

2017 Detailed Reserve Sale Requirements and Instructions

**California Cap-and-Trade Program Sale
of Greenhouse Gas**

**Allowances from the Allowance Price
Containment Reserve**

Updated on September 1, 2017

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I. INTRODUCTION

A. Background

Assembly Bill 32 (AB 32) requires California to reduce greenhouse gas (GHG) emissions to 1990 levels by 2020. The California Scoping Plan and the subsequent Scoping Plan Update approved in 2014 lay out the steps to reduce California's GHG emissions by 2020, and maintain and continue those reductions beyond 2020. The 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 (ARB). As part of California's Cap-and-Trade Program, ARB will hold quarterly sales of allowances from the Allowance Price Containment Reserve (reserve sale).

As part of California's Cap-and-Trade Program, reserve sales will be held pursuant to the schedule in Appendix C of the Regulation; dates may be adjusted up to four (4) days as described in the Regulation. This document, 2017 Detailed Reserve Sale Requirements and Instructions, includes the detailed requirements and instructions for participating in reserve sales in calendar year 2017.

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

For the purpose of the Reserve Sale Notice, 2017 Detailed Reserve Sale Requirements and Instructions, and 2017 Reserve Sale Examples documents, the following general terms are used to describe potential auction and reserve sale participants and systems used:

- **“Applicant”** refers to an entity for which its Primary Account Representative (PAR) or an Alternate Account Representative (AAR) has submitted an application to participate in a 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 ARB per section 95913(e) of the Regulation.
- **“Auction Administrator”** refers to Markit Group Limited, the party contracted by WCI, Inc. to provide Reserve Sale Administrative Services to WCI, Inc. Participating Jurisdictions.

- **“Auction Platform”** refers to the electronic platform through which reserve sales are conducted. The Auction Platform can be accessed at <https://www.wci-auction.org/ca>.
- **“Bid Guarantee”** refers to the financial assurance provided by registered participants for the purpose of bidding in a reserve sale, as described in section 95913(g) of the Regulation.
- **“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.
- **“CITSS”** refers to the Compliance Instrument Tracking System Service, the web-based system used to register participants and track allowances and credits from issuance to retirement.
- **“Corporate Association Group”** refers to a group of separate accounts in CITSS held by entities with a direct corporate association as defined in the Regulation pursuant to section 95833(a).
- **“Entity”** means a person, firm, association, organization, partnership, business trust, corporation, limited liability company, company, or government agency.
- **“Financial Services Administrator”** refers to Deutsche Bank National Trust Company, the entity contracted by WCI, Inc. to provide Financial Services Administration for Auction and Reserve Sales to WCI, Inc. Participating Jurisdictions.
- **“Participant”** refers to an entity that is an Applicant, Qualified Applicant, or Qualified Bidder.
- **“Participating Jurisdiction”** refers to a jurisdiction with at least one representative serving on the WCI, Inc. Board of Directors receiving services from WCI, Inc. for the administration of allowance auctions.
- **“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 to participate in the reserve sale.
- “**Qualified Bids**” are the bids that remain after a participant’s submitted bids have been evaluated and reduced to meet all bidding limitations.
- “**Reserve Sale Notice**” refers to the official reserve sale notice that will be released for each reserve sale, notifying participants of the upcoming allowance reserve sale as described in section 95913 of the Regulation. Release of a Reserve Sale Notice signals the beginning of the application period for a reserve sale.
- “**Reserve Sale Tier Prices**” refers to the prices at which allowances are offered in each of the three tiers as described in section 95913(f) of the Regulation. The tier prices are posted in the document “Annual Allowance Price Containment Reserve Notice” on ARB’s reserve sale webpage.

