

Detailed Sale by Mutual Agreement of the Minister: Requirements and Instructions

**Québec Cap-and-Trade System of
Greenhouse Gas Allowances**

Updated on August 3, 2018

TABLE OF CONTENTS

I.	INTRODUCTION.....	1
A.	BACKGROUND.....	1
B.	ELIGIBILITY	2
C.	GENERAL TERMS USED IN SALE BY MUTUAL AGREEMENT OF THE MINISTER NOTICES AND SUPPORTING DOCUMENTS.....	2
II.	SALE BY MUTUAL AGREEMENT OF THE MINISTER ADMINISTRATION.....	5
A.	SALE BY MUTUAL AGREEMENT OF THE MINISTER APPLICATION REQUIREMENTS.....	5
1.	<i>Entity CITSS Account</i>	5
2.	<i>CITSS Representative and Entity Account Information</i>	5
3.	<i>Participation by Related Entities</i>	6
4.	<i>Sale by Mutual Agreement of the Minister Application Information Material Change</i>	8
III.	SALE BY MUTUAL AGREEMENT OF THE MINISTER APPLICATION	8
A.	SUBMISSION OF A SALE BY MUTUAL AGREEMENT OF THE MINISTER APPLICATION	8
1.	<i>Confirm the Event in Which the Entity Intends to Bid</i>	9
2.	<i>Provide Information on the Form, Currency, and Return Instructions of the Bid Guarantee to be Submitted</i>	10
3.	<i>Complete the Attestation Response in CITSS and Submit the Sale by Mutual Agreement of the Minister Application</i>	11
B.	RECEIPT OF SALE BY MUTUAL AGREEMENT OF THE MINISTER APPLICATION	12
C.	EDITING A SALE BY MUTUAL AGREEMENT OF THE MINISTER APPLICATION	12
D.	EDITING BID GUARANTEE RETURN INSTRUCTIONS.....	13
E.	CANCELLING A SALE BY MUTUAL AGREEMENT OF THE MINISTER APPLICATION.....	13
IV.	SUBMIT A BID GUARANTEE.....	13
A.	BID GUARANTEE REQUIREMENTS AND USE	13
B.	BID GUARANTEE SUBMITTAL PROCESS.....	14
1.	<i>Receive Notice that a Financial Services Account has Been Established or Verified</i>	14
2.	<i>Download Financial Services Delivery Instructions</i>	14
3.	<i>Submit a Bid Guarantee to the Financial Services Administrator</i>	15
3.1	Requirements for Submitting a Cash Bid Guarantee (Wire Transfer)	15
3.2	Instructions for Wiring CAD.....	16
3.3	Requirements for Submitting a Physical Bid Guarantee Instrument (LOC or LOG).....	17
3.4	Requirements for Submitting a Letter of Credit (LOC).....	19
3.5	Requirements for Submitting a Letter of Guarantee	20
C.	RECEIPT OF BID GUARANTEE	21
D.	BID GUARANTEE REVISION PROCESS.....	22
V.	RECEIVE NOTICE OF THE QUALIFIED APPLICANT’S APPROVAL TO PARTICIPATE.....	24
VI.	PARTICIPATION IN THE SALE BY MUTUAL AGREEMENT OF THE MINISTER.....	25
A.	ACCESS TO THE AUCTION PLATFORM	25
1.	<i>PAR/AAR Auction Platform Accounts</i>	25
2.	<i>Auction Platform Account Activation</i>	25
3.	<i>Account Representatives Associated with Multiple Entities</i>	26
B.	BIDDING IN THE SALE BY MUTUAL AGREEMENT OF THE MINISTER	27

C.	BIDDING LIMITATIONS	27
1.	<i>Bid Guarantee Bid Limitation</i>	27
2.	<i>Purchase Limit Bid Limitation</i>	28
3.	<i>Holding Limit Bid Limitation</i>	28
D.	AUCTION ADMINISTRATOR APPLICATION OF THE BIDDING LIMITATIONS.....	29
E.	BID FULFILLMENT.....	29
F.	SALE BY MUTUAL AGREEMENT OF THE MINISTER CONDUCT	30
1.	<i>Non-Disclosure of Bidding Information</i>	30
2.	<i>Market Monitoring</i>	31
VII.	SALE BY MUTUAL AGREEMENT OF THE MINISTER RESULTS AND CERTIFICATION	31
A.	PUBLIC NOTIFICATION OF RESULTS OF THE SALE BY MUTUAL AGREEMENT OF THE MINISTER.....	31
B.	NOTIFICATION OF SALE BY MUTUAL AGREEMENT OF THE MINISTER QUALIFIED BIDDER RESULTS	32
C.	DOWNLOAD ALL REPORTS	33
VIII.	COMPLETE FINANCIAL SETTLEMENT	33
A.	FINANCIAL SETTLEMENT REQUIREMENTS AND OUTLINE.....	33
B.	CASH SETTLEMENT	34
C.	RETURN OF BID GUARANTEE	35
IX.	TRANSFER OF ALLOWANCES INTO CITSS ACCOUNTS.....	36

I. INTRODUCTION

A. Background

Québec's Environment Quality Act requires that the province of Québec reduce GHG emissions. The Government of Québec approved the 2013-2020 Climate Change Action Plan (2020 CCAP) as a measure to fight climate change in 2013 and beyond and adopted the Regulation respecting a cap-and-trade system for greenhouse gas emission allowances (Québec Regulation). The Québec Cap-and-Trade System is administered by Québec's ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques (MDDELCC)¹.

