

## Graded Surveillance Measure (GSM)

### Frequently Asked Questions (FAQs)

#### **1) What is the purpose for introduction of GSM 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 reduction in price band, periodic call auction and transfer of securities to Trade to 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 and
- Advise market participants to carry out necessary due diligence while dealing in these securities.

In continuation with the various measures already implemented including the ones mentioned above, SEBI and Exchanges, pursuant to discussions in joint surveillance meetings, have decided that along with the aforesaid measures there shall be Graded Surveillance Measures (GSM) on securities that witness an abnormal price rise that is not commensurate with financial health and fundamentals of the company which inter-alia includes factors like Earnings, Book value, Fixed assets, Net worth, P/E multiple, etc.

#### **2) When will the GSM framework come into force?**

The GSM framework monitoring has come into force with effect from March 14, 2017. The Exchange, in coordination with other Exchanges, has issued a circular on February 23, 2017 having download reference number NSE/SURV/34262 informing the market participants about introduction of GSM framework.

Further, the First list of shortlisted securities qualifying for application of GSM has also been published on March 03, 2017 having download reference number NSE/SURV/34321. Subsequently, an updated listed of companies was published on June 21, 2017 having download reference number NSE/SURV/35167.

#### **3) What are the various surveillance actions under GSM? And what do they signify?**

The underlying principle behind defining various stages under GSM 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.

At present, there are 6 stages defined under GSM framework viz. From Stage I to Stage VI. Surveillance action has been defined for each stage. Once the security goes into a particular stage, it shall attract the corresponding surveillance action. The security shall be placed in a particular stage by the Exchange based on monitoring of price movement and predefined objective criteria.

Stage wise Surveillance actions are listed below –

Stage	Surveillance Actions
I	Transfer to Trade for Trade with price band of 5% or lower as applicable.
II	Trade for Trade with price band of 5% or lower as applicable and Additional Surveillance Deposit (ASD) of 100% of trade value to be deposited by the buyer.
III	Trading permitted once a week (Every Monday) and ASD of 100% of trade value to be deposited by the buyer.
IV	Trading permitted once a week (Every Monday) with ASD of 200% of trade value to be deposited by the buyer.
V	Trading permitted once a month (First Monday of the month) with ASD of 200% of trade value to be deposited by the buyer.
VI	Trading permitted once a month (First Monday of the month) with no upward movement in price of the security with ASD of 200% of trade value to be deposited by the buyer.

#### **4) How will the shortlisted securities move to the various stages of GSM?**

The securities shall move to various stages of GSM in a sequential order from Stage I to Stage VI as and when the criteria for the respective stage is satisfied.

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

As stated, GSM 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(s) mentioned in any of the stages of GSM framework, then such action will continue to work in conjunction with appropriate action under GSM framework.

For eg : If a security is in Trade for Trade settlement mode and such a security qualifies for Stage II then transactions in such securities shall not only be in Trade for Trade settlement mode and in 5% price band or lower but shall additionally be liable for Additional Surveillance Deposit (ASD) of 100% of trade value.

#### **6) Where do I get the complete list of GSM securities?**

A file (Price Bands: Complete List) containing stage wise GSM details is available on our website at the following link:

**7) Will the identified securities remain under GSM permanently?**

A review process based on pre-defined criteria for moving securities in / out of GSM framework shall be carried out twice a year.

**8) Will a security identified under GSM remain in the same stage permanently?**

A quarterly review of securities (under Stages II & above of GSM) based on a pre-defined objective criteria shall be carried out to assess relaxation of surveillance action. If qualified, the applicable securities can be moved back from a higher stage to a lower stage in a sequential manner, say from Stage III to Stage II.

**9) How will the market participants be made aware of various graded 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 GSM framework, list of companies and their corresponding stages. 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.

**10) What will be the price bands of securities identified under GSM?**

The securities under GSM Framework shall attract price bands as per existing price band framework of the Exchange.

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

Surveillance actions under GSM 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.

**12) When does the Additional Surveillance Deposit (ASD) become applicable?**

ASD is applicable when securities of the company move to Stage II of GSM framework and above.

**13) Who is liable to pay the ASD?**

The 'buyer' of the security is liable to pay the ASD for securities shortlisted under Stages II and above under GSM and shall be collected from the 'buying' Trading Member(s). ASD will be debited on a T+1 basis from the primary clearing account for the capital market segment of the aforesaid Trading Member(s). It shall be paid in the

form of cash only.

ASD shall be over and above existing margins or deposits levied by the Exchanges on transactions in such companies and shall be interest free.

**14) Is ASD applicable to Institutional investors?**

ASD shall be applicable on all category of Client(s) and Exchange shall collect the amount from the 'buying' Trading Member(s).

**15) When shall the ASD be refunded?**

Additional Surveillance Deposit (ASD) collected on securities under Stages II and above of GSM framework shall be retained for a period of 5 months and will be released as per the schedule given below:

<b>ASD Collected in the month of</b>	<b>Will be Released on 2<sup>nd</sup> Monday ( As per calendar )</b>
Apr-2017	Oct-2017
May-2017	Nov-2017
Jun-2017	Dec-2017
Jul-2017	Jan-2018
Aug-2017	Feb-2018
Sep-2017	Mar-2018
Oct-2017	Apr-2018

**16) Can Additional Surveillance Deposit (ASD) be utilized towards further exposure in trading?**

ASD shall not be considered for giving further exposure. ASD shall be over and above the existing margins or deposits levied by the Exchanges on transactions in such GSM companies.

**17) Are there any charges levied in case of default in ASD?**

In case of default in payment of ASD, appropriate penal actions may be initiated against the concerned trading member.

**18) What is the mode of intimation of ASD payable to Trading members?**

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

- TM Code\_GSM\_DD-MMM-YYYY.csv containing client wise / scrip wise details of all '**Buy**' transactions pertaining to '**all**' securities shortlisted under GSM.
- TM Code\_GSM\_ASD\_DD-MMM-YYYY.csv containing client wise / scrip wise details of all '**Buy**' transactions pertaining to securities shortlisted under **GSM Stage II and above** i.e. on which **ASD** is payable.

The above file(s) shall be available for download at the following location:  
/Surveillance/Dnld

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