C. Dates of 2017 Reserve Sales

Reserve Sales anticipated to take place in 2017 are as follows:

- April 2017 Reserve Sale 17: April 4, 2017
- June 2017 Reserve Sale 18: June 27, 2017
- October 2017 Reserve Sale 19: October 3, 2017
- December 2017 Reserve Sale 20: December 29, 2017

II. RESERVE SALE ADMINISTRATION

A. Reserve Sale Application Requirements

The sections below outline the steps required before an entity can apply to participate in a reserve sale. The steps required to participate in a reserve sale are discussed in a later section of this document.

1. Entity CITSS Account

An entity must have an approved account in the Compliance Instrument Tracking System Service (CITSS) before applying to participate in a reserve sale. Additionally, individuals must be approved as either the Primary Account

Representative (PAR) or an Alternate Account Representative (AAR) on that account in order to apply to a reserve sale, and/or bid on behalf of the participant.

Reserve sale application information includes current entity registration information submitted to ARB in the process of obtaining a CITSS account, or updated after approval of a CITSS account, including:

- a) Corporate identity, ownership, and capital structure of the applicant;
- b) The existence of any direct or indirect corporate associations; and
- c) An allocation of the holding limit among associated entities, if applicable.

Most information related to corporate identity would be submitted in CITSS while information related to corporate ownership, capital structure of the applicant, the existence of any direct or indirect corporate associations, and any allocation of the purchase limit and holding limit among associated entities, would be submitted on a hard copy form outside of CITSS.

It may be necessary for an entity to change entity account information that will be included as reserve sale application information if the entity applies to participate in a reserve sale. All changes in auction application information listed in Section 95912(d)(4) of the Regulation, including those that require submittal of hard copy documentation such as disclosure of corporate associations, must be submitted prior to the close of the reserve sale application period.

CITSS can be accessed at <https://www.wci-citss.org/ca>.

2. CITSS Representative and Entity Account Information

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

- a) Enter changes as needed in CITSS.
- b) Complete and submit any forms or hard copy documentation required to make changes in reserve sale application information.
- c) Approval by the jurisdiction Registrar should occur within ten (10) business days of receiving all required documentation.

3. Participation by Entities with Direct Corporate Associations

For purposes of the Reserve Sale Notice and this document, the term “direct corporate associates” refers to all entities with a direct corporate association as defined in the Regulation pursuant to section 95833(a).

Entities registered in CITSS must disclose all direct and indirect corporate associations, as defined in section 95833(a) and as specified in section 95830 of the Regulation, including those direct and indirect corporate associations registered in a linked jurisdiction. As the California Cap-and-Trade Program and Québec Cap-and-Trade System officially linked on January 1, 2014, entities must disclose corporate associations with entities registered under the California Cap-and-Trade Program and entities registered under the Québec Cap-and-Trade System.

Direct corporate associates are entities that meet at least one of the indicia of control in section 95833(a)(2), (a)(3), or (a)(5) of the Regulation, meaning generally those with ownership or voting power exceeding 50 percent of the other entity, regardless of whether or not the related entity is registered in the California Cap-and-Trade Program or Québec Cap-and-Trade System. Indirect corporate associates would include those related entities meeting the indicia of control in section 95833(a)(4) of the Regulation, meaning generally those with a percent of ownership or control between 20 and 50 percent, but only applies to those entities which are also registered in either the California Cap-and-Trade Program or the Québec Cap-and-Trade System. Entities that have direct corporate associations with other registered entities, including those registered in a linked jurisdiction, must share purchase and holding limits and declare all such associations. Providing incomplete or inaccurate information regarding corporate associations will cause an entity’s reserve sale application to be rejected. Guidance on California’s regulatory provision on corporate associations is available in the Corporate Disclosures Guidance (Updated February 2015) document available from the ARB CITSS webpage at <https://www.arb.ca.gov/citss>.

The Regulation requires ARB 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 corporate association group. Entities that choose not be in a consolidated account are referred to in the Regulation as entities who have chosen to “opt-out” of consolidation. 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. Pursuant to section 95833(f)(6) of the Regulation, entities with a direct corporate association may change their decision to consolidate accounts or opt-out of consolidation only once each year.