This document includes the detailed requirements and instructions for participating in a sale by mutual agreement of the Minister.

Sales by mutual agreement will be held a maximum of four (4) times per year pursuant to article 57 of the Québec Regulation. Sales by mutual agreement will be conducted through the electronic, internet-based Auction and Sale by Mutual Agreement Platform (Auction Platform).² The emission units offered are delivered through Québec's cap-and-trade system for GHG emission units. During a sale by mutual agreement, emission units from the Minister's reserve are divided equally among three categories (A, B, and C), and their prices are set in accordance with the Regulation respecting a cap-and-trade system for greenhouse gas emission allowances (Québec's regulation).

Table 1 : Emission Units Sold Per Category

Category	Prices (Canadian dollars)
A	\$53.38
B	\$60.04
C	\$66.71

If there are no qualified applicants or qualified bidders for any sale by mutual agreement, that sale will not be held. The determination not to hold a sale can be made by the minister at three separate moments: (1) the close of the application period; (2) the due date for submittal of bid guarantees; or (3) the deadline for the minister's approval of participants. If a sale will not be held, MDDELCC will post a notification on its website at <http://www.mddelcc.gouv.qc.ca/changements/carbone/index-en.htm> no later than two (2) days prior to the scheduled sale.

¹ Ministry of Sustainable Development, Environment and the Fight against Climate Change.

² For simplicity, the Auction and Sale by Mutual Agreement Platform is referred to as the Auction Platform in all notices regarding auctions and sales by mutual agreement.

This document, the Detailed Sale by Mutual Agreement of the Minister: Requirements and Instructions, includes the detailed requirements and instructions for participating in a sale by mutual agreement of the Minister.

B. Eligibility

Only emitters registered in the system in accordance with Québec Regulation, having a covered establishment in Québec and not holding emission units in their general account that can be used to cover GHG emissions for the current compliance period are eligible for a sale of emission units by mutual agreement.

C. General Terms Used in Sale by Mutual Agreement of the Minister Notices and Supporting Documents

For the purpose of the Sale by Mutual Agreement of the Minister Notice, the Detailed Sale by Mutual Agreement of the Minister: Requirements and Instructions, and the Sale by Mutual Agreement of the Minister: Examples documents, the following general terms are used to describe the requirements, instructions, and systems used in sales by mutual agreement of the Minister.

- **“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 sale by mutual agreement of the Minister (event).
- **“Approval or rejection of sale by mutual agreement of the Minister participation”** refers to the determination to approve or deny an emitter’s participation in a sale by mutual agreement of the Minister as described in Article 60 of the Québec Regulation.
- **“Auction Administrator”** refers to IHS Markit, the party contracted by Western Climate Initiative, Incorporated (WCI, Inc.) to provide Auction and Sale by Mutual Agreement Administrative Services to Linked Jurisdictions.

- **“Auction Platform”** refers to the electronic platform through which allowance auctions and sales by mutual agreement are conducted. The Auction Platform can be accessed at <https://www.wci-auction.org/qc>.
- **“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 sale by mutual agreement applicants for the purpose of bidding in a sale by mutual agreement, as described in Article 59 of the Québec 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 a sale by mutual agreement.
- **“Corporate Association Group”** or **“CAG”** refers to a group of separate accounts in CITSS held by related entities as defined in Article 9 of the Québec Regulation.
- **“Entity”** refers to QC emitters and/or participants.
- **“Financial Services Administrator”** refers to Deutsche Bank National Trust Company, the entity contracted by WCI, Inc. to provide Financial Services Administration for Auction and Sale by Mutual Agreements to Linked Jurisdictions.
- **“General Market Participant”** refers to entities that do not have a compliance obligation and are registered under the Québec Regulation as a Participant. A General Market Participant may include a General Market Participant - Organization or General Market Participant – Individual.
- **“General Account”** refers to an account assigned to all entities in CITSS to hold emissions allowances and credits.
- **“Qualified Applicant”** refers to an entity that has submitted an application to participate in an auction or a sale by mutual agreement 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 an auction or sale by mutual agreement, has submitted a bid guarantee that was accepted by the Financial Services Administrator, and has been approved to participate in the auction or sale by mutual agreement.

- **“Qualified Bids”** are the bids that remain after a qualified bidder’s submitted bids have been evaluated and reduced to meet all bidding limitations.
- **“Sale by Mutual Agreement”** refers to a sale of reserved Category A, B, or C emissions allowances as described in article 57 of the Québec Regulation.
- **“Sale by Mutual Agreement Notice”** refers to the official sale by mutual agreement of the Minister notice released for an offered reserve sale, notifying participants of the upcoming sale by mutual agreement of the Minister as described in article 57 of the Québec Regulation and signals the beginning of the application period for a sale by mutual agreement of the Minister.
- **“Sale by Mutual Agreement Prices”** refers to the prices at which allowances are offered in each Category, as described in article 58 of Québec Regulation.

II. SALE BY MUTUAL AGREEMENT OF THE MINISTER ADMINISTRATION

A. Sale by Mutual Agreement of the Minister Application Requirements

The sections below outline the requirements that must be met before an entity can apply to participate in a sale by mutual agreement of the Minister. The steps required to apply to participate in a sale by mutual agreement of the Minister are discussed in Section VI of this document.

1. Entity CITSS Account

An entity must have an approved account in CITSS before applying to participate in an auction or sale by mutual agreement (event). Additionally, an individual must be approved as an account representative of an entity in order to submit an application to participate in an event and/or bid on behalf of that entity.

