California Cap-and-Trade Program Registry Administration

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Market Registry System Overview

- Developed working with United States Environmental Protection Agency (US EPA)
- Designs developed in collaborative process with Western Climate Initiative Partner Jurisdictions
- Based on prior emissions trading systems used in United States
Market Registry Tracking System Overview

- The Market Registry is known as the Compliance Instrument Tracking System Service, or CITSS
  - CITSS allows covered entities and voluntarily associated entities to register in the California Cap-and-Trade Program
  - CITSS tracks the ownership of compliance instruments
  - CITSS tracks all transactions for Cap-and-Trade program participants
  - Secondary market buyers and sellers must be registered in CITSS before transactions can be completed
  - CITSS facilitates program compliance and market oversight
Market Registry Tracking System Development

- Registration module released July 2012
  - Allows users and entities to register

- Trading module released October 2012
  - Create and distribute allowances and offsets
  - Allows participants to transfer allowances
  - Extensive security testing conducted
Market Registry Tracking System Development (Cont.)

- Registration module update released August 2013
  - Updated entity and facility data management and enhanced reporting features

- Jurisdiction Linking update released January 2014
  - Updated to allow transfers between entities registered under different cap-and-trade programs

- Compliance Processing module released August 2014
  - Established annual compliance obligations and retired compliance instruments to fulfill obligations
Market Registry Tracking System Technical Requirements Development

- The primary basis of CITSS technical requirements is the applicable regulations:
  - California Cap-and-Trade Program
  - Québec Cap-and-Trade System

- Development Priorities
  - Maintain unified market registry
  - Automate processes to require conformance with regulations
  - Automate processes to reduce risks

- Strong focus on security
Market Registry Tracking System Technical Requirements Development Priorities

- **Maintain unified market registry**
  - All issuances and transfers with one system

- **Automate processes to require conformance with regulations**
  - Compliance instrument transfer requests not meeting regulatory requirements cannot be completed

- **Automate processes to reduce risks**
  - Review registration requests for duplicates
  - Notifications of all actions to all account representatives

- **Strong focus on security**
  - KYC process
  - Information Technology security
Market Registry Tracking System Day to Day Operations

- **User Registration**
  - Accept new user applications in CITSS
  - Accept documents to confirm identity of potential users
  - Approve new users

- **Account Applications**
  - Accept new entity account application
  - Accept documents to confirm existence of entity associations
  - Approve entity accounts
Market Registry Tracking System Day to Day Operations (Cont.)

- Jurisdiction Operations
  - Issue allowances and offset credits
  - Transfer compliance instruments from jurisdiction accounts, as needed (e.g., allocation, auction award distribution)

- Market Monitoring
  - Manage corporate associations
  - Monitor compliance instrument transfers
Market Registry Tracking System Day to Day Operations – Institutional Controls

- Maintain high-level for registry operations user access
- Maintain separation of duties between “approval” and “taking action”
- Maintain four-eye principle
Lessons Learned

- **Market Registry Development**
  - Plan Ahead
  - Align policy and implementation as soon as possible
  - A customized off-the-shelf approach can be very effective

- **Day-to-Day Operations**
  - Beware of KYC service inconsistencies – always double check
  - Maintain clear and concise procedures
For Additional Information

ARB Compliance Instrument Tracking System Service Web Site:
http://www.arb.ca.gov/citss