
National Stock Exchange of India Limited

FAQ on Bank Guarantees (BGs) created out of clients' funds

1) Can Bank Guarantees (BGs) be created out of clients' funds?

No, SEBI vide circular no. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/061 dated April 25, 2023 has prohibited creation of BG out of clients' funds as under:

- a) Beginning May 01, 2023, no new BGs to be created out of clients' funds by SBs/CMs.
- b) Existing BGs created out of clients' funds to be wound down by September 30, 2023.

2) Can Bank Guarantees (BGs) be created out of own funds of member?

Yes, Bank Guarantees can be created from own funds of member.

3) Since Bank Guarantees (BGs) cannot be created out of clients' funds, can BG created out of own funds of member be considered towards availability of clients' funds as per Enhanced Supervision Guidelines?

In light of SEBI circular and Exchange circular dated April 25, 2023 issued on prohibition of creation of BG from clients' funds effective from October 01, 2023, member cannot consider the value of any BG including BG created from own funds of member for the purpose of availability of clients' funds.

4) What is the impact on reporting of BG value by member under weekly submission of data towards monitoring of client funds (Enhanced Supervision of Stock Brokers) and weekly cash & cash equivalent submission by member to Exchange?

As member cannot consider the value of any BG including BG created from own funds for the purpose of availability of clients' funds, member should not include value of any BG including BG created from own funds while reporting values under data point numbered as 2 "Collateral deposited with clearing corporations in form of Cash and

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Cash Equivalents (In Rs.) and data point numbered as 3 “Collateral deposited with clearing member in form of Cash and Cash Equivalents (In Rs.)” of Annexure A of NSE circular NSE/INSP/52724 dated June 24, 2022.

Further, full value of BG should be reported under data point numbered as 8 of Enhanced Supervision guidelines. It may also be noted that header of data point numbered as 8 of Annexure A of NSE circular NSE/INSP/52724 dated June 24, 2022 has also been changed to “Value of the Bank Guarantee (In Rs.)”.

It may also be noted that point no 25 and 26 (ES Information Type) of weekly submission of Client Level Cash & Cash Equivalent Balances as prescribed by Exchange circular NSE/INSP/50592 dated December 13, 2021 should also be reported in accordance with aforesaid guidelines i.e. full value of BG to be reported under row item “NON FUNDED BG”.