2. CITSS Representative and Entity Account Information

Certain entity information submitted to the jurisdiction 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 sale by mutual agreement of the Minister application information. This includes:

- a) Corporate identity, ownership, and capital structure of the entity;
- b) The existence of any related entities or business relationships; and
- c) The allocation of the purchase limit and holding limit within a Corporate Association Group (CAG), if applicable.

Most information related to corporate identity is submitted in CITSS while information related to corporate ownership, capital structure of the entity, the existence of any related entities or business relationships, 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 the registering jurisdiction is up-to-date prior to each event the entity intends to participate in:

- For QC entities, the Québec Regulation requires that all changes to information required under section 7 concerning the identity, establishment, structure, and business relationships of the entity and all hard copy documentation accompanying these changes must be submitted a minimum of forty (40) days prior to the date the sale by mutual agreement of the Minister is held.

If during a sale by mutual agreement of the Minister application period, an entity needs to add, remove, or update the entity information, this should be completed prior to a sale by mutual agreement of the Minister application being submitted where possible. If any change to entity account information is completed after a sale by mutual agreement of the Minister application is submitted, it may limit the entity's ability to be approved to participate in the sale by mutual agreement of the Minister.

If during a sale by mutual agreement of the Minister 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 sale by mutual agreement of the Minister.

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

- a) Enter changes as needed in CITSS. CITSS can be accessed at <https://www.wci-citss.org> or from the Linked Jurisdictions' and WCI, Inc.'s webpages.
- b) Complete and submit any forms or hard copy documentation required to support the changes entered in CITSS in accordance with regulatory requirements.
- c) Approval by the jurisdiction Registrar should occur within ten (10) business days of receiving all required hard copy documentation.

3. *Participation by Related Entities*

California's Cap-and-Trade Program linked with Québec's Cap-and-Trade System on January 1, 2014. 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), or (a)(5) of the California Regulation and Article 9 of the Québec Regulation.

Any entity that wishes to participate in a sale by mutual agreement of the Minister must provide updated information including information on related entities and business relationships no later than 40 days before the sale by mutual agreement of the Minister. Information on related entities must include how the holding limits and purchase limits will be shared with other entities registered in either California or Québec with which they are related entities.

If an entity that is not participating in a sale by mutual agreement of the Minister is a related entity with another entity that wishes to participate in a sale by mutual agreement of the Minister, both entities must provide updated information, including information on related entities and business relationships no later than 40 days before the sale by mutual agreement of the Minister. This updated information includes how the holding limits and purchase limits will be shared with other entities registered in either California or Québec with which they are related entities.

These disclosure requirements (by all related entities) are a condition of participation for all entities that wish to participate in a sale by mutual agreement of the Minister.

Providing incomplete or inaccurate information regarding related entities may cause an entity's sale by mutual agreement of the Minister application to be rejected.

Related entities must share purchase and holding limits and declare all such associations with the applicable jurisdiction(s). Entities in a CAG are required to allot portions of the holding limit and purchase limit among themselves, pursuant to sections 95830(c)(1)(I) and 95833(d)(1)(E) of the California Regulation and Articles 33 and 50 of the Québec Regulation.

For QC entities, any change to the entity's business relationships provided pursuant to section 9 of the Québec Regulation must be communicated within 30 days from this modification. Also, pursuant to Article 33 of the Québec Regulation, any changes to allocation or the overall holding limit and purchase limit among the members of a CAG must be submitted within thirty (30) calendar days of the change or a minimum of forty (40) days prior to the date the sale by mutual agreement of the Minister is held, whichever is sooner.

For all entities, if a change to related entities or business relationships affects sale by mutual agreement of the Minister participation, that change, and any additional actions required by that change, must be approved prior to the end of a sale by mutual agreement of the Minister application period or the entities involved may not be able to participate in the sale by mutual agreement of the Minister. Additionally, if any change

of ownership becomes effective after an application period ends and prior to the scheduled date for distribution of allowances resulting from a sale by mutual agreement of the Minister, the entities impacted by the change of ownership may not be able to participate in the sale by mutual agreement of the Minister.

More information on sale by mutual agreement of the Minister participation by entities with related entities and business relationships can be found on the MDDELCC's webpages.

4. *Sale by Mutual Agreement of the Minister Application Information Material Change*

An entity may need to change sale by mutual agreement of the Minister application information that is either submitted in CITSS or submitted in hard copy or electronic form outside of CITSS.

A material change to the information contained in an approved application is a change in any application information that could influence a decision by a jurisdiction to approve, or not approve, participation in a sale by mutual agreement of the Minister. 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, allocation of the purchase limit or holding limit among associated entities, and any required attestation response. 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. SALE BY MUTUAL AGREEMENT OF THE MINISTER APPLICATION

A. Submission of a Sale by Mutual Agreement of the Minister Application

This section outlines the steps for submitting an application to participate in a sale by mutual agreement of the Minister. For each sale by mutual agreement of the Minister, the sale by mutual agreement of the Minister application period starts at least sixty (60) days prior to the sale by mutual agreement of the Minister with the release of the Sale by Mutual Agreement of the Minister Notice and ends no later than thirty (30) days prior to the sale by mutual agreement of the Minister. The due date for submitting a sale by

mutual agreement of the Minister application in CITSS is the date and time the sale by mutual agreement of the Minister application period closes as set out in the Sale by Mutual Agreement of the Minister Schedule provided in the Sale by Mutual Agreement of the Minister Notice, which is available on the MDDELCC's website.

