

## NOTICES

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|-------------------|--|--------------------|-------------|
| <b>Notice No.</b> | 20181027-1   | <b>Notice Date</b> | 27 Oct 2018 |
| <b>Category</b>   | Trading  | <b>Segment</b>     | Equity      |
| <b>Subject</b>    | Additional Surveillance Measure (ASM) Framework – Update |                    |             |
| <b>Content</b>    |  |                    |             |

This is with reference to introduction of ASM Framework on March 21, 2018 and various notices issued thereafter in this regard from time to time.

A Joint Surveillance meeting of Exchanges and SEBI was held on October 26, 2018 and the current ASM framework was reviewed. The updated ASM framework is provided below:

### **Section I: Long-term Additional Surveillance Measure (Long-term ASM):**

- a) The following four criteria shall be made applicable for selection of stocks in the Long Term ASM Framework.
1. High–Low Price Variation (based on corporate action adjusted prices) in 3 months  $\geq (150\% + \text{Beta } (\beta) \text{ of the stock } * \text{ S\&P BSE Sensex variation})$ .  
AND  
Concentration of Top 25 clients account  $\geq 30\%$  of combined trading volume of BSE & NSE in the stock in last 30 days.
  2. Close–to–Close Price Variation (based on corporate action adjusted prices) in the last 60 trading days  $\geq 100\% + (\text{Beta } (\beta) \text{ of the stock } * \text{ S\&P BSE Sensex variation})$ .  
AND  
Concentration of Top 25 clients account  $\geq 30\%$  of combined trading volume of BSE & NSE in the stock in last 30 days.
  3. Close–to–Close Price Variation (based on corporate action adjusted prices) in 365 days greater than  $\geq 100\% + (\text{Beta } (\beta) \text{ of the stock } * \text{ S\&P BSE Sensex variation})$ .  
AND  
High–Low Price Variation (based on corporate action adjusted prices) in 365 days  $\geq (200\% + (\text{Beta } (\beta) \text{ of the stock } * \text{ S\&P BSE Sensex variation}))$ .  
AND  
Market Cap > Rs.500 Crore.  
AND  
Concentration of Top 25 clients account  $\geq 30\%$  of combined trading volume of BSE & NSE in the stock in last 30 days.
  4. Average daily Volume in a month is  $\geq 10,000$  shares & > 500% of Average volume in preceding 3 months at BSE & NSE.  
AND  
Concentration of Top 25 clients account  $\geq 30\%$  of combined trading volume of BSE & NSE in the stock in last 30 days.  
AND  
Average Delivery% is < 50% in last 3 months.  
AND

Market Capitalisation is > Rs.500 Crore.

AND

Close-to-close price variation (based on corporate action adjusted prices) in last one month is > (50% + Beta ( $\beta$ ) of the stock \* S&P BSE Sensex variation).

Exemption: Bulk/Block (maximum of buy /sell value), i.e., Average Volume of Bulk or Block Quantity/Average Volume of the Security greater than 50%.

Note: The Beta ( $\beta$ ) factor shall be applicable only in case of positive index variation.

The following securities shall be excluded from the process of shortlisting of securities under ASM:

- Public Sector Enterprises and Public Sector Banks
  - Securities already under Graded Surveillance Measure (GSM)
  - Securities on which derivative products are available
  - Securities already under Trade for Trade
- Stocks which are currently in ASM / ASM T2T and meeting the criteria for revised long term ASM shall be moved to Stage I (as explained in para b below) of Long Term ASM under the revised framework with effect from October 31, 2018.
- Stocks which are currently under the ASM framework and meeting the following conditions as on the review date shall be moved out of Long Term ASM with effect from October 30, 2018 but will be subject to short term ASM as mentioned in Section II of the notice:
- i. No. of shareholders as per the shareholding pattern is (in any of the last available 4 quarters) > 1,00,000.
  - AND
  - ii. Stocks that have been subject to Long Term ASM for a continuous period of at least 90 days.

b) The applicable surveillance action on shortlisted scrips based on the above criteria shall be as follows:

Stage wise Surveillance action after inclusion in Long Term ASM:

| Stage | Conditions for Entry  |
|-------|---|
| I     | Identification of securities based on entry criteria.   |
| II    | Stocks which are already in Stage I of Long term ASM, satisfying the following conditions in 5 consecutive trading days:<br>Close-to-Close Variation (based on corporate action adjusted prices) $\geq$ 25% + Beta ( $\beta$ ) of the stock * S&P BSE Sensex variation<br>AND<br>Concentration of Top 25 clients account $\geq$ 30% of combined trading volume of BSE & NSE in the stock in last 30 days.   |
| III   | Stocks which are already in Stage II of Long term ASM, satisfying the following conditions in 5 consecutive trading days:<br>Close-to-Close Variation (based on corporate action adjusted prices) $\geq$ 25% + Beta ( $\beta$ ) of the stock * S&P BSE Sensex variation<br>AND<br>Concentration of Top 25 clients account $\geq$ 30% of combined trading volume of BSE & NSE in the stock in last 30 days.  |
| IV    | Stocks which are already in Stage III of Long term ASM, satisfying the following conditions in 5 consecutive trading days:<br>Close-to-Close Variation (based on corporate action adjusted prices) $\geq$ 25% + Beta ( $\beta$ ) of the stock * S&P BSE Sensex variation<br>AND<br>Concentration of Top 25 clients account $\geq$ 30% of combined trading volume of BSE & NSE in the stock in last 30 days. |

