

Detailed Sale by Mutual Agreement by the Minister

Requirements and Instructions

Québec Cap-and-Trade System of Greenhouse Gas Allowances

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TABLE OF CONTENTS

I.	INTRODUCTION.....	1
A.	BACKGROUND.....	1
B.	ELIGIBILITY	2
C.	GENERAL TERMS USED IN SALE BY MUTUAL AGREEMENT NOTICES AND SUPPORTING DOCUMENTS.....	3
II.	SALE BY MUTUAL AGREEMENT –ADMINISTRATION.....	5
A.	SALE BY MUTUAL AGREEMENT 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 – Application Information: Material Change</i>	7
III.	SALE BY MUTUAL AGREEMENT APPLICATION	8
A.	SUBMISSION OF A SALE BY MUTUAL AGREEMENT 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>	9
3.	<i>Complete the Attestation Response in CITSS and Submit the Sale by Mutual Agreement Application</i>	11
B.	RECEIPT OF A SALE BY MUTUAL AGREEMENT APPLICATION.....	12
C.	EDITING A SALE BY MUTUAL AGREEMENT APPLICATION.....	12
D.	EDITING BID GUARANTEE RETURN INSTRUCTIONS.....	12
E.	CANCELLING A SALE BY MUTUAL AGREEMENT APPLICATION	12
IV.	SUBMIT A BID GUARANTEE.....	12
A.	BID GUARANTEE REQUIREMENTS AND USE.....	12
B.	BID GUARANTEE SUBMITTAL PROCESS.....	13
1.	<i>Receive Notice that a Financial Services Account has Been Established or Verified</i>	13
2.	<i>Download Financial Services Delivery Instructions</i>	14
3.	<i>Submit a Bid Guarantee to the Financial Services Administrator</i>	14
3.1	Requirements for Submitting a Cash Bid Guarantee (Wire Transfer)	14
3.2	Requirements for Submitting a Bid Guarantee Instrument (LOC or LOG).....	16
3.3	Requirements for Submitting a Letter of Credit (LOC).....	19
3.4	Requirements for Submitting a Letter of Guarantee (LOG)	20
C.	RECEIPT OF BID GUARANTEE	21
D.	BID GUARANTEE REVISION PROCESS.....	21
V.	RECEIVE NOTICE OF THE QUALIFIED APPLICANT’S APPROVAL TO PARTICIPATE.....	23
VI.	PARTICIPATION IN THE SALE BY MUTUAL AGREEMENT	24
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	26

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

I. INTRODUCTION

A. Background

Québec's *Environment Quality Act* requires the province of Québec to reduce GHG emissions. To do so, the Government of Québec has 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 de l'Environnement et de la Lutte contre les changements climatiques (MELCC)¹.

This document includes the detailed requirements and instructions for participating in a Sale by Mutual Agreement by the Minister (Sale by Mutual Agreement).

Sales by Mutual Agreement will be held a maximum of four (4) times per year pursuant to section 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).

The emission units offered for sale are delivered through Québec's cap-and-trade system for GHG emission allowances. During a Sale by Mutual Agreement, emissions units are divided equally among three categories (A, B, and C), in which there are no vintages, and their prices are set in accordance with the Regulation respecting a cap-and-trade system for greenhouse gas emission allowances (Québec regulation). However, per section 42 of that regulation, categories A, B and C may contain units with a vintage and which are derived from refunds to the reserve. Such vintage units can be used to fulfill obligations for the third period (2018-2020).

The number of emission units that will be available for sale during the September 2021 Sale by Mutual Agreement is shown in Table 1. All offers and associated transactions will be conducted in Canadian dollars.

Table 1 : Annual Prices of Emission Units Per Category for 2021

Category	Annual Prices (Canadian dollars)
A	\$41.40
B	\$53.20
C	\$65.00

¹ Ministry of Environment and the Fight against Climate Change.

The Regulation stipulates that the annual prices in each category will be updated per the exchange rate for CAD and USD posted on the Bank of Canada website the day before the event. Using this exchange rate, the annual price for each category will be compared to the annual price in the equivalent category under the California regulation, and the higher of the two will become the price for the category for that specific Sale by Mutual Agreement. See **Table 2** for the corresponding categories.

Table 2 : Corresponding categories for Reserve emission units

Québec	California
Category A	First Reserve tier
Category B	Second Reserve tier
Category C	Price Ceiling account

As such, if California, as a partner entity, has set higher prices per emission unit for corresponding categories, the emission units are sold at the highest of the prices set by these entities based on the daily average Bank of Canada exchange rate published on its website that is in effect on the day preceding the Sale by Mutual Agreement.