For each sale by mutual agreement of the Minister, one CITSS entity account representative completes and submits the entity's sale by mutual agreement of the Minister application in CITSS.

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

Entities must complete and submit a sale by mutual agreement of the Minister application information at least thirty (30) days prior to each sale by mutual agreement of the Minister.

In CITSS, entity representatives can create sale by mutual agreement of the Minister applications, as well as view existing sale by mutual agreement of the Minister applications, using the buttons under the Initiate Event Participation section of the Auction tab. For more details on how to access the Auction tab or create auction applications, please refer to the CITSS Auction and Sale by Mutual Agreement Event Applications reference material on jurisdiction CITSS webpages.

The sale by mutual agreement of the Minister application process includes the following steps, which are described in more detail in the sections that follow:

1. Confirm the event in which the entity 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 sale by mutual agreement of the Minister application.

1. *Confirm the Event in Which the Entity Intends to Bid*

An account representative must access CITSS and identify and initiate an event participation for the sale by mutual agreement of the Minister 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. 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 Form, Currency, and Return Instructions of the Bid Guarantee to be Submitted

The entity account representative must select the form of bid guarantee that the entity intends to submit for the sale by mutual agreement of the Minister. Sale by mutual agreement of the Minister 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 sale by mutual agreement of the Minister must be in one or a combination of the following forms:

- Cash in the form of a wire transfer;
- An irrevocable letter of credit (LOC) issued by a bank constituted under the Bank Act or by a financial services cooperative constituted under the Act respecting financial services cooperatives;
- A letter of guarantee (LOG) issued by a bank constituted under the Bank Act or by a financial services cooperative constituted under the Act respecting financial services cooperatives.

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 auction 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 or Canadian Routing 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 sale by mutual agreement of the Minister is conducted, if return of funds to the qualified bidder requires an Intermediary Bank, such as if the 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 will be returned by FedEx or DHL delivery, and therefore must be returned to a physical address. The return instructions require the following information:

- a) Name of a contact individual
- b) Complete street address for return mailing
 - Return Address (must be a physical address; no PO Box³)
 - Return City
 - Return Postal Code
 - Return State/Province
 - Return Country
- c) Return Contact Phone Number

All bid guarantees (cash, letters of credit or letters of guarantee) 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 Sale by Mutual Agreement of the Minister Application

A "Yes" answer to the Attestation in CITSS indicates that the account representative completing the application understands the requirements of section 10, paragraph 6 and sections 28 to 31 of Québec Regulation and attests that he or she has been **found guilty** of an infraction related to any tax act, the Derivatives Act (chapter I-14.01) or its

³ 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.

regulations, or the Securities Act (L.R.Q., c. V-1.1) or its regulations, unless he or she has been cleared of charges or obtained a pardon, or has been convicted in a foreign court of an infraction of a related law or regulation that, had it occurred in Canada, would have resulted in criminal or legal proceedings. A “No” answer to the Attestation in CITSS indicates that the representative completing the application understands the requirements of section 10, paragraph 6 and sections 28 to 31 of the Québec Regulation and attests that he or she has **not been found guilty** of an infraction related to the described types of acts and their regulations in Canada or been the subject of criminal or legal proceedings for infractions of similar foreign laws and regulations.

If a representative needs to provide additional information in response to the Attestation, please contact the appropriate jurisdiction contact provided in the Sale by Mutual Agreement of the Minister Notice.

After the Attestation response has been completed, the representative submits the sale by mutual agreement of the Minister application by selecting the “Confirm” button. By submitting the sale by mutual agreement of the Minister 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 Sale by Mutual Agreement Administrator and Financial Services Administrator for the purpose of facilitating participation in the selected event.

B. Receipt of Sale by Mutual Agreement of the Minister Application

Upon successful submission of a sale by mutual agreement of the Minister 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 sale by mutual agreement of the Minister application status.

C. Editing a sale by mutual agreement of the Minister Application

Sale by mutual agreement of the Minister 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 available on the MDDELCC’s 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, refer to the CITSS user guides and Auction and Sale by Mutual Agreement Event Applications reference material available on MDDELCC webpages.

E. Cancelling a sale by mutual agreement of the Minister Application

Sale by mutual agreement of the Minister applications can be cancelled up until the application period closes. Entities that apply to participate in a sale by mutual agreement of the Minister 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 sale by mutual agreement of the Minister application has been submitted, each applicant that wishes to participate in a sale by mutual agreement of the Minister 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.

<p>Final bid guarantees must be received by the Financial Services Administrator by no later than the date listed in the Sale by Mutual Agreement of the Minister Schedule provided in the Sale by Mutual Agreement of the Minister Notice.</p>
--

The amount of the bid guarantee provided to the Financial Services Administrator will be used to set applicant bidding limitations in the sale by mutual agreement of the Minister. 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). To determine the bid guarantee amount to provide, examples are provided in the Sale by Mutual Agreement of the Minister Examples document, available from the MDDELCC's webpages.

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 sale by mutual agreement of the Minister application is submitted, the Financial Services Administrator will complete the process to establish (first time applicant) or verify (previous applicant) the applicant's 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 related entities and business relationships 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 sale by mutual agreement of the Minister for purposes of facilitating bid guarantee submission (prior to the sale by mutual agreement of the Minister) and payment for allowances awarded (after sale by mutual agreement of the Minister 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, as well as wiring instructions for submitting cash

by wire transfer and mailing instructions for submitting physical 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 Sale by Mutual Agreement Financial Services Delivery Instructions page.

