

# National Stock Exchange of India

## Circular

Department: SURVEILLANCE	
<b>Download Ref No:</b> NSE/SURV/64400	<b>Date:</b> October 04, 2024
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To All NSE Members

### **Sub: Applicability of Enhanced Surveillance Measure (ESM) for SME Segment**

This is with reference to Exchange Circular nos. NSE/SURV/56948, NSE/SURV/57609, NSE/SURV/63361 and NSE/SURV/64066 dated June 02, 2023, July 18, 2023, August 09, 2024, and September 20, 2024, respectively in respect of Enhanced Surveillance Measure (ESM).

Securities and Exchange Board of India (SEBI) and Exchanges to enhance market integrity and safeguard interest of investors, have been introducing various enhanced pre-emptive surveillance measures from time to time.

During the meeting held between Exchanges and SEBI, it is decided that the extant Enhanced Surveillance Measure (ESM) shall be extended to stocks listed under SME segment. There is no change in the Shortlisting Criteria, stage wise movement and actions with respect to extant ESM framework.

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

Further, it may also be noted that the shortlisting of securities under ESM is purely on account of market surveillance, and it should not be construed as an adverse action against the concerned company / entity

Further Market Makers are required to follow the SEBI guidelines and adhere to the market making obligations rules for the scrips in ESM framework as per SEBI Circular nos. CIR/MRD/DP/14/2010 dated April 26, 2010, CIR/MRD/DSA/17/2010 dated May 18, 2010, Exchange Circular no. NSE/SME/MEM/21427 dated on August 06, 2012, and NSE/SURV/63146 dated on July 30, 2024.

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The ESM framework for SME stocks would be made available w.e.f. October 07, 2024. In case of any further queries, you may write to us at [surveillance@nse.co.in](mailto:surveillance@nse.co.in).

### For National Stock Exchange of India Limited

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**Surveillance**

#### Annexure

The Shortlisting criteria are as follows:

**A. Shortlisting criteria (Stage 1):** Either below condition 1 or 2 is met:

- 1) High–Low Price Variation (*based on corporate action adjusted prices*) in 3 months OR 6 months OR 12 months  $\geq$  1 Standard deviation (of High-Low variation of all Companies less than 1000 Cr as defined above).

**AND**

Minimum threshold of High-Low variation would be as under:

3 months > 75%,

6 months > 100%

12 months > 150%.

- 2) Close–to–Close Price Variation (*based on corporate action adjusted prices*) in 3 months OR 6 months OR 12 months  $\geq$  1 Standard deviation (of Close–to–Close Price variation of all less than 1000 Cr as defined above).

**AND**

Minimum threshold of Close-to-close variation would be as under:

3 months > 50%

6 months > 75%

12 months > 100%.

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The following securities shall be excluded from the process of shortlisting of securities under ESM:

- Securities on which derivative products are available.

**B. The stage wise movement:** Following shall be the stage wise surveillance action after inclusion in ESM:

Stage	Conditions for Entry	Action
I	Identification of securities based on entry criteria as given in Part A above.	Applicable margin shall be 100% from T+2 day. AND Trade for Trade settlement with price band of 5% OR 2% (In case scrip is already in 2% band)
II	Stocks which are already in Stage I satisfying the following conditions a) In 5 consecutive trading days: Close-to-Close Variation ( <i>based on corporate action adjusted prices</i> ) $\geq$ (+15%) <b>OR</b> b) On a monthly basis: Close-to-Close Variation ( <i>based on corporate action adjusted prices</i> ) $\geq$ (+30%)	Trade for Trade settlement AND 100% Margin AND Trading permitted with <b>+/- 2%</b> price band on <b>all trading days</b> under Periodic Call Auction.

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Notes:

1. Stage-wise review of securities shall be on a weekly basis.
2. Security shall be part of the framework for a minimum period of 90 calendar days. However, in case a security is under stage 2 of the Framework, it shall be retained under stage 2 for a minimum period of 1 month. After completion of 1 month, in weekly stage review if such security's close to close price variation is less than 8% in a month, it can move to stage 1 of the Framework.
3. Securities completing 90 calendar days (subject to meeting of aforesaid condition in point 2) in the framework shall be eligible for stage-wise exit subject to such securities not meeting the entry criteria as laid down in point A.