The final category prices are the prices at which emission units offered in the Sale by Mutual Agreement will be actually sold. These prices will be displayed prior to the opening of the bidding window on the Auction Platform home page.

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, MELCC will post a notification on its website at <http://www.environnement.gouv.qc.ca/changements/carbone/index-en.htm> no later than two (2) days prior to the scheduled sale.

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 Notices and Supporting Documents

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

- “**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 (event).
- “**Approval or rejection of Sale by Mutual Agreement participation**” refers to the determination to approve or deny an issuer’s participation in a Sale by Mutual Agreement as described in Section 60 of the Québec Regulation.
- “**Auction Administrator**” refers to the party which provides Auction and Sale by Mutual Agreement Administrative Services.
- “**Auction Platform**” refers to the electronic platform through which auctions and sales by mutual agreement are conducted. The Auction Platform can be accessed at <https://www.wci-auction.org>.
- “**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 Section 59 of the Québec Regulation.
- “**CITSS**” refers to the Compliance Instrument Tracking System Service, the web-based system used to register entities, track emission units 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 section 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 Account”** refers to an account assigned to all entities in CITSS to hold emission units 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 Bid”** is the part of the requested emission units 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 emission units as described in section 57 of the Québec Regulation.
- **“Sale by Mutual Agreement Notice”** refers to the official Sale by Mutual Agreement notice released for an offered reserve sale, notifying participants of the upcoming Sale by Mutual Agreement as described in section 57 of the Québec Regulation and signals the beginning of the application period for a Sale by Mutual Agreement.
- **“Sale by Mutual Agreement Prices”** refers to the prices at which emission units are offered in each Category, as described in section 58 of the Québec Regulation.

II. SALE BY MUTUAL AGREEMENT –ADMINISTRATION

A. Sale by Mutual Agreement 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. The steps required to apply to participate in a Sale by Mutual Agreement 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 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 is held.

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

If during the application period of a Sale by Mutual Agreement, 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.

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

1. 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.
2. Complete and submit any forms or hard copy documentation required to support the changes entered in CITSS in accordance with regulatory requirements.
3. Approval by the jurisdiction Registrar should occur within ten (10) business days of receiving all required hard copy documentation.

3. *Participation by Related Entities*

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 9 of the Québec Regulation.

Any entity that wishes to participate in a Sale by Mutual Agreement must provide updated information including information on related entities and business relationships no later than 40 days before the Sale by Mutual Agreement. 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 is a related entity with another entity that wishes to participate in a Sale by Mutual Agreement, 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. 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.

Providing incomplete or inaccurate information regarding related entities may cause an entity's Sale by Mutual Agreement 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 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 section 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 is held, whichever is sooner.

For all entities, if a change to related entities or business relationships affects Sale by Mutual Agreement participation, that change, and any additional actions required by that change, must be approved prior to the end of a Sale by Mutual Agreement application period or the entities involved may not be able to participate in the Sale by Mutual Agreement. Additionally, if any change of ownership becomes effective after an application period ends and prior to the scheduled date for distribution of emission units resulting from a Sale by Mutual Agreement, the entities impacted by the change of ownership may not be able to participate in the Sale by Mutual Agreement.

More information on Sale by Mutual Agreement participation by entities with related entities and business relationships can be found on the MELCC's webpages.

4. Sale by Mutual Agreement – Application Information: Material Change

An entity may need to change its Sale by Mutual Agreement application information that was 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 means 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. 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 APPLICATION

A. Submission of a Sale by Mutual Agreement Application

This section outlines the steps for submitting an application to participate in a Sale by Mutual Agreement. For each Sale by Mutual Agreement, the Sale by Mutual Agreement application period starts at least sixty (60) days prior to the Sale by Mutual Agreement with the release of the Sale by Mutual Agreement Notice and ends no later than thirty (30) days prior to the Sale by Mutual Agreement. The due date for submitting a Sale by Mutual Agreement application in CITSS is the date and time the Sale by Mutual Agreement application period closes as set out in the Sale by Mutual Agreement Schedule provided in the Sale by Mutual Agreement Notice, which is available on the MELCC's website.

For each Sale by Mutual Agreement, one CITSS entity account representative completes and submits the entity's Sale by Mutual Agreement application in CITSS.

Sale by Mutual Agreement 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 application submitted for the prior event is approved).

