

## **Additional Surveillance Measure (ASM)**

### **Frequently asked questions**

#### **Q 1. What is the purpose behind 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 measure. In continuation to various surveillance measure already implemented, SEBI and Exchanges, pursuant to discussions in joint surveillance meetings, have decided that along with the existing pre-emptive Surveillance measure like Graded Surveillance Measure (GSM), price band, periodic call auction and transfer of securities to Trade to Trade settlement from time to time; there shall be Additional Surveillance Measure (ASM) on securities with surveillance concerns viz. Price variation, Volatility etc.

The main purpose /objective of these measure is 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.

#### **Q 2. When has ASM come into force?**

The Exchange has published a notice on March 21, 2018 informing the market participants about introduction of ASM. The first list of securities placed under ASM was published on March 25, 2018 and was made effective from March 26, 2018.

The URL to the notice issued in this regard is given below for ready reference-

<https://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20180321-46>

Subsequently, on daily basis exchange is publishing the list of securities being added /removed and consolidated list of all securities under ASM.

#### **Q 3. What are the main aspects of ASM?**

As mentioned above and in Exchange Notice No. 20180321-46 dated 21 March 2018, the framework shall be applicable for securities with surveillance concerns viz. Price variation, Volatility etc.

**Q 4. On what basis securities are shortlisted for placing in ASM?**

ASM has been implemented based on an objective criteria covering the following parameters:

- a) High Low Variation
- b) Client Concentration
- c) No. of Price Band Hits
- d) Close to Close Price Variation
- e) PE Ratio
- f) Market Capitalisation

The URL to the notice issued in this regard is given below for ready reference-

<https://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20180511-26>

The aforementioned criteria is dynamic in nature and subject to change from time to time.

**Q 5. What are the various surveillance actions under ASM?**

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

Stage I

- a) Securities shall be placed under Price Band of 5% or lower as applicable.
- b) VAR Margins shall be levied at the rate of 100%

Stage II

- a) The shortlisted securities shall be further monitored on a pre-determined objective criteria and would be moved into Trade for Trade settlement once the criteria gets satisfied.

**Q 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?**

ASM framework is in conjunction with all other prevailing surveillance measure being imposed by the Exchanges from time to time.

**Q 7. Does ASM framework have any stages like in GSM?**

Unlike GSM which has stages ranging from 0 to 6, securities shortlisted under ASM have 2 stages: Initially, Securities shall be placed under Price Band of 5% or lower as applicable & VAR Margins shall be levied at the rate of 100%

Subsequently the shortlisted securities monitored on a pre-determined objective criteria and would be moved into Trade for Trade settlement once the criteria gets satisfied.

**Q 8. Is there any deposit payable for securities in ASM?**

There is no deposit payable in ASM framework.

**Q 9. Will intraday trading be allowed in securities placed under Additional Surveillance Measure?**

During stage I of ASM, following action is imposed - a. 100 % Margin b. Daily price band of 5 % or lower.

During Stage II, when the security is shifted to trade to trade settlement wherein the settlement shall be on gross basis i.e. delivery based.

**Q 10. Besides the actions stated in ASM, can there be any other regulatory action against the securities identified therein?**

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

**Q 11. How is Margin collected and released for securities shortlisted under ASM?**

Under ASM Framework, VaR Margin is being charged at 100 % and therefore is being released as per the extant margin release rules.

**Q 12. Who is required to pay margin on securities shortlisted under ASM?**

The margin on securities shortlisted under ASM is payable by the member and charged to the buyer and seller of the transactions.

**Q 13. Are the shortlisted securities under ASM framework suspended/delisted pursuant to the framework?**

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

**Q 14. Is ASM is an action against the security?**

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 security.

**Q 15. How is the ASM framework levied on a security that is traded on more than one stock exchange?**

ASM is uniformly applicable across all the Exchanges where ever applicable securities are traded.

**Q 16. How can we know the list of securities under ASM framework?**

A market wide notice is issued on the Exchange website on the applicability of securities available in the Notices section every EOD under the subject line “Applicability of Additional Surveillance Measure”.

List of securities moving in to the framework, moving out of the framework and the consolidated list of securities under ASM are part of the annexure to these daily notices.

Further, the Exchange is in process of providing ASM indicator in the scrip master file provided to the market participants on daily basis for easy identification of ASM securities. Further, the Exchange is also in process of providing alert message at the time of order entry in ASM securities on trading terminals provided by the exchange namely BOLT plus and BOW.

**Q 17. Will the identified securities remain under ASM permanently? If no, what is the period of review and on what basis would securities move out of ASM framework?**

As mentioned earlier, the securities shall be placed under ASM based on fulfilment of predefined objective criteria. Such securities under ASM shall be reviewed on bi-monthly basis for the applicability of ASM. If the predefined objective criteria is not satisfied then it would be eligible to move out from the framework.

Eg:- If a Security has moved in to ASM Framework w.e.f. March 26, 2018, it shall be considered for moving out of ASM w.e.f. May 26, 2018 if it does not satisfy the predefined objective criteria.

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