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## 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.