Any change to an entity's auction application 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(f)(1) of the Regulation.

Pursuant to section 95833(e) and 95830(f)(1) of the Regulation, any changes to corporate associations related to entities registered in the California Cap-and-Trade Program must be updated within thirty (30) calendar days of the change or by the reserve sale application deadline, whichever is sooner. If a change to the corporate association affects reserve sale participation, that change, and any additional actions required by that change, must be approved prior to the end of a reserve sale application period or the entity(ies) involved may not be able to participate in the reserve sale. Additionally, if any change of ownership becomes effective after an application period ends and prior to the scheduled date for distribution of Allowance Price Containment Reserve (APCR) allowances resulting from a reserve sale, the entities impacted by the change of ownership may not be able to participate in the reserve sale.

More information on reserve sale participation by entities with corporate associations can be found on ARB's Cap-and-Trade Program webpage at <https://www.arb.ca.gov/cc/capandtrade/capandtrade.htm> under Guidance Documents.

4. Reserve Sale Application Information Material Change

An entity may need to change reserve sale application information that is either submitted in CITSS or submitted in hard copy form outside of CITSS. If a material change occurs to an entity's reserve sale application information after a reserve sale application period closes, it may limit the entity's ability to participate in the reserve sale or for a PAR or AAR to represent an entity in a reserve sale.

A material change to the information contained in a reserve sale application is a change in any application information that could influence a decision by a jurisdiction to approve, or not approve, reserve sale participation. This would include, but not be 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, names and contact information for employees with market position knowledge, names and contact information for cap-and-trade consultants).

III. RESERVE SALE APPLICATION

A. Submittal of Reserve Sale Application

This section outlines requirements to apply to participate in a reserve sale. For each reserve sale one CITSS entity account representative (PAR or an AAR) must submit a notice of intent to bid. The processes to submit an event application, as completed for an auction, and to submit a notice of intent to bid are generally the same. For simplicity, this document will refer to submitting a notice of intent to bid as reserve sale application. For each reserve sale, the reserve sale application period starts at least thirty (30) days prior to the reserve sale with the release of the reserve sale notice and ends 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 in CITSS as set out in the Reserve Sale Schedule provided in the Reserve Sale Notice available from the ARB Reserve Sale Information webpage.

Reserve sale participants must submit an application through CITSS at least twenty (20) days prior to each reserve sale in which they wish to participate.

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 ARB's CITSS webpage. The reserve sale application process includes the following steps, which are described in more detail in the sections that follow:

1. Confirm the reserve sale in which the participant intends to bid.
2. Provide information on the form of the bid guarantee to be submitted as well as return instructions for any unused portion of the bid guarantee.

3. Complete the Attestation response in CITSS and submit the reserve sale application.

1. Confirm the Event in Which the Participant Intends to Bid

Either the PAR or an AAR must access CITSS and identify the reserve sale in which the participant intends to bid. To do so, the PAR or AAR must access the Auction tab on the Account Detail page for an entity. From the Auction tab, the PAR or AAR will be able to initiate an event participation once an application period is opened for an event.

2. Provide Information on the Form, Currency, and Return Instructions of the Bid Guarantee to be Submitted

The entity 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;
- An irrevocable letter of credit (LOC) from a financial institution with a United States (U.S.) banking license;
- A bond issued by a financial institution with a U.S. banking license;
- A Surety Bond issued by an institution named in the current list of “Surety Companies Acceptable in Federal Bonds” as published in the Federal Register by the Audit Staff Bureau of Accounts, U.S. Treasury Department.

Based on the form of bid guarantee selected, the representative will also complete instructions for the return of 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

If return of funds to the participant requires an Intermediary Bank, such as if a participant 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 participant's account representative contact the Financial Services Administrator to ensure all necessary information for return instructions has been received.