Entities must complete and submit a Sale by Mutual Agreement application information at least thirty (30) days prior to each Sale by Mutual Agreement.

In CITSS, entity representatives can create Sale by Mutual Agreement applications, as well as view existing Sale by Mutual Agreement 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 the appropriate jurisdiction's CITSS webpages.

The Sale by Mutual Agreement 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 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 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. Sale by Mutual Agreement 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 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 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 UPS, FedEx or DHL delivery, and therefore must be sent 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 Application

A “**Yes**” answer to the Attestation in CITSS confirms 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 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 confirms 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 Notice.

After the Attestation response has been completed, the representative submits the Sale by Mutual Agreement application by selecting the “Confirm” button. By submitting the Sale by Mutual Agreement application, the representative agrees to have the entity

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.

name, entity contact information, account numbers, representative names, representative phone numbers, bid guarantee information, and representative email addresses transferred to the Auction Administrator and Financial Services Administrator for the purpose of facilitating participation in the selected event.

B. Receipt of a Sale by Mutual Agreement Application

Upon successful submission of a Sale by Mutual Agreement 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 application status.

C. Editing a Sale by Mutual Agreement Application

Sale by Mutual Agreement 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, which is available on the MELCC'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, which is available on MELCC webpages.

E. Cancelling a Sale by Mutual Agreement Application

Sale by Mutual Agreement applications can be cancelled up until the application period closes. Entities that apply to participate in a Sale by Mutual Agreement 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 application has been submitted, each applicant that wishes to participate in a Sale by Mutual Agreement 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.

Final bid guarantees must be received by the Financial Services Administrator by no later than the date listed in the Sale by Mutual Agreement Schedule provided in the Sale by Mutual Agreement Notice.

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. 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 bid 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 by the Minister Examples document, available from the MELCC'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 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 for purposes of facilitating

bid guarantee submission (prior to the Sale by Mutual Agreement) and payment for units awarded (after Sale by Mutual Agreement 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

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 Schedule provided in the Sale by Mutual Agreement 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 that can be 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.

The Society for Worldwide Interbank Financial Telecommunication (SWIFT) wire transfer details must include the following information:

Table 3 : Instructions for bid guarantee CAD cash wire transfers

Field Name	Field Content
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 or Account Number:	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 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 4 : Postal address to be used for submitting cash wire transfers

Field Name	Field Content
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 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 process.

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

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 Schedule provided in the Sale by Mutual Agreement Notice. The instructions for submitting 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
Attn: Tai Bill Lee
60 Wall Street, 24th Floor
Mailstop: NYC60-2409
New York, NY 10005-2836
Phone: (212) 250-2885
Email: db.wcisupport@db.com

“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.

Electronic bid guarantee instruments that are consistent with U.S. and Canadian banking laws and the practices of the issuing bank may be submitted by email to the Financial Services Administrator:

The issuing bank must include the following statement in the email to which the electronic PDF version is attached:

“This [Letter of Credit or Letter of Guarantee] signed by the issuing bank is legally valid and enforceable. The issuing bank is transmitting this [Letter of Credit or Letter of Guarantee] to the beneficiary by electronic transmission (PDF via email) to DB.WCISUPPORT@DB.COM. For the avoidance of doubt, any electronic PDF version of this [Letter of Credit or Letter of Guarantee] received by the beneficiary shall be the operative instrument and may be used by the beneficiary as it would a hardcopy original. The beneficiary is able to submit a draw request on the operative instrument. In addition, when applicable, the beneficiary will reply to all addressees on this email to confirm cancellation of the electronic operative instrument. The Reply email will serve as the return of the bid guarantee.”

The issuing bank should copy bank representatives that will cancel the electronic bid guarantee as instructed by the beneficiary. DBNTC will cancel the electronic operative instrument by replying to the email to which the electronic bid guarantee was attached.

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).

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 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 Schedule provided in the Sale by Mutual Agreement Notice.**

The MELCC encourage entities to do the following:

- Submit a sample LOC or LOG to the Financial Services Administrator for review;
- Submit final documents early enough to provide time for amendment, if needed;
- Submit final physical 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 emission units 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 Schedule provided in the Sale by Mutual Agreement Notice, the Sale by Mutual Agreement application will be rejected.

Bid guarantee instruments must be submitted in French or in English. If the bid guarantee instrument is submitted in French, an English translation is requested to support timely review of the document. 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, at

the MELCC, by phone at 418-521-3868, extension 7400, or toll free at 1-800-561-1616, extension 7400.

