

FAQs – Additional Surveillance Measures (ASM)

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 is 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) What are the criteria for shortlisting scrips under ASM framework and what are the applicable surveillance actions on the shortlisted scrips?

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 market based dynamic parameters:

- High Low Variation
- Client Concentration
- Close to Close Price Variation
- Market Capitalization
- Volume Variation
- Delivery Percentage
- No. of Unique PANs
- PE

The criteria for shortlisting & review of securities under Long-term and Short-term ASM Frameworks is as given below.

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

- A) The following **SIX** criteria shall be made applicable for selection of stocks in the Long Term ASM Framework.
(Refer Exchange Circular - 20200722-25 dated July 22, 2020)

- High-Low Price Variation (based on corporate action adjusted prices) in 3 months \geq (150% + Beta (β) of the stock* S&P BSE Sensex variation)

AND

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

AND

Market Capitalisation > Rs. 100 Crore as on review date.

- Close-to-Close Price Variation (based on corporate action adjusted prices) in the last 60 trading days \geq (100% + Beta (β) of the stock* S&P BSE Sensex variation).

AND

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

AND

Market Capitalisation > Rs. 100 Crore as on review date.

- Close-to-Close Price Variation (based on corporate action adjusted prices) in 365 days \geq (100% + Beta (β) of the stock* S&P BSE Sensex variation)

AND

High-Low Price Variation (based on corporate action adjusted prices) in 365 days \geq (200% + Beta (β) of the stock * S&P BSE Sensex variation)

AND

Market Capitalisation > 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.

- Average daily Volume in a month is \geq 10,000 shares & monthly volume variation in a stock is > 500% of Average daily 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 > Rs. 500 Crore as on review date

AND

Close-to-Close price variation (based on corporate action adjusted prices) in last one month > (50% + Beta (β) 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%.

- Close to Close price variation $\geq 25\% + (\text{Beta} * \text{S\&P BSE Sensex variation})$ in a month

AND

PE negative OR ≥ 2 times of S&P BSE Sensex PE

AND

Market Capitalization < Rs. 500 Crores as on review date.

- Close-to-Close price variation of the SME stock $\geq \pm 25\% + (\text{Beta } (\beta) \text{ of the stock} * \text{SME Index Variation at respective Exchange})$ in 15 days

OR

Close-to-Close price variation of the SME stock $\geq \pm 50\% + (\text{Beta } (\beta) \text{ of the stock} * \text{SME Index Variation at respective Exchange})$ in 30 days

OR

Close-to-Close price variation of the SME stock $\geq \pm 90\% + (\text{Beta } (\beta) \text{ of the stock} * \text{SME Index Variation at respective Exchange})$ in 3 months

AND

PE of the stock is negative OR PE of the stock ≥ 2 times the PE of SME Index.

Note:

For stagewise surveillance action on SME stock after inclusion in Long Term ASM criteria 6:

1. Price variation $\geq (\pm 25\% + \text{Beta } (\beta) \text{ of the SME stock} * \text{SME Index Variation at respective Exchange})$ shall be considered.
11. Concentration of top 25 clients excluding market makers shall be considered.

In addition to the above, the stocks satisfying the below criteria after inclusion / stage - wisemovement under the Long Term ASM shall be placed in Stage IV of Long Term ASM and shall be retained in Stage IV till such time the stocks satisfy the criteria:

High-Low Price Variation (based on corporate action adjusted prices) in 6 months \geq (200% + Beta (β) of the stock* S&P BSE Sensex variation)

AND

Non-Promoter holding in the stock < 10%

✚ Note: The Beta (β) factor shall be applicable only in case of positive index variation. The securities satisfying any of the above six criteria shall be shortlisted under Long-term ASM.

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

- 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

B) The applicable surveillance action on shortlisted scrip's 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 100% from T+3 day
II	<p>Stocks which are already in Stage I 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 * S&P BSE Sensex Variation)</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 in last 30 days.</p>	Reduction of price band to next lower level and applicable margin shall be 100% from T+3 day

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

(Refer Exchange Circular- 20201204-56 dated December 04, 2020)

A) Review Period and Exit

1. 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.
11. The stage-wise review of stocks shall be on a weekly basis.
111. 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

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 $\geq (\pm 25\% + \text{Beta } (\beta) \text{ of the stock } \times \text{ S\&P BSE Sensex Variation})$ in 5 trading days.</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 in 5 trading days.</p>

<p>Stocks witnessing Close-to-Close Price Variation $\geq (\pm 40\% + \text{Beta } (\beta) \text{ of the stock } \times \text{ S\&P BSE Sensex Variation})$ 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 NSE & BSE in the stock in 15 trading days.</p>

OR

<p>For Stocks with a market capitalization more than INR 100 crore and less than or equal to INR 500 crore</p>
<p>High Low Variation on a one month basis greater than 75%</p> <p style="text-align: center;">AND</p> <p>Average Unique PANs trading in the scrip in last one month < 100</p>

<p>For Stocks with a market capitalization greater than INR 500 crore</p>
<p>High Low Variation on a one month basis greater than 75%</p> <p style="text-align: center;">AND</p> <p>Average Unique PANs trading in the scrip in last one month < 200</p>

Stocks identified as per any of the above four 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.

- Applicable margin rate for the shortlisted stock shall be 50% or existing margin, whichever is higher, subject to maximum rate of margin capped at 100%.

b) Stage II

Criteria:

<p>Stocks witnessing Close-to-Close Price Variation $\geq (\pm 25\% + \text{Beta } (\beta) \text{ of the stock } \times \text{ S\&P BSE Sensex Variation})$ in any 5 consecutive trading days during the 15days 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 $\geq (\pm 25\% + \text{Beta } (\beta) \text{ of the stock } \times \text{ S\&P BSE Sensex Variation})$ in any 15 consecutive trading days during the 45days 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:

Applicable margin rate for the shortlisted stock shall be 100% or existing margin, whichever is higher, subject to maximum rate of margin capped at 100%.

c) Exit Criteria

- 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.
- Accordingly, if a stock is not meeting entry criteria on the review date, it would be removed out of Short-term ASM framework.
- 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.
- If the stock moves to Long-term ASM framework, the above mentioned Short-term **ASM** provisions shall not apply to the stock.

The aforementioned criteria are dynamic in nature and subject to change from time to time. (Refer Exchange Circular- 20201204-56 dated December 04, 2020)

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 numbers: 20180321-46 & 20180322-14 on March 21, 2018 and March 22, 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 the below mentioned Exchange circulars:

Circular No.	Date of Circular
20181027-1	October 27, 2018
20190111-55	January 11, 2019
20190719-33	July 19, 2019
20200722-25	July 22, 2020
20201204-56	December 04, 2020

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.bseindia.com/markets/equity/EQReports/additional_surveillance_measure.aspx

Market Participants are requested to refer the latest circulars issued by the Exchange with respect to Applicability of Additional Surveillance Measure (ASM) and Applicability of Short-Term Additional Surveillance Measure (ST-ASM).

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 circulars 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 an order on a 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 / Un-solicited SMS (<relevant surveillance Indicator>), Would you like to continue?" shall be displayed on BOLT.

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 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.

9) How will the Trading Member be intimated about increase in Margin?

The margin rate shall be intimated in the VAR Begin of Day file published on the website for the day it is applicable.

10) When does the Margin get released?

The margin shall be released as per the extant process of release of Margin by the Clearing Corporation.

In case of any further queries, you may write to us at bse.surv@bseindia.com or call on +91-22 2272 5001/ 1717/5158.

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