Physical bid guarantee instruments will be returned by 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
- Return Address (must be a physical address; no PO Box¹)
- Return City
- Return Postal Code
- Return State/Province
- Return Country
- Return Contact Phone Number

The 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) will be submitted directly to the Financial Services Administrator, as described in the "Submit a Bid Guarantee" section of this document.

¹ The Financial Services Administrator cannot return physical bid guarantee instruments to a PO Box address as a signature is required to ensure security of the instruments and to allow for confirmation of receipt.

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

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.

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

The participant’s PAR and all AARs 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, the PAR or an AAR can log in to CITSS to confirm the current reserve sale application status.

C. Editing an 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, see CITSS Auction and Reserve Sale Event Applications reference material on jurisdiction CITSS webpages.

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, see the CITSS Auction and Reserve Sale Event Applications reference material on jurisdiction CITSS webpages.

IV. SUBMIT A BID GUARANTEE

A. Bid Guarantee Requirements and Use

After a reserve sale application has been submitted, each participant 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 security. All cash bid guarantees submitted will be held in a non-interest bearing trust 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 and time 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 participant bidding limitations in the reserve sale. The amount of the bid guarantee must be greater than or equal to the participant's maximum bid value (i.e. maximum value of the bids submitted). To determine the bid guarantee amount to provide, examples are provided in the 2017 Reserve Sale Examples document available from the ARB Reserve Sale Information webpage.

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 participant) or verify (previous participant) the participant's Financial Services Account in which the participant's bid guarantee will be recorded.

Participants 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 acts as an agent for ARB for the purpose of financial administration of auctions and reserve sales. The Financial Services Administrator must establish or verify a Financial Services Account for each participant to manage bid guarantees and payment for allowances awarded.

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

2. *Download Financial Services Delivery Instructions*

Once a participant's Financial Services Account Number has been verified or established, the PAR and AARs may download the participant'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, as well as wiring instructions for submitting cash by wire transfer and mailing instructions for submitting physical bid guarantee instruments.

To access a participant's Financial Services Delivery Instructions, a PAR or AAR will log in to CITSS. 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 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 as 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) 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 downloaded from CITSS.

In order 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 participant's Financial Services Delivery Instructions.

3.2 Instructions for Wiring Funds

Fedwire transfer details must include the following information:

Table 1: Instructions for bid guarantee cash wire transfers

Bank Name:	Deutsche Bank Trust Company Americas²
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
City:	New York
State/Province:	New York
DDA Number:	Provided in the Financial Services Delivery Instructions, available in CITSS
Beneficiary:	Trust And Agency Services
Payment Details:	WCI Auction³ and Financial Services Account Name , as provided in the Financial Services Delivery Instructions, available in CITSS
Port:	Participant's Financial Services Account Number , 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 with two entries: the reference to WCI Auction and the participant's Financial Services Account

² Receiving Bank Name must be entered exactly as shown for a USD cash wire transfer.

³ WCI Auction is how the Financial Services Administrator refers to the joint California-Québec auction. WCI refers to the Western Climate Initiative.

Name. The participant's Financial Services Account Number must be entered in the Port section. The Financial Services Account Number and Account Name are provided in the participant's Financial Services Delivery Instructions available from CITSS.

If using an ACH transfer to wire cash, you 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 a participant account representative notify the Financial Services Administrator in advance of the ACH transfer to ensure proper receipt of the funds.

If an entity 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.

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 participant 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.
- Participants 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 a participant 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 participant. A returned wire fee is not a reserve sale fee and is not received by ARB. A returned wire fee is a common banking transaction fee not related to the California Cap-and-Trade Program, or the reserve sale process.