3.3 Requirements for Submitting 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 application.
- The beneficiary must be listed as:⁴

**Deutsche Bank National Trust Company,
DBTCA for DBNTC as FSA for WCI, Inc.
60 Wall Street, 24th Floor
New York, NY 10005-2836**

- 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 Sale by Mutual Agreement 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 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 Schedule provided in the Sale by Mutual Agreement Notice for

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.

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 by the deadline for receipt of bid guarantees or the LOC will not be accepted and the Sale by Mutual Agreement application will be rejected.**

3.4 Requirements for Submitting a Letter of Guarantee (LOG)

Applicants may submit a Letter of Guarantee (LOG) as a bid 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.
60 Wall Street, 24th Floor
New York, NY 10005-2836**

- The party named as "Principal" in the LOG must be identical to that named in the applicant's application.
- The expiration date must be at least twenty-six (26) days after the scheduled Sale by Mutual Agreement 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 12:00 PM (Noon) Eastern Time (ET) for same day draw.

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.

If any of these terms are not met by the deadline date and time listed in the Schedule provided in the Sale by Mutual Agreement 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 by the deadline for receipt of bid guarantees or the LOG will not be accepted and the Sale by Mutual Agreement 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. 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 Schedule provided in the Sale by Mutual Agreement Notice, the Sale by Mutual Agreement 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 Schedule provided in the Sale by Mutual Agreement Notice or the bid guarantee will not be accepted and the Sale by Mutual Agreement 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:

- The applicant will be notified by the Financial Services Administrator of the need for revision.
- The applicant should contact the financial institution that issued the bid guarantee instrument and request an amendment.

- The revised bid guarantee must be received in physical form by the deadline for receipt of bid guarantees or it will be rejected.

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

Email: db.wcisupport@db.com

Phone: (212) 250-2885 or (212) 250-2679

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 Schedule provided in the Sale by Mutual Agreement Notice.
- An applicant is responsible to ensure proper addressing when mailing a physical bid guarantee instrument by mail.
- An applicant is responsible to ensure a 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 Schedule provided in the Sale by Mutual Agreement Notice.
- A bid guarantee or bid guarantee amendment received after the deadline date and time for receipt of bid guarantees as listed in the Schedule in the Sale by Mutual Agreement Notice will not be accepted.

If a bid guarantee is not received by the deadline date for receipt of bid guarantees as listed in the Schedule provided in the Sale by Mutual Agreement Notice, the Sale by Mutual Agreement application will be rejected.

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

MELCC 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. Once the MELCC approve or reject an entity for Sale by Mutual Agreement participation, the account representatives for the entity will receive an email confirming approval or denial to participate in the Sale by Mutual Agreement. In CITSS, the status of the Sale by Mutual Agreement 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 application is rejected. This is anticipated to occur within two (2) business days before

the scheduled Sale by Mutual Agreement date. Each entity that has completed a Sale by Mutual Agreement 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 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 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 Schedule provided in the Sale by Mutual Agreement Notice.
- The applicant has provided false or misleading information in the Sale by Mutual Agreement application.

VI. PARTICIPATION IN THE SALE BY MUTUAL AGREEMENT

All previous steps related to Sale by Mutual Agreement application are conducted in CITSS. The following steps, directly related to bidding in a Sale by Mutual Agreement and retrieving the Sale by Mutual Agreement results, are conducted in the Auction Platform. The Auction Platform can be accessed at <https://www.wci-auction.org> or from the Participating Jurisdictions’ and WCI, Inc.’s webpages.

During a Sale by Mutual Agreement, emission units are divided equally among three categories (A, B, and C), in which there are no vintages, and their prices are set in accordance with the Regulation respecting a cap-and-trade greenhouse gas emission allowances (Québec’s regulation). The Sale by Mutual Agreement will be conducted in the electronic, internet-based Auction Platform using a single round, sealed bid auction format. During the scheduled 3-hour bidding window identified in the Sale by Mutual Agreement Notice, only one bid can be submitted for each of the three categories.

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 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 a bid on behalf of the qualified bidder during an open bidding window, or download reports specific to the Sale by Mutual Agreement.

2. Auction Platform Account Activation

Active PARs and AARs of entities in CITSS that have been qualified bidders at a past auction or Sale by Mutual Agreement or that have submitted an application for an upcoming auction or Sale by Mutual Agreement are eligible to maintain or establish Auction Platform accounts.