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

The forms of bid guarantees which may be submitted are specific to the jurisdiction in which the applicant is registered, as previously described.

All applicants must submit a bid guarantee CAD as the currency they will use throughout the sale by mutual agreement of the Minister.

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 as listed in the Sale by Mutual Agreement of the Minister Schedule provided in the Sale by Mutual Agreement of the Minister 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 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 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 as listed in the Auction Schedule provided in the Auction Notice, approval to participate in the auction will be denied.

3.2 Instructions for Wiring CAD

Applicant's providing a cash wire transfer in CAD, the Society for Worldwide Interbank Financial Telecommunication (SWIFT) wire transfer details must include the following information:

Table 1: Instructions for bid guarantee CAD cash wire transfers

Intermediary Bank Name:	Royal Bank of Canada
Intermediary Bank SWIFT / Bank Identifier Code (BIC):	ROYC CA T2
Beneficiary Bank Name:	Deutsche Bank AG Frankfurt
Beneficiary Bank IBAN:	DE28500700100959163708
Beneficiary Bank SWIFT / Bank Identifier Code (BIC):	DEUTDEFF
Beneficiary Bank Account Name:	DBTCA for DBNTC as FSA for WCI, Inc.
Payment Details (including instructions on fees):	WCI Auction FBO Québec
Port:	Applicant's Financial Services Account Number , as provided in the Financial Services Delivery Instructions, available in CITSS.

CAD amounts wired by sale by mutual agreement of the Minister applicants are sent to Deutsche Bank AG in Germany. Therefore, it is very important that the New York postal address (used for mailing physical bid guarantees, explained further below) not be used when completing the cash wire transfer form. The address is not necessary for the Financial Services Administrator to process the transfer, but if a postal address for the Beneficiary Bank must be included by the issuing institution, use the address in Table 4.

Table 2: Postal address to be used for submitting cash wire transfers

Bank name:	DEUTSCHE BANK AG
Address:	TAUNUSANLAGE 12
City:	FRANKFURT AM MAIN
Postal code / Location	60262 FRANKFURT AM MAIN
Country:	GERMANY
Bank indicator:	BANK
SWIFT BIC:	DEUTDEFF

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 sale by mutual agreement of the Minister fee and is not received by Québec. A returned wire fee is a common banking transaction fee not related to the Québec Cap-and-Trade System or the sale by mutual agreement of the Minister process.

3.3 Requirements for Submitting a Physical Bid Guarantee Instrument (LOC or LOG)

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 Sale by Mutual Agreement of the Minister Schedule provided in the Sale by Mutual Agreement of the Minister 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 the Entity Legal Name, CITSS Entity ID, and Financial Services Account Number on the Letter of Credit or Letter of Guarantee when mailing 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 (downloadable from CITSS).

"Deutsche Bank Trust Company Americas" is the institution name required for 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 physical bid guarantee. 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 provided in CITSS for complete information.

When an applicant 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 Sale by Mutual Agreement of the Minister Schedule provided in the Sale by Mutual Agreement of the Minister Notice.**

The MDDELCC encourage entities to do the following:

- a) Submit a sample LOC or LOG to the Financial Services Administrator for review;
- b) Submit final documents early enough to provide time for amendment, if needed;
- c) Submit final documents via overnight delivery and retain a tracking number;

- d) 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,
- e) 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 Sale by Mutual Agreement of the Minister Schedule provided in the Sale by Mutual Agreement of the Minister Notice, the sale by mutual agreement of the Minister application will be rejected.

Physical bid guarantee instruments submitted QC entities must be submitted in English. An applicant submitting a bid guarantee instrument in French should work with the institution issuing the instrument to provide a translation. If the applicant cannot obtain a translation from the institution issuing the instrument, please contact a representative of the Québec Cap-and-Trade System, MDDELCC, by phone at 418-521-3868 extension 7400.

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

3.4 Requirements for Submitting a Letter of Credit (LOC)

QC applicants may submit bid guarantees in the form of a Letter of Credit (LOC). A LOC submitted as a bid guarantee must be issued by a bank or financial services cooperative with a Canadian 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 entity's sale by mutual agreement of the Minister application.
- The beneficiary must be listed as:⁴
**Deutsche Bank National Trust Company,
DBTCA for DBNTC as FSA for WCI, Inc.**
- The LOC must be irrevocable.

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

- The amount of the LOC must be included.
- The expiration or maturity date must be at least twenty-six (26) days after the scheduled sale by mutual agreement of the Minister day.
- 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 deadline date and time listed in the Sale by Mutual Agreement of the Minister Schedule provided in the Sale by Mutual Agreement of the Minister 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 and the sale by mutual agreement of the Minister application will be rejected.**

3.5 Requirements for Submitting a Letter of Guarantee

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

- The LOG must refer to the Entity Legal Name or Entity Operating Name in CITSS as provided in the applicant's application.
- The beneficiary/obligee/payee must be listed as:⁵

**Deutsche Bank National Trust Company,
DBTCA for DBNTC as FSA for WCI, Inc.**
- The party named as "Principal" in the LOG must be identical to that named in the applicant's application.

