [Limited Exemption from the Holding Limit Factsheet](#).

The holding limit cap will reflect CITSS account balances and limited exemption data available in CITSS at approximately 9:00 AM PT / 12:00 PM (Noon) ET the day prior to the Reserve sale. After 9:00 AM PT / 12:00 PM (Noon) ET the day prior to the Reserve sale, for qualified bidders, the holding limit cap is displayed in CITSS under bidding limitation data on the Event Application Detail page. The holding limit cap transmitted to the Auction Administrator is used solely for the purpose of administration of the holding limit bid limitation in the Reserve sale. Any changes to CITSS account balances after the determination of the holding limit cap due to transfers of allowances after 9:00 AM PT / 12:00 PM (Noon) ET the day prior to the Reserve sale will not be reflected in the Auction Platform on the day of the actual Reserve sale.

## **D. Auction Administrator Application of the Bidding Limitations**

Submitted bids that contain bid quantities in excess of the holding limit or have a maximum bid value in excess of the bid guarantee will be rejected, in bundles of 1,000 allowances, until all bid limitations are met. Only that portion of the bid quantity that exceeds one or both of these limits will be rejected, not the entire bid quantity.

“Qualified bids” are the bids that remain after the submitted bids have been evaluated and reduced to meet all limits. Only qualified bids are used in the Reserve sale bid fulfillment and purchase determinations process. Determination of qualified bids occurs after the bidding window has been closed and before the final bid fulfillment and purchase determinations are made.

Please refer to the [Reserve Sale Examples](#) document for examples on how bidding limitations are applied.

## **E. Bid Fulfillment**

Sales from each tier are conducted in succession beginning with Tier 1 and proceeding to Tier 2, until either all available Reserve allowances are sold or all the qualified bids are filled.

The [Reserve Sale Examples](#) document provides examples of how Reserve sales are settled.

## **F. Reserve Sale Conduct**

### **1. *Non-Disclosure of Bidding Information***

Pursuant to Section 95914(c) of the Regulation, an entity approved for Reserve sale participation shall not release any confidential information related to its Reserve sale participation, including:

- Intent to participate, or not participate, at Reserve sale, and Reserve sale approval status;
- Bidding strategy;
- Bid quantity or tier information;

- Information on the amount of any bid guarantee provided to the Financial Services Administrator.<sup>8</sup>

The Regulation requires that any entity participating in a Reserve sale that has retained the services of a consultant or advisor regarding Reserve sale bidding strategy must ensure the following:

- The entity must ensure against the consultant or advisor transferring information to other Reserve sale participants or coordinating the bidding strategy among participants;
- The entity will inform the consultant or advisor of the prohibition of sharing information to other Reserve sale participants and ensure the consultant or advisor has read and acknowledged the prohibition under penalty of perjury; and
- A consultant or advisor must provide CARB with the following information at least fifteen (15) days prior to a Reserve sale: names of entities being advised, description of advisory services being performed, and assurance under penalty of perjury that the advisor is not transferring to or otherwise sharing information with other Reserve sale participants.

Entities are required to inform CARB of the retention of a consultant or advisor, including a bidding advisor. Any entity that has retained the services of a consultant or advisor must disclose to CARB, information to identify the consultant or advisor, including name, contact information, physical work address, and employer, if applicable. An account representative of the entity must submit the information required by the Regulation. This can be accomplished using the [Corporate Associations and Structure Disclosure Form #3](#), available on the [CITSS Registration and Guidance](#) webpage. Guidance on California's regulatory provision on corporate associations is available in the [Corporate Disclosures Guidance \(Updated February 2015\)](#) document available from the [CITSS Registration and Guidance](#) webpage. Section 95914(c)(3) of the Regulation, requires Cap-and-Trade consultants or advisors to self-disclose information related specifically to auction and Reserve sale bidding strategy services. Consultants and advisors providing such services must submit the required information to CARB no later than fifteen (15) business days prior to the

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<sup>8</sup> Section 95914(c) of the California Regulation prohibits the release by Reserve sale participants of any of the details of their participation, including whether they bid, their bidding strategy, bids placed, and bid guarantee details. The Regulation provides some exceptions to these prohibitions, such as release to consultants, regulatory agencies, and direct corporate associates, among others.



