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 advice 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 Framework(s) 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 – NSE/SURV/43565 dated February 14, 2020)
➢ High–Low Price Variation (based on corporate action adjusted prices) in 3 months ≥ (150% + Beta (β) of the stock * Nifty 50 variation)

AND

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

AND

Market Cap > Rs. 200 Crore as on review date.

➢ Close-to-Close Price Variation (based on corporate action adjusted prices) in the last 60 trading days ≥ (100% + Beta (β) of the stock * Nifty 50 variation).

AND

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

AND

Market Cap > Rs. 200 Crore as on review date.

➢ Close-to-Close Price Variation (based on corporate action adjusted prices) in 365 days ≥ (100% + Beta (β) of the stock * Nifty 50 variation)

AND

High–Low Price Variation (based on corporate action adjusted prices) in 365 days ≥ (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 ≥ 30% of combined trading volume of NSE & BSE in the stock in last 30 days.

➢ Average daily Volume in a month is ≥ 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 ≥ 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 * 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%.

➢ Close to Close price variation > 25% + (Beta * Nifty Variation) in a month

AND
PE negative OR > 2 times of PE of Nifty 50

AND
Market Cap < Rs. 500 Crores as on review date.

➢ Close-to-Close price variation of the SME stock ≥ ±25% + (Beta (β) of the stock * NIFTY SME EMERGE Index Variation) in 15 days

OR
Close-to-Close price variation of the SME stock ≥ ±50% + (Beta (β) of the stock * NIFTY SME EMERGE Index Variation) in 30 days

OR
Close-to-Close price variation of the SME stock ≥ ±90% + (Beta (β) of the stock * NIFTY SME EMERGE Index Variation) in 3 months

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

✓ 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 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

**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:

<table>
<thead>
<tr>
<th>Stage</th>
<th>Conditions for Entry</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Identification of securities based on entry criteria</td>
<td>Applicable margin shall be 80% from T+3 day for all clients</td>
</tr>
</tbody>
</table>
| 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) ≥ (25% + Beta (β) of the stock * Nifty 50 variation)  
        AND  
        Concentration of Top 25 clients ≥ 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 conditions in 5 consecutive trading days:  
        Close–to–Close Variation ≥ ( 25% + Beta (β) of the stock * Nifty 50 variation)  
        AND  
        Concentration of Top 25 clients account ≥ 30% of combined trading volume of NSE & BSE in the stock in last 30 days. | Further reduction of price band to next lower level and 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) ≥ (25% + Beta (β) of the stock * Nifty 50 variation) | Settlement shall be on Gross basis with 100% margin for all clients and 5% price band. |
<table>
<thead>
<tr>
<th>Stage</th>
<th>Conditions for Entry</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>AND</strong></td>
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<tr>
<td></td>
<td>Concentration of Top 25 clients ≥ 30% of combined trading volume of NSE &amp; BSE in the stock in last 30 days</td>
<td></td>
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</tbody>
</table>

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

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:

<table>
<thead>
<tr>
<th>Stocks witnessing Close-to-Close Price Variation ≥ (± 25% + Beta (β) of the stock x Nifty 50 variation) in 5 trading days.</th>
<th>Stocks witnessing Close-to-Close Price Variation ≥ (± 40% + Beta (β) of the stock x Nifty 50 variation) in 15 trading days.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AND</strong></td>
<td><strong>AND</strong></td>
</tr>
<tr>
<td>Concentration of Top 25 clients ≥ 30% of combined trading volume of NSE &amp; BSE in the stock in 5 trading days.</td>
<td>Concentration of Top 25 clients account ≥ 30% of combined trading volume of NSE &amp; BSE in the stock in 15 trading days.</td>
</tr>
</tbody>
</table>
For Stocks with a market capitalization more than INR 100 crore and less than or equal to INR 500 crore

| High | Low | Variation on a one month basis greater than 75% AND Average Unique PANs trading in the scrip in last one month < 100 |

For Stocks with a market capitalization greater than INR 500 crore

| High | Low | Variation on a one month basis greater than 75% AND Average Unique PANs trading in the scrip in last one month < 200 |

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.

3. Applicable margin rate for the shortlisted stock shall be 40% or existing margin, 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:**

| Stocks witnessing Close-to-Close Price Variation ≥ (+ 25% + Beta (β) of the stock x 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 ≥ 30% of combined trading volume of NSE & OR | Stocks witnessing Close-to-Close Price Variation ≥ (+ 25% + Beta (β) of the stock x 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 ≥ 30% of combined trading volume of NSE & |


Action on the shortlisted stocks:

1. Applicable margin rate for the shortlisted stock shall be 80% or existing margin, 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 aforementioned criteria is dynamic in nature and subject to change from time to time.

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) : NSE/SURV/37253 & NSE/SURV/37262 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 Exchange circular having download reference number(s) : NSE/SURV/39265 ; NSE/SURV/39932 & NSE/SURV/41665 dated October 27, 2018 ; January 11, 2019 and July 19, 2019 respectively.

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.nseindia.com/regulations/additional-surveillance-measure

Market Participants are requested to refer the latest circular(s) 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 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 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 / Insolvency Resolution Process, would you like to continue?” shall be displayed on NEAT/NEAT+.

(Refer Exchange circular - NSE/SURV/39327 dated November 02, 2018)

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. The additional margin shall be blocked from the collateral of the clearing member of the executing Trading Member.

10) When does the Margin get released?

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

11) Is the Additional Margin under Short-term ASM applicable to Institutional clients?

The following additional margin applicable under Short-term ASM shall be applicable to all categories of client(s) including non-marginable clients.

“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).”

This surveillance margin shall be blocked from the collateral of the clearing member of the executing Trading Member on ‘T’ day at EoD and shall be released on ‘T+2’ day at the time of settlement.

12) What is the mode of intimation of the additional margin payable as per Point. No. 11 to Trading Members?

The following file shall be sent to the Trading Member(s) through extranet on an end of day basis:

- TM Code_ASM_DDMMYYYY.csv containing client wise / scrip wise details of securities shortlisted under Short-term ASM for clients having gross traded value greater than Rs. 10 lakhs and getting shortlisted as Top 10 clients in the scrip.

The above file shall be available for download at the following location:
In case of any further queries, you may write to us at surveillance@nse.co.in or call on +91-22-26598129/8166.

*** End of Document ***

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