



## Metropolitan Stock Exchange of India Limited

**Department:** Market Operations - Surveillance and Risk

**Segment:** Capital Market

**Circular No:** MSE/SURV/6932/2018

**Date :** October 29, 2018

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**Subject: Applicability of Additional Surveillance Measure (ASM) - Update**

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To All Members,

This is with reference to introduction of ASM Framework on March 21, 2018 and various 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% + Beta ( $\beta$ ) of the stock \* Nifty 50 variation).

**AND**

Concentration of Top 25 clients account  $\geq$  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% + (Beta ( $\beta$ ) of the stock \* Nifty 50 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% + (Beta ( $\beta$ ) of the stock \* Nifty 50 variation).



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**AND**

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

**AND**

Market Cap > Rs.500 Crore as on review date.

**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 both exchanges (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 as on review date

**AND**

Close–to–close price variation (based on corporate action adjusted prices) in last one month is > (50% + Beta ( $\beta$ ) 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 ( $\beta$ ) 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



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- 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 circular:

- 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	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 ( $\beta$ ) of the stock * Nifty 50 variation.  <b>AND</b>  Concentration of Top 25 clients account $\geq$ 30% of combined trading volume of BSE & NSE 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 conditions	Further reduction of price band to next lower level and applicable



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

### 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:
  - 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.



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- 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 be moved 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 (based on corporate action adjusted prices) $\geq (\pm 25\% + \text{Beta } (\beta) \text{ of the stock } * \text{ Nifty 50 variation})$ in 5 trading days.	<b>OR</b>	Stocks witnessing Close-to-Close Price Variation (based on corporate action adjusted prices) $\geq (\pm 40\% + \text{Beta } (\beta) \text{ of the stock } * \text{ Nifty 50 variation})$ in 15 trading days.
AND		AND
Concentration of Top 25 clients account $\geq 30\%$ of combined trading volume of BSE & NSE in the stock in 5 trading days.		Concentration of Top 25 clients account $\geq 30\%$ of combined trading volume of BSE & NSE 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 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.
2. 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.



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3. 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%.
4. 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).

### b) Stage II

Criteria:

Stocks witnessing Close-to-Close Price Variation (based on corporate action adjusted prices) $\geq (\pm 25\% + \text{Beta } (\beta) \text{ of the stock} * \text{Nifty 50 variation})$ in any 5 consecutive trading days during the 15 days following the inclusion in Stage I.  AND  Concentration of Top 25 clients account $\geq 30\%$ of combined trading volume of BSE & NSE in the stock during the above mentioned 5 days period.	<b>OR</b>	Stocks witnessing Close-to-Close Price Variation (based on corporate action adjusted prices) $\geq (\pm 25\% + \text{Beta } (\beta) \text{ of the stock} * \text{Nifty 50 variation})$ in any 15 consecutive trading days during the 45 days following the inclusion in Stage I.  AND  Concentration of Top 25 clients account $\geq 30\%$ of combined trading volume of BSE & NSE in the stock during the above mentioned 15 days period.
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### 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 6th / 16th 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.



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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 of ASM framework.
4. If the stock moves to Long-term ASM framework, the above mentioned Short-term ASM provisions will 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.

For any clarifications kindly contact Surveillance & Risk Management Department on 022-61129061/64 or send an email to [surveillance@msei.in](mailto:surveillance@msei.in).

**For and on behalf of  
Metropolitan Stock Exchange of India Limited**

**Shailendra Singh  
Sr.Manager**