c) Review Period and Exit

- i. Securities completing 60 calendar days in long term ASM Framework shall be eligible for exit from the framework subject to stage-wise exit as mentioned below.

- ii. The stage-wise review of stocks shall be on a weekly basis.
- iii. Exit for stocks shall be in stages as follows as on review date:
  - o Stocks in stage I shall be eligible for exit from Long-term ASM framework subject to such stocks not meeting the entry criteria of long term ASM.
  - o Stocks in Stage IV shall move to Stage III if such stocks do not meet the entry criteria for stage IV.
  - o Stocks in Stage III shall move to Stage II if such stocks do not meet the entry criteria for stage III.
  - o Stocks in Stage II shall move to Stage I if such stocks do not meet the entry criteria for stage II.
- iv. The Exchanges shall jointly frame operational modalities for the aforesaid phased exit framework. Securities meeting the revised entry criteria shall be moved to Stage I (as explained in para b above) of Long Term ASM under the revised framework with effect from October 31, 2018.

## **Section II: Short-term Additional Surveillance Measure (Short-term ASM)**

Further, it has been decided to introduce the Short-term ASM framework for securities as mentioned hereunder:

### a) Stage I

Criteria for Identification of stocks:

Stocks witnessing Close-to-Close Price Variation (based on corporate action adjusted prices)  $\geq (\pm 25\% + \text{Beta } (\beta))$  of trading days.

AND

Concentration of Top 25 clients account  $\geq 30\%$  of combined trading volume of BSE & NSE in the stock in 5 trading days.

Stocks identified as per the above criteria in any of the exchanges shall be shortlisted under the framework.

Action on the shortlisted stocks:

1. Applicable margin rate for the shortlisted stock will be 1.5 times the existing margin OR 40%, whichever is higher, subject to maximum rate of margin capped at 100%.
2. Top 10 clients based on the gross traded value, subject to their traded value greater than Rs.10 lakhs, will be levied 100% margin on their traded value at End-of-Day (EoD).
3. On identification of stocks, Exchange shall seek clarification from the company whether there is any corporate announcement that has not been disseminated to market. The clarification so received shall be disseminated to the market.
4. A surveillance dashboard shall also be displayed on the Exchange website mentioning the names of such stocks and other relevant details to inform the investors.

### b) Stage II

Criteria:

Stocks witnessing Close-to-Close Price Variation (based on corporate action adjusted prices)  $\geq (\pm 25\% + \text{Beta } (\beta))$  of the trading days.

AND  
Concentration of Top 25 clients account  $\geq 30\%$  of combined trading volume of BSE & NSE in the stock during the above mentioned 5 trading days.

Action on the shortlisted stocks:

1. Applicable margin rate for the shortlisted stock will be 2.5 times the existing margin OR 80%, whichever is higher, subject to maximum rate of margin capped at 100% on all clients.
2. Top 10 clients based on the gross traded value, subject to their traded value greater than Rs.10 lakhs, will be levied 100% margin on their traded value at End-of-Day (EoD).

### c) Exit Criteria

1. The stocks shall be retained in each stage as applicable for a minimum period of 5 / 15 trading days and shall be eligible for review from 6<sup>th</sup> / 16<sup>th</sup> Trading day onwards.
2. Accordingly, if a stock is not meeting entry criteria on the review date, it shall be moved out of Short-term ASM framework.

3. As long as a stock continues to meet the criteria for Short-term ASM without attracting the criteria for Long-term ASM, the stock will continue to be subject to the Stage II of ASM framework.
4. Once the stock moves to Long-term ASM framework, the above mentioned Short-term ASM provisions will not apply to the stock.
- d) The above short-term ASM measures will be made effective from November 14, 2018.

Market participants may note that above Framework shall be in conjunction with all other prevailing surveillance measures being imposed by the Exchanges from time to time.

Also, it may also be noted that the shortlisting of securities under aforesaid Framework is purely on account of market surveillance and it should not be construed as an adverse action against the concerned company/entity.

In case of any clarifications, members are requested to contact 2272 5001/ 2272 1717 /2272 5158.

For & On behalf of BSE Ltd.

|                              |                        |
|------------------------------|------------------------|
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| <b>Addl. General Manager</b> | <b>AGM</b>             |
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October 27, 2018