

FACTS ABOUT

Compliance Instrument Tracking System Service Transfer Entry Instructions

At the end of the year, there is the potential for a higher volume of transfers of compliance instruments. To assist in this end-of-year process, this fact sheet outlines the compliance instrument transfer process and clarifies what information must be entered into the Compliance Instrument Tracking System Service (CITSS) for transfers of compliance instruments.

The transfer process in CITSS requires multiple steps, depending on the type of transfer and entities involved. The basic entity-to entity-transfer requires one representative of the sending entity to enter and “Propose” the transfer. A second representative of the sending entity must “Approve” the proposed transfer before the transaction is sent to the receiving entity. A representative of the receiving entity must “Accept” the transfer before the transaction is complete. The transfer transaction will automatically expire if (1) a second representative of the sending entity has not approved the transfer within two days of entry being proposed, or (2) a representative of the receiving entity has not accepted the transfer within three days of entry the transfer being approved. If coordinated with all parties, a transfer can be completed in a manner of minutes, but can take as long as three days waiting for subsequent actions by representatives.

Account Number – Enter the full two-letter and 8-digit account number for the receiving account.

Entity Reference Code – Enter the 8-digit number located on the “General Identification” section of the receiving entity’s CITSS account.

Quantity – Enter the total number of compliance instruments to be traded in one transaction.

Transfer to Corporate Associate – Check this box if you are transferring compliance instruments to an entity with which you share a corporate association.

Price - The price reported for spot purchases and forward contracts is the average price paid for the compliance instruments in each transfer conducted under a single contract. For futures contracts, the price is the final settlement price on the contract entering delivery. Certain transactions will not have a price because they result from power purchase agreements or bundled contracts. In that case, a price of \$0 is the appropriate entry.

Currency – The currency chosen from the drop-down menu should reflect the currency in which the transaction is being conducted.

Trading Venue – There are three options from which to choose in this category: “Exchange,” “OTC,” and “Other.” If the counterparties conduct the transaction in an organized market, such as the IntercontinentalExchange (ICE), then the trading venue is “Exchange.” If the counterparties conduct the transaction bilaterally outside the context of a formal exchange, then the trading venue is “OTC,” which stands for “over the counter.” If the counterparties do not conduct their transaction on an exchange or over the counter, then the trading venue is “Other.”

Type of Contract – There are four options from which to choose in this category: “Forward,” “Future,” “Spot,” and “Other.” If the transaction is a customized bilateral trade off exchange for delivery in the

future, then the contract is a “Forward.” If the transaction results from a standardized contract traded on an exchange for delivery in the future, then the contract is a “Future.” If the transaction is for delivery within three days, then the contract is “Spot.” If the contract type does not fit into the aforementioned categories, the contract should be labeled “Other.”

Actual or Expected Settlement Date – Enter the date that delivery of the compliance instruments being transferred is contractually scheduled to occur. For a contract that calls for multiple transfers over the life of the agreement, the settlement date would be the date on which the delivery in question should have occurred or is occurring.¹ In the case of contracts traded on ICE, the settlement date is the date on which delivery occurs as provided by ICE or a member clearing entity. Delivery of compliance instruments must be reported within three days of the contractually obligated delivery date.

Agreement Date – Enter the date the contract for the transaction is signed. In the case of a futures contract, this date is one day after the last trading day of the expiring contract.

Comment – The comment box is useful for explaining unique transactions. Including a brief comment can allow the market monitors to quickly understand the trade.

Additional, detailed information on how to complete a transfer of compliance instruments in CITSS is available in the User Guide - Volume III Conducting Transfers in CITSS available at <http://www.arb.ca.gov/cc/capandtrade/markettrackingsystem/vol3citssguide-12-20.pdf>. Guidance on regulatory requirements related to transfers of compliance instruments is available in Chapter 5 of the regulatory guidance, available at: <http://www.arb.ca.gov/cc/capandtrade/guidance/chapter5.pdf>.

¹ This description of the settlement date is slightly different from that described in the CITSS User Guide and Chapter 5 the regulatory guidance. The guidelines in this fact sheet should be followed where the descriptions of settlement date differ.