

Graded Surveillance Measure (GSM)

FREQUENTLY ASKED QUESTIONS (FAQs)

1) What is the purpose behind introduction of GSM FRAMEWORK?

Securities and Exchange Board of India (SEBI) and Exchanges in order to enhance market integrity and safeguard interest of investors have introduced GSM

The main objective of these Measures is to –

- Alert and advise investors to be extra cautious while dealing in these securities and
- Advise market participants to carry out necessary due diligence while dealing in these securities.

SEBI and Exchanges, pursuant to discussions in joint surveillance meetings, have decided that along with other Measure there shall be Graded Surveillance Measure (GSM) on securities which witness an abnormal price rise not commensurate with financial health and fundamentals.

2) What are the main aspects of GSM framework?

In Exchange Circular No. MSEI/SURV/4942/2017 dated 23 February 2017, the framework shall be applicable for companies that witness abnormal price rise that is not commensurate with financial health and fundamentals of the company which inter-alia includes predefined parameter.

The securities identified under GSM framework as per above shall be monitored and at an appropriate time subject to satisfaction of certain pre-defined objective criteria, shall attract Graded Surveillance Measure.

3) What are the various Surveillance actions/criteria under GSM?

The various stages under GSM framework is to alert the market participants that they need to be extra cautious and diligent while dealing in such securities as the need has been felt to place them under higher level of surveillance. Once the security goes into a particular stage, it shall attract the corresponding surveillance action. The security shall be placed in a particular stage by the exchange based on monitoring of price movement and predefined objective criteria.

Stage wise Surveillance actions are listed below –

Stage	Surveillance Actions
I	Transfer to trade for trade with price band of 5% or lower as applicable
II	Trade for trade with price band of 5% or lower as applicable and Additional Surveillance Deposit (ASD) of 100% of trade value to be collected from Buyer
III	Trading permitted once a week trading and ASD 100% of trade value to be deposited by the buyers (Every Monday)
IV	Trading permitted once a week trading with ASD 200% of trade value to be deposited by the buyers (Every Monday)
V	Trading permitted once a month trading with ASD 200% of trade value to be deposited by the buyers (First Monday of the month)
VI	Trading permitted once a month with no upward movement in price of the security with ASD 200% of trade value to be deposited by the buyers (First Monday of the month)

4) Where do I get the complete detail of list of GSM securities?

Link: <http://www.msei.in/GSMLink.aspx>

5) Who is liable to pay the Additional Surveillance Deposit (ASD)?

The 'buyer' of the security is liable to pay the Additional Surveillance Deposit (ASD) for securities shortlisted under Stages II and above under GSM and shall be collected from the 'buying' Trading Member(s). ASD will be debited on a T+1 basis from the primary clearing account for the capital market segment of the aforesaid Trading Member(s). ASD shall be over and above existing margins or deposits levied by the Exchanges on transactions in such companies and shall be interest free.

6) Is Additional Surveillance Deposit (ASD) applicable to Institutional investors?

ASD shall be applicable on all categories of Client(s) and Exchange shall collect the amount from the 'buying' Trading Member(s).

7) When shall the ASD be refunded?

Metropolitan Stock Exchange of India Limited

(Formerly known as MCX Stock Exchange Ltd.)

Registered Office: 4th Floor, Vibgyor Towers, Plot No. C - 62, Opp. Trident Hotel, Bandra Kurla Complex, Bandra East, Mumbai 400098.
Tel: +91-22-6112 9000 | Fax: +91-22-6112 9009 | customerservice@msei.in | www.msei.in
CIN: U65999MH2008PLC185856

The securities under GSM shall be reviewed on a quarterly basis. If the security satisfies the criteria for moving to a lower stage of GSM then ASD shall be refunded.

For eg: If a security moves from Stage II to Stage I, the security shall continue to remain in Trade for Trade segment but the ASD of 100% of the Trade Value shall be refunded. Accordingly, if a security moves from Stage IV (ASD – 200% of trade value) to Stage III (ASD – 100% of trade value) the security shall continue to remain in Trade for Trade segment with Trading permitted once a week but the differential ASD of 100% of trade value collected shall be refunded. ASD shall not be refunded or adjusted even if the securities purchased is sold off.

8) What is the difference between quarterly review and half yearly review?

The quarterly review shall be done based on objective criteria to assess whether securities are eligible to move to lower stages of GSM. However, the securities shall continue to remain within the GSM framework. Securities are eligible to move lower in a sequential order but cannot go lower than Stage I.

The half yearly review involves identification of new securities, review of securities under various stages of GSM based on pre-determined objective criteria. Securities can also move out of the GSM framework.

9) Are there any charges levied in case of default in ASD?

In case of default in payment of ASD, appropriate penal actions may be initiated against the concerned trading member.

10) Will the identified securities remain under GSM permanently?

A half yearly review shall be carried out for moving securities in / out of GSM framework based on pre-defined criteria.