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

- The expiration date must be at least twenty-six (26) days after the scheduled sale by mutual agreement of the Minister day.
- The amount of the LOG must be included.
- There must be instructions included indicating where to submit the LOG for payment.
- There must be a payment certificate/form of draw included as an exhibit or annex to the LOG.
- The LOG must allow for presentment by Fax (delivery in person or by courier cannot be required).
- The LOG must be payable within three (3) business days of a payment request.
- 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 deadline date and time listed in the Sale by Mutual Agreement of the Minister Schedule provided in the Sale by Mutual Agreement of the Minister Notice for receipt of bid guarantees by the Financial Service Administrator, the submitted LOG will be rejected. **If the submitted LOG requires revisions, all revisions must be completed and received in physical form by the deadline for receipt of bid guarantees or the LOG will not be accepted and the sale by mutual agreement of the Minister application will be rejected.**

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, the account representatives can log in to CITSS to confirm the current application status of the sale by mutual agreement of the Minister. 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 Sale by Mutual Agreement of the Minister Schedule provided in the Sale by Mutual Agreement of the Minister Notice, the sale by mutual agreement of the Minister application will be rejected.

D. Bid Guarantee Revision Process

If a bid guarantee in the form of a LOC or LOG requires revision, all revisions must be completed and received in physical form by the deadline date and time for receipt of bid guarantees as listed in the Sale by Mutual Agreement of the Minister Schedule provided in the Sale by Mutual Agreement of the Minister Notice or the bid guarantee will not be accepted and the sale by mutual agreement of the Minister application will be rejected.

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

- a) The applicant will be notified by the Financial Services Administrator of the need for revision.
- b) The applicant should 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: (212) 250-2885 or (714) 247-6427

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 as listed in the Sale by Mutual Agreement of the Minister Schedule provided in the Sale by Mutual Agreement of the Minister Notice.
- An applicant is responsible to ensure proper addressing when mailing a physical bid guarantee instrument.
- An applicant is responsible to ensure a physical bid guarantee instrument (LOC or LOG) 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 Sale by Mutual Agreement of the Minister Schedule provided in the Sale by Mutual Agreement of the Minister Notice.
- A bid guarantee or bid guarantee amendment received after the deadline date and time for receipt of bid guarantees as listed in the Sale by Mutual Agreement of the Minister Schedule in the Sale by Mutual Agreement of the Minister 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 Sale by Mutual Agreement of the Minister Schedule provided in the Sale by Mutual Agreement of the Minister Notice, the sale by mutual agreement of the Minister application will be rejected.

V. RECEIVE NOTICE OF THE QUALIFIED APPLICANT'S APPROVAL TO PARTICIPATE

MDDELCC 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 sale by mutual agreement of the Minister. Once the MDDELCC approve or reject an entity for sale by mutual agreement of the Minister participation, the account representatives for the entity will receive an email confirming approval or denial to participate in the sale by mutual agreement of the Minister. In CITSS, the status of the sale by mutual agreement of the Minister 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 sale by mutual agreement of the Minister application is rejected. This is anticipated to occur within two (2) business days before the scheduled sale by mutual agreement of the Minister date. Each entity that has completed a sale by mutual agreement of the Minister application, submitted a bid guarantee that was accepted by the Financial Services Administrator, and has been approved to participate in the sale by mutual agreement of the Minister is referred to as a "Qualified Bidder."

The reasons for possible denial of an applicant's (or qualified applicants) participation in a sale by mutual agreement of the Minister include, but are not limited to, the following:

- The applicant does not have an active CITSS account.
- The applicant 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 as listed in the Sale by Mutual Agreement of the Minister Schedule provided in the Sale by Mutual Agreement of the Minister Notice.
- The applicant has provided false or misleading information in the sale by mutual agreement of the Minister application.

VI. PARTICIPATION IN THE SALE BY MUTUAL AGREEMENT OF THE MINISTER

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

The sale by mutual agreement of the Minister will be conducted through the electronic, internet-based Auction Platform using a single round, sealed bid auction format. Bid quantities must be submitted in multiples of 1,000 allowances. Bids for all three categories will be accepted simultaneously on the date and time identified in the Sale by Mutual Agreement of the Minister Notice. Bids for all three categories will be accepted during the same scheduled 3-hour bidding window.

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 sale by mutual agreement of the Minister 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 sale by mutual agreement of the Minister.

2. Auction Platform Account Activation

If an individual account representative 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 CITSS entity 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 sale by mutual agreement of the Minister or that have submitted an application to an upcoming auction or sale by mutual agreement of the Minister are eligible to maintain or establish Auction Platform accounts.

Outlined below are details regarding reconciliation of user accounts and entity CITSS account representative status information in CITSS 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 sale by mutual agreement of the Minister or that have submitted an application to an upcoming auction or sale by mutual agreement of the Minister.
- Users 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 has submitted an application to participate an upcoming event.
- 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 Entities*

Regardless of the number of entities for which an individual acts as the account representative, that individual can only establish one Auction Platform account. All 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 have submitted an application to participate in an upcoming event.

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

B. Bidding in the Sale by Mutual Agreement of the Minister

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 sale by mutual agreement of the Minister, 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 allowances) and the category in which they bid to purchase the allowances.
 - Qualified bidders may 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.
- 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 Québec Regulations include several bidding limitations related to the bid guarantee submitted and the current vintage holding limit. These bidding limits are described below.

The Sale by Mutual Agreement of the Minister [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 Québec Regulation require 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 allowances until the limit is met. Only the portion of the bid quantity that exceeds the limit will be rejected, not the entire bid quantity. If an entity submits bids in multiple categories and the overall bid quantity value exceeds the bid guarantee, the rejected bundles of 1,000 allowances will be removed from the lowest category first until the limit is met.