3.3 Submitting a Physical Bid Guarantee Instrument (LOC or Bond)

Physical 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 as listed in the Reserve Sale Schedule provided in the Reserve Sale

Notice. The instructions for submitting physical 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
60 Wall Street, 16th Floor
Mailstop: NYC60-1630
New York, NY 10005-2836

Please include your Entity Legal Name, your CITSS Entity ID and Financial Services Account Number as they appear in the Financial Services Delivery Instructions (downloadable from CITSS) when mailing the bid guarantee form(s) to ensure the bid guarantee is properly associated to the participant's account.

Deutsche Bank Trust Company Americas is the institution name required for receipt of funds via cash wire transfer and delivery of physical bid guarantees, while **Deutsche Bank National Trust Company** is used as the Beneficiary Bank Name provided for a physical bid guarantee. Entities submitting physical bid guarantees should be careful that both the Beneficiary Bank Name and the institution name included in the mailing address are correct, since the names are not the same. Refer to the Financial Services Delivery Instructions provided in CITSS for complete information.

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

ARB 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 documents via overnight delivery and retain a tracking number;
- Provide contact information for the issuing bank in the event that a draw on the physical bid guarantee 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 as listed in the Reserve Sale Schedule provided in the Reserve Sale Notice, the reserve sale application will be rejected.

Please include your Entity Legal Name, your CITSS Entity ID and Financial Services Account Number on your Letter of Credit or Letter of Guarantee to ensure the bid guarantee is properly associated to the participant's account.

3.4 Submitting a Letter of Credit

Entities may submit a LOC as a bid guarantee. A LOC submitted as a bid guarantee must be issued by a financial institution with a U.S. banking license.

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 participant's application.
- **Deutsche Bank National Trust Company** must be listed as the beneficiary.⁴
- 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.

⁴ The Beneficiary Bank Name must be entered exactly as shown, which differs slightly from the institution name provided in the mailing address. Refer to the Financial Services Delivery Instructions provided in the Auction Platform for complete information.

- There must be instructions included indicating where to submit the LOC for payment.
- The LOC must allow for presentment by facsimile (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 in physical form by the deadline for receipt of bid guarantees or the LOC will not be accepted.**

3.5 Submitting a Bank Bond or Surety Bond

Entities may submit a bank bond or a Surety Bond, referred to collectively in this document as bond, as a bid guarantee. A bank bond must be issued by a financial institution with a U.S. banking license. A Surety Bond must be issued by an institution named in the current list of “Surety Companies Acceptable in Federal Bonds” as published in the Federal Register by the Audit Staff Bureau of Accounts, U.S. Treasury Department.

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 participant’s application.
- **Deutsche Bank National Trust Company** must be listed as the beneficiary⁵
- The party named as “Principal” in the bond must be identical to that named in the participant’s application.
- The expiration date must be at least twenty-six (26) days after the scheduled reserve sale.
- The amount of the bond must be included.

⁵ The Beneficiary Bank Name must be entered exactly as shown, which differs slightly from the institution name provided in the mailing address. Refer to the Financial Services Delivery Instructions provided in the Auction Platform for complete information.

- 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 in physical form by the deadline for receipt of bid guarantees or the bond will not be accepted.

C. Receipt of Bid Guarantee

A participant's PAR and all AARs will receive an email from CITSS with the subject line "CITSS Event Financial Services Information Update" when there is an update to the participant'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, the PAR or an AAR can log in to CITSS to confirm the current reserve sale application status. At this point, the application status for the participant 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 a bid guarantee that meets the requirements is not 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 in physical form by the deadline date for receipt of bid guarantees as listed in the Reserve Sale Schedule provided in the Reserve Sale Notice or the bid guarantee will not be accepted.

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

- a) The participant will be notified by the Financial Services Administrator of the need for revision.
- b) The participant would contact the financial institution that issued the bid guarantee instrument and request an amendment.
- c) The revised bid guarantee must be received in physical form by the deadline for receipt of bid guarantees or it will be rejected. Emailed, scanned, and PDF versions of a bid guarantee or bid guarantee amendment will not be accepted as a bid guarantee.

