

National Stock Exchange Of India Limited**Department : SURVEILLANCE**

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To All NSE Members**Sub: Additional Surveillance Measure (ASM) framework- Update**

This is with reference to introduction of ASM framework on March 21, 2018 and subsequent circulars 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)

The following four criteria shall be made applicable for selection of stocks in the Long Term ASM Framework.

a) The entry criteria shall be as follows:

1. High–Low Price Variation (based on corporate action adjusted prices) in 3 months $\geq (150\% + \text{Beta } (\beta) \text{ of the stock } * \text{ Nifty 50 variation})$

AND

Concentration of Top 25 clients $\geq 30\%$ of combined trading volume of NSE+BSE 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 $\geq (100\% + \text{Beta } (\beta) \text{ of the stock } * \text{ Nifty 50 variation})$.

AND

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

3. Close–to–Close Price Variation (based on corporate action adjusted prices) in 365 days greater than $\geq (100\% + \text{Beta } (\beta) \text{ of the stock } * \text{ Nifty 50 variation})$

AND

High–Low Price Variation (based on corporate action adjusted prices) in 365 days \geq (200% + Beta (β) of the stock * Nifty 50 variation)

AND

Market Cap > Rs. 500 Crore as on review date

AND

Concentration of Top 25 clients \geq 30% of combined trading volume of NSE+BSE in the stock in last 30 days.

4. Average daily Volume in a month is \geq 10,000 shares & greater than 500% of Average volumes in preceding 3 months at both Exchanges (NSE and BSE)

AND

Concentration of Top 25 clients \geq 30% of combined trading volume of NSE+BSE in the stock in last 30 days.

AND

Average Delivery% is less than 50% in last 3 months

AND

Market Capitalisation is > Rs. 500 Crore as on review date

AND

Close–to–close price variation (based on corporate action adjusted prices) in last one month \geq (50% + Beta (β) of the stock * Nifty 50 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 (β) 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 the ASM framework and are satisfying the above mentioned entry criteria shall be moved to Stage I (as explained in para b below) of Long Term ASM with effect from **October 31, 2018**.

Stocks which are currently under the erstwhile 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 shall be subject to Short Term ASM as mentioned in Section II of the circular:

- Number of shareholders as per shareholding pattern (in any of the last available 4 quarters) is greater than 1,00,000

AND

- 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	Action
I	Identification of securities based on entry criteria	Applicable margin shall be 80% from T+3 day for all clients
II	Stocks which are already in Stage I of Long term ASM, satisfying the following conditions in 5 consecutive trading days: Close-to-Close Variation (based on corporate action adjusted prices) \geq (25% + Beta (β) of the stock * Nifty 50 variation) AND Concentration of Top 25 clients \geq 30% of combined trading volume of NSE & BSE in the stock in last 30 days.	Reduction of price band to next lower level and applicable margin shall be 100% from T+3 day for all clients
III	Stocks which are already in Stage II of Long term ASM, satisfying the following	Further reduction of price band to next lower level and

Stage	Conditions for Entry	Action
	conditions in 5 consecutive trading days: Close-to-Close Variation \geq (25% + Beta (β) of the stock * Nifty 50 variation) <p style="text-align: center;">AND</p> Concentration of Top 25 clients account \geq 30% of combined trading volume of NSE & BSE in the stock in last 30 days	applicable margin shall be 100% from T+3 day for all clients
IV	Stocks which are already in Stage III of Long term ASM, satisfying the following conditions in 5 consecutive trading days: Close-to-Close Variation (based on corporate action adjusted prices) \geq (25% + Beta (β) of the stock * Nifty 50 variation) <p style="text-align: center;">AND</p> Concentration of Top 25 clients \geq 30% of combined trading volume of NSE & BSE in the stock in last 30 days	Settlement shall be on Gross basis with 100% margin for all clients and 5% price band.

c) Review Period and Exit

- i. Securities completing 60 calendar days in long term ASM Framework would 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 under:
 - 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
 - Stocks in Stage IV shall move to Stage III if such stocks do not meet the entry criteria for stage IV

- Stocks in Stage III shall move to Stage II if such stocks do not meet the entry criteria for stage III
 - 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 exit criteria shall be moved out w.e.f. Tuesday **October 30, 2018**.