The Sale by Mutual Agreement of the Minister [Examples](#) document illustrates how to determine an applicant's bid guarantee amount and bid evaluation procedures for bid guarantees. Bid evaluation procedures for bid guarantees are conducted 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 allowances offered in a sale by mutual agreement of the Minister.

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 related entities. The current vintage holding limit will be calculated based on the number of allowances from the current calendar year, the previous calendar year and allowances from the Minister's reserve. The Sale by Mutual Agreement of the Minister Examples document provides further detail on how the holding limit applies to a sale by mutual agreement of the Minister.

Related entities that have separate CITSS accounts must allocate shares of the holding limit amongst themselves. In CITSS, related entities 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 holding limit associated to the Current Auction and Advance Auction to calculate the holding limit cap specific to each entity.

The holding limit cap for each qualified bidder will be transmitted from CITSS to the Auction Administrator the day prior to the auction. This cap will indicate how many allowances a qualified bidder may acquire before exceeding its holding limit. The holding limit cap will reflect CITSS account balances and limited exemption data available in CITSS at approximately 12:00 PM (Noon) ET the day prior to the sale by mutual agreement of the Minister. 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 sale by mutual agreement of the Minister. Any changes to CITSS account balances after the determination of the holding limit cap due to transfers of allowances after 12:00 PM (Noon) ET the day prior to the sale by mutual agreement of

the Minister will not be reflected in the Auction Platform on the day of the actual sale by mutual agreement of the Minister.

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. Also, the portion of the bids rejected will be applied to the bids submitted at the lowest price category first. “Qualified bids” are the bids that remain after the submitted bids have been evaluated and reduced to meet all bidding limitations (i.e., qualified bids). Only qualified bids are used in the sale by mutual agreement of the Minister bid fulfillment and purchase determination process. Determination of qualified bids occurs after the bidding window has been closed and before the final bid fulfillment and purchase determination are made.

Please refer to the Sale by Mutual Agreement of the Minister Examples document for examples on how bidding limitations are applied.

E. Bid Fulfillment

The bid fulfillment and purchase determinations in a sale by mutual agreement of the Minister are determined after the bidding window is closed based on the following steps:

- Each entity’s submitted bids are evaluated to ensure that submitted bids or value of submitted bids do not exceed the current vintage holding limits or the entity’s bid guarantee.
 - Each entity’s qualified bids are determined as the bid quantity that remains after the submitted bids have been evaluated and reduced to meet all limits.
- Qualified bids are determined in each category.
- When the total offers submitted by a purchaser exceed the purchaser’s holding limit or exceed the value of the financial guarantee submitted, the excess lots will be removed from the purchaser’s offers beginning with the offers made at the lowest price.

Once all bids are evaluated, bids are filled in each category until the entire supply of allowances in the category is exhausted or all qualified bids have been filled.

F. Sale by Mutual Agreement of the Minister Conduct

1. *Non-Disclosure of Bidding Information*

Pursuant to Article 51 of the Québec Regulation, an entity approved for sale by mutual agreement of the Minister participation shall not release any confidential information related to its auction participation, including:

- Intent to participate, or not participate, at sale by mutual agreement of the Minister, sale by mutual agreement of the Minister approval status, and maintenance of continued sale by mutual agreement of the Minister approval;
- Bidding strategy;
- Bid quantity information or category information;
- Information on the amount of any bid guarantee provided to the Financial Services Administrator.

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

- The entity must ensure against the consultant or advisor transferring information to other qualified bidders or coordinating the bidding strategy among qualified bidders;
- The entity will inform the consultant or advisor of the prohibition of sharing information to other qualified bidders and ensure the consultant or advisor has read and acknowledged the prohibition under penalty of perjury; and
- Any entity that has retained the services of a consultant or advisor must disclose to MDDELCC information to identify the consultant or advisor, including name, contact information, physical work address, and employer, if applicable.

QC entities are required to inform MDDELCC of the retention of an advisor. An account representative of the entity must submit the information to MDDELCC, using the Corporate Associations and Structure Form, available on Québec's Carbon Market website no later than ten (10) business days prior to the event at which the bid advisor's services will be employed. They also must inform the MDDELCC if a new advisor is hired or if an advisor is terminated and no new advisor is hired.

2. Market Monitoring

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

The Market Monitor will monitor the GHG allowance auctions and sales by mutual agreement of the Minister, 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 MDDELCC staff to review and take action, as needed. MDDELCC staff will also monitor the auctions and sales by mutual agreement of the Minister 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 sales by mutual agreement of the Minister may be investigated and prosecuted in accordance with all applicable laws and regulations.

VII. SALE BY MUTUAL AGREEMENT OF THE MINISTER RESULTS AND CERTIFICATION

Following the sale by mutual agreement of the Minister, the MDDELCC and the Market Monitor will review the sale by mutual agreement of the Minister results. The MDDELCC will review the conduct of the sales by mutual agreement of the Minister and determine whether the sale met regulatory requirements.

A. Public Notification of Results of the Sale by Mutual Agreement of the Minister

Sale by mutual agreement of the Minister results will be accessible to the public through a Sale by Mutual Agreement of the Minister Summary Results Report which will include total purchases by categories and will be posted on the MDDELCC's website. This posting is anticipated to occur at approximately the date and time listed in the Sale by Mutual Agreement of the Minister Schedule provided in the Sale by Mutual Agreement of the Minister Notice.