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. All account representatives of a registered entity who have already participated in an auction will have received an email from the new platform on July 12, inviting them to activate their access. User accounts and CITSS entity account representative status information in CITSS and the Auction Platform are automatically reconciled on a daily basis. Thus, representatives of entity accounts who have never participated in an auction will automatically receive an email containing an activation link on the day following the application for the Sale by Mutual Agreement.

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 or that have submitted an application to an upcoming auction or Sale by Mutual Agreement.
- 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 passphrase 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 be able to select the other entity, without having to log out of the Auction Platform.

B. Bidding in the Sale by Mutual Agreement

During the scheduled bidding window, the account representatives of qualified bidders will be able to submit a bid on behalf of the qualified bidders they represent. To submit a bid in the Sale by Mutual Agreement, the account representative of a qualified bidder must include the number of units requested and the category corresponding to the maximum price per unit it is willing to pay for the units. Please note that:

- Qualified bidders may submit only one bid during the bidding window.
- The bid can be submitted CAD only.
- The number of units entered in the bid must be a whole number that is greater than zero.

All the account representative of a qualified bidder can: edit or delete a submitted bid as needed during the bidding window. However, once the bidding window has closed, no further bids may be edited or deleted.

C. Bidding Limitations

The Québec Regulation includes several bidding limitations for bids that can be submitted during a Sale by Mutual Agreement. These bidding limits are described below.

The Sale by Mutual Agreement by 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 requires bid guarantees to be greater than or equal to the maximum value of the bid submitted. If a submitted bid contains too many emission units, causing the amount of the bid guarantee to be exceeded, the excess units are removed from the bid. Only the portion of the bid quantity that exceeds the limit will be rejected, and not the entire bid quantity.

2. Purchase Limit Bid Limitation

There is no purchase limit applied to the purchase of emission units offered in a Sale by Mutual Agreement.

3. Holding Limit Bid Limitation

The holding limit is the maximum number of emission units that may be held by an entity or jointly held by a group of related entities. The Sale by Mutual Agreement by the Minister Examples document provides further details on how the holding limit applies to a Sale by Mutual Agreement.

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 for management of the allocation of shares of the holding limit amongst its members. This holding limit allocation results in each entity having a specified percentage share of the CAG's total holding limit. The sum of the percentages allocated among the CAG members must be 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 on the day prior to the auction. This cap will specify how many emission units 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. 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. Any changes to CITSS account balances after the determination of the holding limit cap due to transfers of emission units after 12:00 PM (Noon) ET on the day prior to the Sale by Mutual Agreement will not be reflected in the Auction Platform on the day of the actual Sale by Mutual Agreement.

4. Limit related to bidder's quantity of emission units required to meet its coverage obligation

Under section 60.1 of the Québec regulation, when a bid submitted by an emitter has the effect of exceeding the emission units required to meet its coverage obligation referred to in section 19, the Minister removes the quantity of excess emission units from the bid.

The emission units required to meet an emitter's coverage obligation referred to in section 19 are determined by subtracting the quantity of emission units, early reduction credits and offset credits that can be used for the coverage of emissions of that emitter from the quantity of declared and verified emissions that have not yet been covered in accordance with section 19.

For example, an emitter who, having already purchased emission units, would need 10,000 units to cover all of its emissions for the compliance period will not be able to request more than 10,000 emission units at the Sale by Mutual Agreement.

D. Auction Administrator Application of the Bidding Limitations

If a submitted bid that contains bid quantities in excess of the holding limit or the emission units required or has a maximum bid value in excess of the bid guarantee, the excess units will be removed from the bid. Only that portion of the bid quantity that exceeds one or more limit will be rejected, and 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 bids that remain after the submitted bids have been evaluated and reduced to meet all bidding limitations. Only the qualified bid is used in

the Sale by Mutual Agreement during the bid fulfillment and purchase determination process. Determination of qualified bids occurs after the bidding window has closed and before the final bid fulfillment and purchase determination are made.

Please refer to the Sale by Mutual Agreement by 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 are determined after the bidding window is closed based on the following steps:

1. Each entity's submitted bid is evaluated to ensure that submitted bids or their values do not exceed the holding limits, the emission units required or the entity's bid guarantee.
 - a. Each entity's qualified bid is determined as the bid quantity that remains after the submitted bid has been evaluated and reduced to meet all limits.
2. Qualified bids are evaluated in each category.
3. When the bid submitted by a purchaser exceeds the purchaser's holding limit or emission units required or exceeds the value of the bid guarantee submitted, the excess units are removed.