Reserve sale at which the bid advisor's services will be employed. The [Auction Bid Advisor Form](#) can be used to submit the information to CARB for both auction and Reserve sale participation.

## **2. Market Monitoring**

WCI, Inc. has contracted an independent market monitor, Monitoring Analytics, LLC, for the California Cap-and-Trade Program. The purpose of the Market Monitor is to monitor, detect, and report issues relating to the operation of the allowance auctions, Reserve sales, and secondary markets.

The Market Monitor monitors the allowance auctions and Reserve sales, and provide ongoing monitoring of allowance holdings and market activity. The Market Monitor monitors the secondary market to identify any indications of anti-competitive behavior and to understand market activity and trades. The Market Monitor's findings are provided to CARB staff to review and take action, as needed. CARB staff also monitor the auctions and Reserve sales during the bidding window and review submitted bids to determine if there are any indications of anti-competitive behavior.

Any fraudulent, manipulative, collusive, or noncompetitive behavior in a allowance auction or Reserve sale may be investigated and prosecuted in accordance with all applicable laws and regulations.

## **VII. Reserve Sale Results and Certification**

Following the Reserve sale, CARB and the Market Monitor will review the Reserve sale results. CARB will review the conduct of the Reserve sale and determine whether the Reserve sale met the requirements of the Regulation.

### **A. Public Notification of Reserve Sale Results**

Reserve sale results will be accessible to the public through a Reserve Sale Summary Results Report, which will include the total purchases by tier and will be posted on the [Reserve Sale Information](#) webpage. This posting is anticipated to occur at approximately the date and time listed in the Reserve Sale Schedule provided in the Reserve Sale Notice.

In the event of a delay in posting the Reserve Sale Summary Results Report, CARB will provide notification on the [Reserve Sale Information](#) webpage indicating a new time for the release.

The Reserve Sale Summary Results Report will include the following:

- The names of the qualified bidders,
- The Reserve sale prices per tier and Reserve allowances available in each tier,
- The total number of Reserve allowances sold from each tier.<sup>9</sup>

## **B. Notification of Qualified Bidder Reserve Sale Results**

Following the posting of the Reserve Sale Summary Results Report, CARB will certify the Reserve sale in the Auction Platform. Once the Reserve sale is certified, representatives of qualified bidders will be able to view and download the qualified bidder's Reserve sale results in the form of a Financial Statement from the Auction Platform. The Financial Statement serves as the financial settlement invoice for the Reserve sale and will include the number and total cost of Reserve allowances the qualified bidder has purchased, if any.

The qualified bidder's Financial Statement will include the following:

- Reserve Sale Information
  - Tier Prices
  - Number of Successful Bids by Tier and Successful Bid Allowances
  - Total Bid Cost (By Tier and Combined Total)
- Account Information
  - Entity Information
  - Bid Guarantee Submitted by Type (cash, LOC or bond)
  - Amount Due to Financial Services Administrator (if any)
  - Amount Due By Date (if an amount is due)
- Wiring Instructions for Submitting Payment

The qualified bidder's Client Bid Report available from the Auction Platform will include bid information providing the Reserve sale results specific to each submitted bid.

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<sup>9</sup> The total number of Reserve allowances will be provided only if the total represents purchases from a minimum of three (3) qualified bidders.

## **C. Download all Reports**

Immediately following notification of availability of the qualified bidder's results in the Auction Platform, a qualified bidder's account representative should download and save all Auction Platform reports that are available to a qualified bidder that participated in a Reserve sale. The available reports include:

1. **Client Bids Audit Report:** This report provides records on all bids submitted by a qualified bidder, including the audit trail of each bid related to bid creation, updates, and deletions.
2. **Client Bid Report:** This report provides records on all bids submitted by a qualified bidder in their final form, identifying each successful and unsuccessful bid and the number of allowances awarded, if any.
3. **Financial Statement:** This report provides all information required to invoice and complete financial settlement.

As these reports are confidential, they are not available to any parties other than the account representatives with an Active status in CITSS. Active PARs and AARs with Auction Platform accounts have access to reports for all events in which the entity participated, regardless of when the account representative was designated as such by the entity.

