

Issued August 24, 2018

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 transaction to purchase allowances and on disposition of cash provided to the FSA.

1. What entity owns the allowances offered for sale in an auction or Reserve sale?

The California Air Resources Board (CARB) owns California allowances offered for sale in an auction or Reserve sale. For joint auctions offering allowances issued by multiple jurisdictions, other Participating Jurisdictions offering allowances in the joint auction own the allowances offered by such jurisdictions.

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. 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.

After certification of an auction, California owns the money generated at auction from the sale of state-owned allowances as soon as Deutsche Bank (1) collects cash payments from winning bidders and/or (2) uses an entity's bid guarantee to cover payment for allowance purchases by an entity that fails to timely make cash payment. Once Deutsche Bank has received all payment, proceeds will be transferred to jurisdictions, and subsequently jurisdictions will transfer the allowances purchased into each successful bidder's CITSS account.

2. To comply with certain laws and regulations, entities purchasing allowances at auction may be required to conduct due diligence regarding such purchase. Can CARB complete Forms or Questionnaires to support this process?

Since entities' due diligence processes vary greatly due to their internal process and assessment of risk, CARB cannot complete forms for all auction or Reserve sale participants. Nevertheless, to aid entities' due diligence processes, CARB can provide the following information:

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, CARB as a State Agency is exempt from backup withholding and from Foreign Account Tax Compliance Act reporting (<https://www.irs.gov/pub/irs-pdf/fw9.pdf?portlet=103>).

If necessary for an entity's internal due diligence 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](#).