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

Email: db.wcisupport@db.com

Phone: (714) 247-6054 or (212) 250-2885

Bid Guarantee Submittal Summary

- A participant 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 as listed in the Reserve Sale Schedule provided in the Reserve Sale Notice.
- A participant is responsible to ensure proper addressing when mailing a physical bid guarantee instrument.
- A participant is responsible to ensure a physical bid guarantee instrument (LOC or bond) is received in final form by the Financial Services Administrator, including all required non-negotiable terms, by the deadline date and time for receipt of bid guarantees as 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 as listed in the Reserve Sale Schedule in the Reserve Sale Notice will not be accepted.
- Emailed, scanned, and PDF versions of a bid guarantee or a bid guarantee amendment will not be accepted as a bid guarantee.
- If a bid guarantee is not received by the deadline date for receipt of bid guarantees as listed in the Reserve Sale Schedule provided in the Reserve Sale Notice, the reserve sale application will be rejected.

V. RECEIVE NOTICE OF THE PARTICIPANT'S APPROVAL TO PARTICIPATE

ARB staff will review each 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 ARB approves or rejects an entity

for reserve sale participation, the PAR and all AARs for the participant 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 participant will either change from “Qualified Applicant” to “Qualified Bidder” if the participant is approved, or it will change from “Qualified Applicant” to “Rejected” if the participant is not approved. This is anticipated to occur within two (2) business days of the reserve sale date. Each participant 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 reasons for possible denial of an entity’s participation in a reserve sale include, but are not limited to, the following:

- The entity does not have an active CITSS account.
- An entity’s general holding account has been revoked or is currently suspended.
- The entity is not represented by an active PAR or AAR.
- The entity has not provided complete information on corporate associations.
- The entity has not submitted a bid guarantee to the Financial Services Administrator by the deadline date and time as listed in the Reserve Sale Schedule provided in the Reserve Sale Notice.

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/ca>.

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 all three tiers will be accepted simultaneously at the date and time identified in the Reserve Sale Notice. Bids for all three tiers will be accepted during the same scheduled 3-hour bidding window.

Sales of APCR allowances in calendar year 2017 shall be conducted at the following prices:

- (A) Allowances from the first tier shall be offered for \$50.69 per allowance;

(B) Allowances from the second tier shall be offered for \$57.04 per allowance; and

(C) Allowances from the third tier shall be offered for \$63.37 per allowance.

A. Access to the Auction Platform

1. PAR/AAR Auction Platform Accounts

Any PAR or AAR authorized by a participant 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 participant during an open bidding window, or download reports specific to the reserve sale.

2. Auction Platform Account Activation

If an individual PAR or AAR has previously activated his or her Auction Platform account, that individual will be able to access the Auction Platform using their previously established credentials. User accounts and participant CITSS account representative status information in CITSS and the Auction Platform are automatically reconciled on a daily basis. Active PARs and AARs of entities in CITSS that have been qualified bidders to a past auction or that have submitted an application to an upcoming reserve sale are eligible to maintain or establish Auction Platform accounts. Outlined below are details regarding reconciliation of user accounts and participant CITSS account representative status information in CITSS and the Auction Platform:

- CITSS account information, including participant 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 that have submitted an application to an upcoming reserve sale.
- Users without an Auction Platform account that become an active PAR or AAR of an entity(ies) in CITSS that have been qualified bidders to a past auction or that have submitted an application to an upcoming reserve sale 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 PAR or AAR by a jurisdiction Registrar.

- The activation email will be sent to the account representative's current email address listed in CITSS.
- This current email address in CITSS will be the account representative's username in the Auction Platform.
- 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.

3. Account Representatives Associated with Multiple Participants

Regardless of the number of participants for which an individual acts as the PAR or an AAR, that individual will only establish one Auction Platform account. All associations with participants for which an individual is an approved PAR or AAR will be reflected in the Auction Platform.

