



Metropolitan Stock Exchange of India Limited

Additional Surveillance Measure (ASM)

Frequently Asked Questions (FAQs)

1) What is the purpose for introduction of ASM framework?

In order to enhance market integrity and safeguard interest of investors, Securities and Exchange Board of India (SEBI) and Exchanges, have been introducing various enhanced surveillance measures such as Graded Surveillance Measure (GSM), reduction in price band, periodic call auction and transfer of securities to Trade for Trade segment from time to time.

The main objective of these measures are to -

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

In continuation to various surveillance measures already implemented, SEBI and Exchanges, pursuant to discussions in joint surveillance meetings, have decided that along with the aforesaid measures there shall be Additional Surveillance Measure (ASM) on securities with surveillance concerns based on objective parameters viz. Price variation, Volatility etc.

2) How are the securities shortlisted under ASM framework?

The shortlisting of securities for placing in ASM framework is based on an objective criteria as jointly decided by SEBI and Exchanges covering the following parameters:

- High Low Variation
- Client Concentration
- No. of Price Band Hits
- Close to Close Price Variation
- PE ratio
- Market Capitalization

The criteria for shortlisting & review of securities under ASM Framework is as given 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.

1. High–Low Price Variation (based on corporate action adjusted prices) in 3 months \geq (150% + Beta (β) 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 (β) 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 (β) of the stock * 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 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 (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
- a) 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% +	Reduction of price band to next lower level and applicable margin shall be 100% from T+3 day for all clients.

Stage	Conditions for Entry	Action
	<p>Beta (β) of the stock * Nifty 50 variation.</p> <p style="text-align: center;">AND</p> <p>Concentration of Top 25 clients account \geq 30% of combined trading volume of BSE & NSE in the stock in last 30 days.</p>	
III	<p>Stocks which are already in Stage II 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) \geq 25% + Beta (β) of the stock * Nifty 50 variation.</p> <p style="text-align: center;">AND</p> <p>Concentration of Top 25 clients account \geq 30% of combined trading volume of BSE & NSE in the stock in last 30 days.</p>	<p>Further reduction of price band to next lower level and applicable 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) \geq 25% + Beta (β) of the stock * Nifty 50 variation.</p> <p style="text-align: center;">AND</p> <p>Concentration of Top 25 clients account \geq 30% of combined trading volume of BSE & 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.
- Stocks in Stage II shall move to Stage I if such stocks do not meet the entry criteria for stage II.

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:

<p>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.</p> <p style="text-align: center;">AND</p> <p>Concentration of Top 25 clients account $\geq 30\%$ of combined trading volume of BSE & NSE in the stock in 5 trading days.</p>	<p>OR</p>	<p>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.</p> <p style="text-align: center;">AND</p> <p>Concentration of Top 25 clients account $\geq 30\%$ of combined trading volume of BSE & NSE in the stock in 15 trading days.</p>
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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.

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:

<p>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.</p> <p style="text-align: center;">AND</p> <p>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.</p>	OR	<p>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.</p> <p style="text-align: center;">AND</p> <p>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.</p>
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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.

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.

3) When has the ASM framework come into force?

The monitoring of securities under ASM framework has come into force with effect from March 26, 2018. The Exchange, in coordination with other Exchanges, has issued circular having download reference number(s): MSE/SURV/6132/2018 & MSE/SURV/6136/2018 on March 21, 2018 and March 23, 2018 respectively informing the market participants about introduction of ASM framework along with the first list of shortlisted securities qualifying for application of ASM. The details of the current ASM framework in force has been disseminated to the market vide Exchange circular having download reference number: MSE/SURV/6932/2018 dated October 29, 2018.

Subsequently, the updated list of companies are being published from time to time.

4) Should shortlisting under ASM be construed as an adverse action against the concerned company / entity?

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.

5) Some of the securities which have been identified under ASM are already under various surveillance actions mentioned in the ASM framework. What does this mean?

As stated, ASM framework shall work in addition to existing actions undertaken by the Exchange on the company's securities. In case the securities are already attracting any action mentioned in ASM framework, then such action shall continue to work in conjunction with appropriate action under ASM framework.

6) Where do I get the complete list of securities under ASM?

A file (List_of_securities_shortlisted_under_ASM.csv) containing securities under ASM is available on our website at the following link:

<https://www.msei.in/Investors/Surveillance-Measure>

7) How will the market participants be made aware of various Additional Surveillance Measures undertaken by the exchanges on securities on short notice?

The Exchange has already published various circular(s) giving information to market participants on ASM framework and the consolidated list of companies. Going forward as well, the Exchange shall continue to publish such circulars. All surveillance actions shall be triggered based on certain criteria and shall be made effective, in a coordinated manner across the Exchanges, with a very short notice issued after market hours typically one trading day before the effective date.

Further, while placing order on security which is under Graded Surveillance Measure (GSM)/Additional Surveillance Measure (ASM)/Insolvency Resolution Process (IRP) as per Insolvency and Bankruptcy Code (IBC) an alert message "Security is under Surveillance Measure / Insolvency Resolution Process.

8) Besides the actions stated in ASM framework, can there be any other regulatory action against the companies identified therein?

Surveillance actions under ASM framework are without prejudice to the right of Exchanges and SEBI to take any other surveillance measures, in any manner, on case to case basis or holistically depending upon the situation and circumstances as may be warranted.

Exchanges shall also be monitoring the PE ratios of stock 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.