In the event of a delay in posting the Sale by Mutual Agreement of the Minister Summary Results Report, the MDDELCC will provide notification on the MDDELCC's website or through direct communications indicating a new time for the release.

The Sale by Mutual Agreement of the Minister Summary Results Report will include the following:

- The names of the qualified bidders.
- The sale by mutual agreement of the Minister prices per category and the number of allowances available for each.
- The total number of allowances sold from each category⁶.

B. Notification of Sale By Mutual Agreement of the Minister Qualified Bidder Results

Following the posting of the public sale by mutual agreement of the Minister results, the MDDELCC will certify the sale by mutual agreement of the Minister in the Auction Platform, and representatives of qualified bidders will be able to view and download their qualified bidder's sale by mutual agreement of the Minister results in the form of a Financial Statement and Client Bids Report from the Auction Platform. The Financial Statement serves as the financial settlement invoice for the sale by mutual agreement of the Minister and will include the number and total cost of allowances the qualified bidder has purchased, if any.

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

- Sale by mutual agreement of the Minister Information
 - Category prices
 - Number of successful bids by category and successful bid allowances
 - Total bid cost (by category and combined total cost)
- Account Information
 - Entity information
 - Bid guarantee submitted by type (cash, LOC or LOG)

⁶ The total number of allowances will be provided only if the total represents purchases from a minimum of three (3) qualified bidders.

- Amount due to Financial Services Administrator (if any)
- Amount Due by date (if an amount is due)
- Wiring instructions for submitting payment

C. Download all Reports

Immediately following notification of availability of the qualified bidder's results in the Auction Platform, the qualified bidder's account representatives should download and save all the Auction Platform reports. The available reports include:

1. Client Bids Audit Report: this report provides records on all bids submitted by the 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 the 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 was a qualified bidder, 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 allowances awarded in a sale by mutual agreement of the Minister once the sale by mutual agreement of the Minister is certified. The availability of the Financial Statement represents the beginning of the seven (7) day period in which a successful bidder is required to complete payment (of the amount due for allowances awarded) to the Financial Services Administrator. The deadline for receiving payment by wire transfer is listed in the Sale by Mutual Agreement of the Minister Schedule in each Sale by Mutual Agreement of the Minister Notice.

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

- For those qualified bidders that submitted cash bid guarantees, use the cash submitted to settle for any amounts owed.
- For qualified bidders that submitted physical bid guarantee instrument(s) (LOC or LOG), collect cash payment for any amounts owed from winning qualified bidders within seven (7) days of notification of the availability of the sale by mutual agreement of the Minister results.
- Draw on the physical bid guarantee instrument(s) for any qualified bidder that fails to submit payment for amounts owed within seven (7) days of availability of the sale by mutual agreement of the Minister results.
- Distribute sale by mutual agreement of the Minister proceeds from the sale of allowances to the jurisdictions.

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

B. Cash Settlement

All final financial settlements must be completed in cash by qualified bidders within seven (7) days of the availability of the sale by mutual agreement of the Minister results in the Auction Platform.

The wiring instructions for cash settlement will be included in the Financial Statement which is downloaded from the Auction Platform. If a bank (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 qualified applicant.

A wire transfer may require an international funds transfer. There are fees associated with an international funds transfer. All the fees associated with a cash wire transfer must be paid in advance or they will be deducted from the amount submitted for financial settlement.

- The SWIFT instruction <<OUR>> indicates that the party making the transfer has paid the fees in advance.
- Communicate with your financial institution to verify how to proceed.

The Financial Services Administrator will not accept payment in the form of a certified bank check or cashier's check for allowances awarded in a sale by mutual agreement of the Minister. 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 sale by mutual agreement of the Minister results, physical bid guarantee instruments (LOC or LOG) held on account by the Financial Services Administrator will be used to obtain payment for allowances purchased in the sale by mutual agreement of the Minister.

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 transfer⁷ and physical bid guarantee instruments in the form of a LOC or LOG will be returned directly to the entities through FedEx or DHL delivery by the Financial Services Administrator. The Financial Services Administrator will send an email to the qualified bidder 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 sale by mutual agreement of the Minister 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 awarded allowances 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 the Auction Platform.

For successful bidders that provided bid guarantees in the form of a LOC or LOG, following receipt of all amounts owed, the Financial Services Administrator will return physical bid guarantee instruments directly to the entities through FedEx or DHL delivery, based on the return instructions provided during the application process in the Auction Platform.

⁷ 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 sale by mutual agreement of the Minister fee, but is a common banking transaction fee not related to the Québec Cap-and-Trade System, or the sale by mutual agreement of the Minister process.

IX. TRANSFER OF ALLOWANCES INTO CITSS ACCOUNTS

Allowances are transferred to qualified bidders' compliance accounts following completion of financial settlement and distribution of auction proceeds to the jurisdictions and consigning entities. The expected date for allowance transfers is provided in the Sale by Mutual Agreement of the Minister Schedule in the Sale by Mutual Agreement of the Minister Notice.

If a category has been replenished (as described in article 42 of the Québec Regulation) there may be vintage allowances mixed with non-vintage reserve allowances. For allowances transferred from that category, each bid lot would be comprised of allowances from each vintage in proportion to the quantity of allowances purchased by each qualified bidder. The allowances will be sold in that order: the oldest vintage first, moving toward the most recent vintage and, lastly, the non-vintage reserve allowances.