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

F. Sale by Mutual Agreement Conduct

1. *Non-Disclosure of Bidding Information*

Pursuant to section 51 of the Québec Regulation, an entity approved for Sale by Mutual Agreement participation shall not release any confidential information related to its auction participation, including:

- Intent to participate, or not participate, at Sale by Mutual Agreement, Sale by Mutual Agreement approval status, and maintenance of continued Sale by Mutual Agreement approval;
- Bidding strategy;
- Details of the bid the participant intend to submit;
- 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 that has retained the services of a consultant or advisor regarding Sale by Mutual Agreement 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 MELCC information to identify the consultant or advisor, including name, contact information, physical work address, and employer, if applicable.

QC entities are required to inform MELCC of the retention of an advisor. An account representative of the entity must submit the information to MELCC, 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 MELCC 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 auctions, sales by mutual agreement, and secondary markets.

The Market Monitor will monitor the auctions and sales by mutual agreement, and provide ongoing monitoring of 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 MELCC staff to review and take action, as needed. MELCC staff will also monitor the auctions and sales by mutual agreement 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 an auction or Sale by Mutual Agreement may be investigated and prosecuted in accordance with all applicable laws and regulations.

VII. SALE BY MUTUAL AGREEMENT RESULTS AND CERTIFICATION

Following the Sale by Mutual Agreement, the MELCC and the Market Monitor will review the Sale by Mutual Agreement results. The MELCC will review the conduct of the sales by mutual agreement and determine whether the sale met regulatory requirements.

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

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

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

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

- The names of the qualified bidders.
- The Sale by Mutual Agreement prices per category and the number of emission units available for each.
- The total number of emission units sold from each category⁶.

B. Notification of Sale by Mutual Agreement Qualified Bidder Results

Following the posting of the public Sale by Mutual Agreement results, the MELCC will certify the Sale by Mutual Agreement in the Auction Platform, and representatives of qualified bidders will be able to view and download their qualified bidder's Sale by Mutual Agreement results in the form of a Financial Statement and Client Bids Report from the Auction Platform. The Financial Statement serves as the financial settlement

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

invoice for the Sale by Mutual Agreement 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 Information
 - Number of emission units awarded per category
 - Total bid cost
- Account Information
 - Entity information
 - Bid guarantee submitted by type (cash, LOC or LOG)
 - 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 bids submitted (if applicable) by the qualified bidder, including the audit trail of the bid related to bid creation, update, and deletion.
2. Client Bid Report: This report provides records on bids submitted bid (if applicable) by the qualified bidder in final form, identifying each successful and unsuccessful bid and the number of emission units 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 parties other than the account representatives with 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 emission units awarded at a Sale by Mutual Agreement once the Sale by Mutual Agreement is certified. The availability of the Financial Statement represents the beginning of the seven (7) day period during which a successful bidder is required to complete payment (of the amount due for units awarded) to the Financial Services Administrator. The deadline for receiving payment by wire transfer is listed in the Schedule in each Sale by Mutual Agreement 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 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 results.
- Draw on the 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 results.
- Distribute Sale by Mutual Agreement proceeds from the sale of emission units to the jurisdictions.

Once all payments have been received, proceeds will be transferred to jurisdictions, and subsequently jurisdictions will transfer the number of emission units awarded into each successful qualified bidder's CITSS compliance 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 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 emission units awarded in a Sale by Mutual Agreement. 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 results, bid guarantee instruments (LOC or LOG) held on account by the Financial Services Administrator will be used to obtain payment for emission units purchased at the Sale by Mutual Agreement.

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 by UPS, 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 returning the unused bid guarantee so they can prepare for the 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 is certified.

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.

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 emission units 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 UPS, FedEx or DHL delivery, based on the return instructions provided during the application process in the Auction Platform.

IX. TRANSFER OF EMISSION UNITS INTO CITSS ACCOUNTS

Emission Units 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 emission unit transfers is provided in the Schedule in the Sale by Mutual Agreement Notice.

If a category has been replenished (as described in section 42 of the Québec Regulation) there may be vintage emission units mixed with non-vintage reserve units. For units transferred from that category, each bid lot would be comprised of units from each vintage in proportion to the quantity of units purchased by each qualified bidder.

For example, if all of the emission units from a category is composed of 80% of units from the reserve (without vintage), of 10% of 2014 vintage units of, and to 10% of units of 2016 vintage, the units transferred to the winning qualified bidders would be composed of 80% of units from the reserve (without vintage), of 10% of 2014 vintage units, and of 10% of 2016 vintage units.