

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
- Volume Variation

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

The following six criteria shall be made applicable for selection of securities in the ASM framework.

- i. High - Low price variation (based on corporate action adjusted prices) of 200% or more in the last three months AND Concentration of top 25 clients in the last three months is 30% or more.

OR

- ii. High - Low price variation (based on corporate action adjusted prices) of 200% or more in the last three months AND number of price band hits (upper or lower) in the last three months is 30% or more.



OR

- iii. Close to Close price variation (based on corporate action adjusted prices) in the last 30 trading days is 100% or more AND PE is negative or more than 30 AND the concentration of top 25 clients in the last one month is 30% or more.

OR

- iv. Close to Close Price variation (based on corporate action adjusted prices) in 365 days greater than 100% AND High - Low Variation in 365 days greater than 200% AND Market Cap above Rs. 500 Crores AND High Low Variation in 90 trading days greater than 50%.

OR

- v. Close to Close price variation (based on corporate action adjusted prices) greater than or equal to 50% in last three months AND Concentration of top 25 clients in a quarter in the scrip is greater than or equal to 20% AND 5 or more clients out of the top 25 clients having 50% or more of their trading activity in a scrip AND Market Cap above Rs. 500 crores.

OR

- vi. Monthly volume variation in a scrip compared to its average volume variation over a period of last three months is greater than 500% on NSE & BSE + Percentage monthly average volume variation of constituents of Nifty 500 compared to their average volume variation for the same period AND concentration of top 25 clients greater than 25% in a month AND Average Delivery percentage less than 30% AND Market Cap above Rs. 500 crores AND Daily average volume greater than or equal to 10000 & trading at least 50% of the days available in the month AND greater than 50% close to close price variation in last one month.

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%.

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

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.



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

4) What are the various surveillance actions under ASM? And what do they signify?

The underlying principle behind ASM 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.

The surveillance actions applicable for the shortlisted securities is as under:

- Securities shall be placed in Price Band of 5%
- Margin shall be levied at the rate of 100%

The list of scrips shortlisted for action under ASM shall be disseminated in advance (T day). In this regard, the imposition of 5% price band shall be effective from next trading day (T+1 day) and imposition of 100% margin shall be effective from T+5 trading day.

For eg. If a security is shortlisted under ASM on July 23, 2018 (T day) after-market hours, inclusion under ASM and imposition of 5% Price band shall be applicable w.e.f. July 24, 2018 (T+1 day) and the 100% margin shall be effective July 30, 2018 (T+5 days).

Surveillance action post 1 month after inclusion in ASM:

- Scrips having PE ratio greater than 100 shall be placed in the Trade for Trade segment.

5) 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.

6) 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.

7) 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/invest/content/equities_surv_actions.htm

8) Will the identified securities remain under ASM permanently?



Securities under the ASM framework shall be reviewed after two months on a daily rolling basis for applicability of ASM Framework.

The review shall be on the following lines:

- Scrips having PE Ratio less than 10 (PE ratio is between 0 to 10) **AND** Top 25 clients (in the preceding two months) contribute to less than 50% of total volume in the scrip shall be moved out of ASM framework (and close price shall become the base price for subsequent reviews.)
- Scrips having PE ratio less than PE ratio of Nifty 500 Index **AND** Top 25 clients (in the preceding two months) contribute to less than 50% of total volume in the scrip shall be moved out of ASM framework in case such scrips does not meet entry criteria stated above.
- Scrips having PE ratio less than 2 times PE ratio of Nifty 500 Index **AND** Top 25 clients (in the preceding two months) contribute to less than 50% of total volume in the scrip shall be continue to remain in ASM, however such scrips shall be moved out of Trade for Trade segment.

9) 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+.

10) 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.

11) 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.

12) When does the Margin get released?

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





In case of any further queries, you may write to us on surveillance@nse.co.in or call on +91-22-26598129/8166.

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