If an individual is an account representative on multiple participant accounts, each time the individual logs in to the Auction Platform he or she will need to select which participant to represent in that session. To submit information for another (different) participant that he or she represents, the individual will need to log out of the Auction Platform and then log back in, selecting the other participant.

B. Bidding in the Reserve Sale

Participants 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:

- Reserve sale participants will submit a bid which includes a number of bid lots (1 lot = 1,000 APCR allowances) and the tier at which they bid to purchase the APCR allowances.
- Reserve sale participants are allowed to submit as many bids as they wish during the bidding window.
 - An uploaded Excel spreadsheet may contain a maximum of 1,000 bids.
 - Multiple spreadsheets may be uploaded.
- Reserve sale participants will be able to edit or withdraw confirmed bids 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 2017 Reserve Sale Examples document provides additional information and examples of how to determine a bid guarantee amount and bid evaluation procedures for holding limits, and bid guarantees.

1. Bid Guarantee Bid Limitation

The Regulation requires bid guarantees to be greater than or equal to the maximum value of the bids submitted. Submitted bids that contain bid quantities with a value in excess of the bid guarantee will be rejected, in bundles of 1,000 APCR 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 2017 Reserve Sale Examples document provides an example of how to determine a participant'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 APCR allowances offered at reserve sales.

3. Holding Limit Bid Limitation

The holding limit is the maximum number of GHG 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 APCR. Further detail on how the holding limit applies to a reserve sale is provided in the 2017 Reserve Sale Examples document.

Related entities that are part of a direct corporate association that have separate CITSS accounts must allocate shares of the holding limit amongst themselves. In CITSS, related entities that are part of a direct corporate association that have separate CITSS accounts are assigned to a Corporate Association Group (CAG) to manage the allocation of shares of the holding limit amongst members of the CAG. This would apply to all entities that have chosen to opt-out of account consolidation. This holding limit allocation results in each entity having a specified percentage share of the group's holding limit. The sum of the percentages allocated among the entities must sum to one.

The holding limit cap for each reserve sale participant will be transmitted from CITSS to the Auction Administrator the day prior to the reserve sale. These caps will indicate how many allowances a reserve sale participant may acquire before exceeding its holding limit. The holding limit cap will be based on CITSS account balances and limited exemption data available in CITSS at approximately 12:00 (Noon) PT the day prior to the reserve sale. 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 and will only reflect the account balances in CITSS the day before the reserve sale. Any changes to CITSS account balances after the determination of the holding limit cap due to transfers of allowances 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 more limit 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 2017 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 the lowest price tier and proceeding to the highest priced tier, until either all available APCR allowances are sold or all the qualified bids are filled.

The 2017 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 bid guarantee provided to the Financial Services Administrator.⁶

Section 95923 of 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 ARB 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.

⁶ Section 95914(c) of the Regulation prohibits the release of the information listed above by registered entities. The prohibition includes an entity's direct and indirect corporate associations, and their consultants and advisors identified pursuant to section 95923 of the Regulation.

- Any entity that has retained the services of a consultant or advisor must disclose to ARB information to identify the consultant or advisor, including name, contact information, physical work address, and employer, if applicable.

Participants are required to inform ARB of the retention of a consultant or advisor, including a bidding advisor. The PAR or an AAR of the entity must submit the information required by the Regulation. This can be accomplished using the Corporate Associations and Structure Form, available on the ARB CITSS webpage. Guidance on California's regulatory provision on corporate associations is available in the Corporate Disclosures Guidance (Updated February 2015) document available from the ARB CITSS webpage at <https://www.arb.ca.gov/citss>.

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 may submit the required information to ARB using the Auction Bid Advisor Form at the address on the form no later than fifteen (15) business days prior to the reserve sale at which the bid advisor's services will be employed.

2. Market Monitoring

WCI, Inc. has contracted with 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 GHG allowance auctions and reserve sales, and secondary markets.

