

National Stock Exchange of India

Circular

Department: SURVEILLANCE	
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To All NSE Members

Sub: Long-Term Additional Surveillance Measure (LT-ASM) Framework on Equity Derivatives

This is with reference to Exchange Circular nos. NSE/SURV/39265, NSE/SURV/45111, NSE/SURV/46557, NSE/SURV/48506 and NSE/SURV/52090 dated October 27, 2018, July 22, 2020, December 04, 2020, June 04, 2021 and April 22, 2022 respectively in respect of Additional Surveillance Measure (ASM). Securities and Exchange Board of India (SEBI) and Exchanges in order to enhance market integrity and safeguard interest of investors, have been introducing various enhanced pre-emptive surveillance measures from time to time.

As per Joint Surveillance Meeting of Exchanges and SEBI held on August 09, 2024, the extant Long-Term ASM (LT-ASM) Framework (subject to certain changes) shall be extended to:

- A. Derivative stocks (Stocks on which derivative products are available for trading in equity derivative segment of the Exchanges) and
- B. All corresponding Futures and Options contracts w.r.t the shortlisted derivative stocks referred in point A above.

The criteria for selection of derivative stocks under this framework is attached as Annexure.

Market participants may note that ASM framework shall be in conjunction with all other prevailing surveillance measures being imposed by the Exchanges from time to time.

The revised framework shall be applicable from August 12, 2024, and the list of derivative stocks on which the LT-ASM framework shall be made applicable, will be published separately.

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Further, it may also be noted that 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.

In case of any further queries, you may write to us at surveillance@nse.co.in.

For National Stock Exchange of India Limited

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Annexure

Long-term Additional Surveillance Measure (Long-term ASM) on Equity Derivatives

Criteria for identification:

A. Shortlisting criteria (Stage I):

1) High–Low Price Variation (*based on corporate action adjusted prices*) in 3 months \geq (150% + Beta (β) of the stock * Nifty 50 /S&P BSE Sensex variation)

AND

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

2) Close–to–Close Price Variation (*based on corporate action adjusted prices*) in the last 60 trading days \geq (100% + Beta (β) of the stock * Nifty 50 /S&P BSE Sensex variation).

AND

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

3) Close–to–Close Price Variation (*based on corporate action adjusted prices*) in 365 days \geq (100% + Beta (β) of the stock * Nifty 50 /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 * Nifty 50/S&P BSE Sensex variation)

AND

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

4) 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)

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AND

Concentration of Top 25 clients $\geq 25\%$ 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

Close-to-Close price variation (*based on corporate action adjusted prices*) in last one month $\geq (50\% + \text{Beta } (\beta) \text{ of the stock} * \text{Nifty 50/S\&P BSE Sensex variation})$

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%.

B. The stage wise movement:

Stage	Conditions for Entry	Action
I	Identification of securities based on entry criteria.	Applicable margin shall be 50% or existing total margins whichever is higher in case F&O contracts from T+3 day., AND Applicable margin shall be 100% in case of underlying (equity) from T+3 day.
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 (<i>based on corporate action adjusted prices</i>) $\geq (25\% + \text{Beta } (\beta) \text{ of the stock} * \text{Nifty 50 variation})$	Market wide position limit (MWPL) to be reduced to 75% of applicable limit (w.r.t F&O contracts) from T+3 day. AND Applicable margin shall be 100% or existing total margins whichever is

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Stage	Conditions for Entry	Action
	<p>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>	higher in case of underlying (equity) & F&O contracts from T+3 day.
III	<p>Stocks which are already in Stage II of Long term ASM, satisfying the following conditions in 5 consecutive trading days:</p> <p>Close-to-Close Variation $\geq (25\% + \text{Beta } (\beta) \text{ of the stock } * \text{ Nifty 50 variation})$</p> <p>AND</p> <p>Concentration of Top 25 clients account $\geq 30\%$ of combined trading volume of NSE & BSE in the stock in last 30 days</p>	<p>MWPL to be reduced to 50% of applicable limit (w.r.t F&O contracts) from T+3 day.</p> <p>AND</p> <p>Applicable margin shall be 100% or existing total margins whichever is higher in case of underlying (equity) & F&O contracts from T+3 day.</p>
IV	<p>Stocks which are already in Stage III of Long term ASM, satisfying the following conditions in 5 consecutive trading days:</p> <p>Close-to-Close Variation (<i>based on corporate action adjusted prices</i>) $\geq (25\% + \text{Beta } (\beta) \text{ of the stock } * \text{ Nifty 50 variation})$</p> <p>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>	<p>MWPL to be retained to 50% of applicable limit (w.r.t F&O contracts) from T+3 day.</p> <p>AND</p> <p>The applicable margin shall be 100% or existing total margins whichever is higher in case of underlying (equity) & F&O contracts from T+3 day.</p> <p>AND</p> <p>No fresh contracts to be issued from T+1 day##.</p> <p>After the expiry of existing contracts, Gross settlement & ($\pm 5\%$ price band) in underlying (equity).</p>

Reintroduction of contracts post Stage IV action shall be as under (##):

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- I. Action of No fresh contracts / removal from derivatives shall be implemented irrespective of the fact of subsequent downward stage revision/exit from framework. Post expiry of existing contracts, the scrip shall be like a non-derivative stock.
- II. New derivative contracts in the scrip will be issued by the Exchange post following the extant process for reintroduction of derivative contracts.

Once underline stock qualifies for LT ASM framework, corresponding contracts shall be also part of LT ASM framework

Illustration of MWPL:

Symbol	Particulars	Current	75% of MWPL	50% of MWPL
Dummy	MWPL	1,000	750	500
Dummy	Open Interest	650	650	650
Dummy	Utilisation %	65.00%	86.67%	130.00%
	Remarks			Will go in BAN

As per current LTASM framework, the following shall be excluded from the process of shortlisting:

- Public sector Enterprises & Public Sector Banks
- Securities already under Graded Surveillance Measure (GSM)
- Securities already under Trade for Trade.