## **VIII. Complete Financial Settlement**

### **A. Financial Settlement Requirements and Outline**

Qualified bidders will complete the financial settlement process with the Financial Services Administrator for all Reserve allowances purchased in a Reserve sale once the Reserve sale is certified. The availability of the Financial Statement represents the beginning of the seven (7) day period in which a Reserve sale successful bidder is required to complete payment of the amount due for Reserve allowances purchased to the Financial Services Administrator. The deadline for the Financial Services Administrator to receive payment by wire transfer is listed in the Reserve Sale Schedule in each Reserve Sale Notice.

As part of the financial settlement process, the Financial Services Administrator will:

- For qualified bidders that submitted cash bid guarantees, use the cash submitted to settle any amounts owed.

- For qualified bidders that submitted bid guarantee instrument(s) (LOC or bond), collect cash payment for any amounts owed from successful bidders within seven (7) days of notification of the availability of the Reserve sale results.
- Draw on the bid guarantee instrument(s) for any qualified bidder that fails to submit payment for amounts owed within seven (7) days of availability of the Reserve sale results.
- Distribute Reserve sale proceeds from the sale of allowances.

Once all payments have been received, proceeds will be transferred to CARB, and subsequently CARB will transfer the number of Reserve allowances purchased into each successful bidder's CITSS compliance account.

## **B. Cash Settlement**

All final financial settlements must be completed in cash by Reserve sale qualified bidders within seven (7) days of the availability of the qualified bidder's Reserve sale results in the Auction Platform.

The wiring instructions for cash settlement will be included in the Financial Statement, which is available from the Auction Platform. If a wire transfer was submitted for the bid guarantee, the funds on account will be used to settle any amount owed, and any unused portion will be returned to the entity.

The Financial Services Administrator will not accept payment in the form of a certified bank check or cashier's check for Reserve allowances purchased in a Reserve sale. If a check is received for cash settlement, the check will be returned.

If a qualified bidder fails to make cash payment within seven (7) days after notification of the availability of the qualified bidder's Reserve sale results, bid guarantee instruments (LOC or bond) held on account by the Financial Services Administrator will be used to obtain payment for Reserve allowances purchased in the Reserve sale.

## **C. Return of Bid Guarantee**

The Financial Services Administrator will return any unused bid guarantees based on the return instructions provided during the application process in CITSS. Cash will be

returned through wire transfer<sup>10</sup> and physical bid guarantee instruments in the form of a LOC or bond will be returned directly to the entity through UPS, FedEx, or DHL delivery by the Financial Services Administrator. The Financial Services Administrator will send an email to the qualified bidder's account representatives in advance of sending back the unused bid guarantee so they can prepare for receipt of funds or physical bid guarantee instruments.

All unused bid guarantees for unsuccessful bidders, regardless of type, will be returned within approximately three (3) business days after the Reserve sale is certified.

For successful bidders that provided a cash bid guarantee, the funds will be applied against the final settlement amount owed. If there is cash remaining after the amount owed for Reserve allowances purchased has been deducted, the unused cash will be returned to the entity through Fedwire transfer based on the return instructions provided during the application process in CITSS.

For successful bidders that provided bid guarantees in the form of a LOC or bond, following receipt of all amounts owed, the Financial Services Administrator will return physical bid guarantee instruments directly to the entity through UPS, FedEx, or DHL delivery, based on the return instructions provided during the application process in CITSS. The FSA will return electronic bid guarantee instruments by replying to the email to which the bid guarantee was attached.

## **IX. Complete Financial Settlement Transfer of Reserve Sale Allowances into CITSS Accounts**

Allowances are transferred to a successful bidder's compliance account following completion of financial settlement and distribution of Reserve sale proceeds. The expected date for allowance transfers is provided in the Reserve Sale Schedule in the Reserve Sale Notice.

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<sup>10</sup> If a cash wire transfer is returned to the Financial Services Administrator by an entity's financial institution due to an error or incomplete wire transfer details provided by an entity, resulting in a fee charged to the Financial Services Administrator, the fee will be reflected in the total bid guarantee returned to an entity. A returned wire fee is not a Reserve sale fee, but is a common banking transaction fee not related to the California Cap-and-Trade Program or the Reserve sale process.