The Market Monitor will monitor the GHG allowance auctions and reserve sales, and provide ongoing monitoring of GHG allowance holdings and market activity. The Market Monitor will monitor the secondary market to identify any indications of anti-competitive behavior, as well as to understand market activity and trades. The Market Monitor's findings will be provided to ARB staff to review and take action, as needed. ARB staff will 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 GHG 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, ARB and the Market Monitor will review the reserve sale results. ARB 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 ARB 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, a message will be posted on the ARB Reserve Sale Information webpage providing the 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 APCR allowances available in each tier.
- The total number of APCR allowances sold from each tier.⁷

B. Notification of Participant Reserve Sale Results

Following the posting of the Reserve Sale Summary Results Report, ARB will certify the reserve sale in the Auction Platform and representatives of qualified bidders will be able to view and download the participant's reserve sale results in the participant's Financial Statement available through the Auction Platform. Additionally, the Financial Statement serves as the financial settlement invoice for the reserve sale and will include the number and total cost of APCR allowances the participant has purchased, if any.

The participant'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

⁷ The total number of APCR allowances will be provided only if the total represents purchases from a minimum of three (3) qualified bidders.

- 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 participant's Client Bid Report will include bid information providing the reserve sale results specific to each submitted bid.

C. Download all Reports

Immediately following notification of availability of the participant's results in the Auction Platform, a participant's PAR or an AAR should download and save all Auction Platform reports that are available to a participant that has participated in a reserve sale. The available reports include:

1. Client Bids Audit Report: this report provides records on all bids submitted by a participant, 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 participant 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 PAR and AARs with an Active status in CITSS. Active PARs and AARs with Auction Platform accounts have access to participant reports for all events in which the entity participated, regardless of when the PAR or AAR was designated as such by the entity.

VIII. COMPLETE FINANCIAL SETTLEMENT

A. Financial Settlement Requirements and Outline

Participants will complete the financial settlement process with the Financial Services Administrator for all APCR 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 participant is required to complete payment of the amount due for APCR

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 those participants that submitted cash bid guarantees, use the cash submitted to settle for any amounts owed.
- For participants that submitted physical bid guarantee instrument(s) (LOC or bond), collect cash payment for any amounts owed from winning bidders within seven (7) days of notification of the availability of the reserve sale results.
- Draw on the physical bid guarantee instrument(s) for any entities that fail 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 paid, and subsequently ARB will transfer the number of APCR allowances purchased into each winning bidder's CITSS Compliance Account.

B. Cash Settlement

All final financial settlements must be completed in cash by reserve sale participants within seven (7) days of the availability of the participant's reserve sale results in the Auction Platform. The wiring instructions for cash settlement will be included in the Financial Statement Report which is downloaded 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 participant.

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

If a participant fails to make cash payment within seven (7) days after the availability of the participant's reserve sale results, physical bid guarantee instruments (LOC or bond) held on account by the Financial Services Administrator will be used to obtain payment for APCR 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 in CITSS. Cash will be returned through wire transfer⁸ and physical bid guarantee instruments in the form of a LOC or bond will be returned directly to the reserve sale participants through FedEx or DHL delivery by the Financial Services Administrator. The Financial Services Administrator will send an email to the PAR and all AARs of reserve sale participants 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 winning 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 APCR allowances purchased has been deducted, the unused cash will be returned to the reserve sale participant through Fedwire transfer based on the return instructions provided during the application process in the Auction Platform.

For winning 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 participants through FedEx or DHL delivery, based on the return instructions provided during the application process in the Auction Platform.

IX. TRANSFER OF ALLOWANCES INTO CITSS ACCOUNTS

Allowances are transferred to participants' Compliance Accounts following completion of financial settlement and distribution of auction proceeds. The

⁸ 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.

expected date for allowance transfers is provided in the Reserve Sale Schedule in the Reserve Sale Notice.