



Updated December 2, 2019

California Cap-and-Trade Program Cap-and-Trade Auctions and Reserve Sales Financial Services Administration

In the process of participating in an auction or Reserve sale, an entity will need to provide cash to the Financial Services Administrator (FSA) to pay for allowances awarded. Cash may be submitted as a bid guarantee or for payment of allowances awarded if a non-cash bid guarantee is submitted. This fact sheet provides information regarding the counterparty, or counterparties, in the transaction to purchase allowances and on disposition of cash provided to the FSA.

1. What organization is the counterparty in the purchase of allowances in an auction or Reserve sale?

The counterparty in the purchase of allowances is the jurisdiction issuing the allowances and receiving proceeds for the allowances sold. For entities registered under the California Cap-and-Trade Program purchasing California issued allowances, the counterparty is the California Air Resources Board (CARB), on behalf of the State of California. For joint auctions offering allowances issued by multiple jurisdictions, the counterparties include Participating Jurisdictions offering allowances in the joint auction.

Deutsche Bank National Trust Company (Deutsche Bank) is the currently approved FSA and, through its contract with WCI, Inc., is required to meet the regulatory requirements for the FSA. Deutsche Bank and WCI, Inc. are service providers to facilitate transactions for allowances sold in auctions and Reserve sales, but are not counterparties in the transactions. Neither Deutsche Bank nor WCI, Inc. maintain authority or any right to any of the funds submitted to the FSA for a bid guarantee or for payment due for allowances awarded.

2. To comply with laws and regulations such as the Foreign Account Tax Compliance Act (FATCA), Foreign Corrupt Practices Act (FCPA), or anti-money laundering (AML) laws and regulations, entities purchasing allowances may be required to conduct counterparty, or vendor, due diligence to establish a business relationship to purchase allowances. Can CARB complete Vendor Management Forms or Questionnaires to support this process?

Since entities' vendor management processes vary greatly due to their internal process and assessment of risk, CARB cannot complete forms for all auction or Reserve sale

participants. To aid entities' vendor management processes, information commonly collected is provided below:

Organization Name: California Air Resources Board

Organization Federal Tax Classification: Other – CA State Government Agency

Address: 1001 I Street, Sacramento, CA 95814

Tax Identification Number (Employer Identification Number): 68-0288069

Contact Name: Chuck Seidler

Contact Phone Number: 916-324-0931

Contact Email: cseidler@arb.ca.gov

Payment Information: All payments made as outlined in the Auction Notice published for each auction posted on the CARB [Auction Information](#) webpage.

If an entity requires information from Participating Jurisdictions offering allowances in a joint auction and receiving funds from the sale of allowances, please submit a request directly to Participating Jurisdiction contacts. Participating Jurisdiction contacts are available in the Auction Notice released approximately sixty (60) days prior to the auction and posted on the CARB [Auction Information](#) webpage.

3. What Internal Revenue Service (IRS) tax documentation is available for compliance with the Foreign Account Tax Compliance Act (FATCA)?

Per the [IRS Form W-9](#) General Instructions, CARB as a State Agency is exempt from backup withholding and from Foreign Account Tax Compliance Act reporting.

If necessary for an entity's internal vendor management processes, a completed IRS Form W-9 for CARB is available upon request to the CARB contact listed in the Auction Notice published for each auction posted on the CARB [Auction Information](#) webpage

4. Who is the FSA for the Cap-and-Trade Program and what is the contractual relationship between the FSA, CARB, and WCI, Inc.?

The Cap-and-Trade Regulation provides that an approved FSA will conduct the financial aspects of auctions. Deutsche Bank is the currently approved FSA and, through its contract with WCI, Inc., is required to meet the regulatory requirements for the FSA. Cap-and-Trade Program auctions and Reserve sales are administered by WCI, Inc. as a service for WCI, Inc. Participating Jurisdictions, including CARB on behalf of the State of California.

5. What type of financial account is the Financial Services Account established by the FSA to record submitted bid guarantees?

Deutsche Bank, as the FSA, opens a segregated, non-interest bearing escrow account for each jurisdiction to maintain funds submitted by entities registered under each Participating Jurisdiction. A separate sub-account is opened for each entity to hold bid guarantees in a custodial capacity in segregated escrow accounts.

6. How would an entity's account with the FSA be treated in the event of a bankruptcy or liquidation of the FSA?

The Cap-and-Trade Regulation provides that an approved FSA will conduct the financial aspects of auctions, including the return of bid guarantees. Deutsche Bank is the currently approved FSA, and through its contract with the WCI, Inc., is required to meet the regulatory requirements for the FSA. If the FSA were to become insolvent or bankrupt, the management of cash held in accounts would depend on applicable law governing the insolvency or bankruptcy.

7. How does an entity provide a cash bid guarantee or cash payment to the FSA?

For instructions on providing a cash bid guarantee or payment for allowances awarded at an auction or Reserve sale, see the Detailed Auction Requirements and Instructions posted on the CARB [Auction Information](#) webpage.

8. Where can I find additional information on the Cap-and-Trade Program?

For additional information on the Cap-and-Trade Program, please visit the [Cap-and-Trade Program](#) website at <https://www.arb.ca.gov/cc/capandtrade/capandtrade.htm> or by contacting CARB at the Cap-and-Trade Hotline at (916) 322-2037.