Securities which meet the entry criteria shall move in the framework w.e.f **Wednesday October 31, 2018**.

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

It has been decided to introduce a Short-term ASM framework for securities satisfying the following criteria:

a) Stage I

Criteria for Identification of stocks:

Stocks witnessing Close-to-Close Price Variation $\geq (\pm 25\% + \text{Beta } (\beta) \text{ of the stock } \times \text{ Nifty 50 variation})$ in 5 trading days.	OR	Stocks witnessing Close-to-Close Price Variation $\geq (\pm 40\% + \text{Beta } (\beta) \text{ of the stock } \times \text{ Nifty 50 variation})$ in 15 trading days.
AND Concentration of Top 25 clients $\geq 30\%$ of combined trading volume of NSE & BSE in the stock in 5 trading days.		AND Concentration of Top 25 clients account $\geq 30\%$ of combined trading volume of NSE & BSE in the stock in 15 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. On identification of above stocks, clarification shall be sought from the company about any corporate announcement, if any that has not been disseminated to market. The clarification, so received shall be disseminated to the market.

2. A surveillance dashboard shall also be displayed on the Exchange website mentioning the names of such stocks and other relevant details for the information of the investors.
3. Applicable margin rate for the shortlisted stock shall be 1.5 times the existing margin OR 40%, whichever is higher, subject to maximum rate of margin capped at 100%.
4. Top 10 clients based on gross traded value, subject to their gross traded value being greater than Rs.10 lakhs, shall be levied 100% margin on their gross traded value at End-of-Day (EoD).

b) Stage II

Criteria:

<p>Stocks witnessing Close-to-Close Price Variation $\geq (\pm 25\% + \text{Beta } (\beta) \text{ of the stock } \times \text{Nifty 50 variation})$ in any 5 consecutive trading days during the 15 days following the inclusion in Stage I.</p> <p style="text-align: center;">AND</p> <p>Concentration of Top 25 clients $\geq 30\%$ of combined trading volume of NSE & BSE in the stock during the above mentioned 5 days period.</p>	OR	<p>Stocks witnessing Close-to-Close Price Variation $\geq (\pm 25\% + \text{Beta } (\beta) \text{ of the stock } \times \text{Nifty 50 variation})$ in any 15 consecutive trading days during the 45 days following the inclusion in Stage I.</p> <p style="text-align: center;">AND</p> <p>Concentration of Top 25 clients $\geq 30\%$ of combined trading volume of NSE & BSE in the stock during the above mentioned 15 days period.</p>
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Action on the shortlisted stocks:

1. Applicable margin rate for the shortlisted stock shall be 2.5 times the existing margin OR 80%, whichever is higher, subject to maximum rate of margin capped at 100%.
2. Top 10 clients based on gross traded value, subject to their gross traded value being greater than Rs.10 lakhs, shall be levied 100% margin on their gross 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 6th / 16th Trading day onwards.

2. Accordingly, if a stock is not meeting entry criteria on the review date, it would 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 subjected to the Stage II ASM framework.
4. If the stock moves to Long-term ASM framework, the above mentioned Short-term ASM provisions shall not apply to the stock.

The above short-term ASM measures shall be made effective from Wednesday **November 14, 2018**.

Exchanges shall also be monitoring the PE ratios of stocks and in case of stocks having relatively/abnormally high valuations compared to sectoral / broad indices, additional surveillance measure in conjunction with Short term / Long term ASM shall be imposed.

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

Further, it may also be noted that the shortlisting of securities under ASM 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 further queries, members are requested to contact on 022-26598129/8166.

For National Stock Exchange of India Limited

Avishkar Naik
Vice President
Surveillance

Telephone No	Email id
+91-22-26598129 / 26598166	surveillance@nse.co.in