

Enhanced Surveillance Measure (ESM)

Frequently Asked Questions (FAQs)

1) What is the purpose for introduction of ESM 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 surveillance measures such as Graded Surveillance Measure (GSM), Additional Surveillance Measure (ASM), 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 is 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 Enhanced Surveillance Measures (ESM) on Micro-Small Companies (on main board with market capitalization less than INR 500 crores) based on objective parameters viz. Price variation, Standard Deviation etc.

2) What are the criteria for shortlisting scrips under ESM framework and what are the applicable surveillance actions on the shortlisted scrips?

The shortlisting of securities for placing in ESM framework is based on objective criteria as jointly decided by SEBI and Exchanges covering the following market based dynamic parameters:

- ✚ High Low Variation
- ✚ Close to Close Price Variation
- ✚ Market Capitalisation
- ✚ Standard deviation

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

(Refer Exchange Circular - NSE/SURV/56948 and NSE/SURV/57609 dated June 02, 2023 and July 18,2023)

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 > 1 Standard deviation (of High-Low variation of all Micro-Small Cap Companies 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 > 1 Standard deviation (of Close-to-Close Price variation of all Micro-Small Cap Companies as defined above).

AND

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

3 months > 50%
 6 months > 75%
 12 months > 100%.

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

-  Public Sector Enterprises and Public Sector Banks
-  Securities on which derivative products are available.
-  Securities already under Insolvency and Bankruptcy Code (IBC)
-  Securities already under Graded Surveillance Measure (GSM) Stage II and above.

B. 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 (based on corporate action adjusted prices) \geq (+15%) OR	Trade for Trade settlement AND 100% Margin AND Trading permitted with +/- 2% price band on all trading days under Periodic Call Auction.



Stage	Conditions for Entry	Action
	b) On a monthly basis: Close-to-Close Variation (based on corporate action adjusted prices) \geq (+30%)	

Review Period and Exit

- i. Securities completing **90 calendar days** in ESM Framework would be eligible for exit from the framework. 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.
- ii. The stage-wise review of stocks shall be on a weekly basis.
- iii. 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.

3) Should shortlisting under ESM be construed as an adverse action against the concerned company / entity?

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.

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

As stated, ESM 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 ESM framework, then such action shall continue to work in conjunction with appropriate action under ESM framework.

5) Where do I get the complete list of securities under ESM?

Market Participants are requested to refer the latest circulars issued by the Exchange with respect to Applicability of Enhanced Surveillance Measure (ESM) containing the complete list of securities under ESM. The circulars are available on our website at the following link:

<https://www.nseindia.com/resources/exchange-communication-circulars>



6) Is market capital criteria considered for entry/exit or both in ESM framework?

Market Capital criteria is used only for inclusion in ESM framework and the same is not considered as a criterion for exit from the framework.

7) Are newly listed securities eligible for Inclusion in ESM framework?

Yes, all newly listed securities on the main board with market cap of less than 500 crore are eligible for Inclusion in ESM framework.

8) How will the market participants be made aware of various Enhanced Surveillance Measures undertaken by the exchanges on securities on short notice?

The Exchange has published various circulars giving information to market participants on ESM framework and the consolidated list of companies. All surveillance actions are triggered based on objective criteria and is made effective, in a coordinated manner across the Exchanges. Exchange issues relevant notice, 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) / Enhanced Surveillance Measure (ESM)/ Insolvency Resolution Process (IRP) as per Insolvency and Bankruptcy Code (IBC) an alert message “Security is under Surveillance Measure / Un-solicited SMS (<relevant surveillance Indicator>), Would you like to continue?” shall be displayed on NEAT/NEAT+.

For ready reference, the consolidated list of surveillance indicators assigned to securities under GSM / ASM / ASM-IBC /ESM/ Unsolicited SMS is as under:

Surveillance Indicator	Description
99	Shortlisted under Graded Surveillance Measure
1	Graded Surveillance Measure - Stage I
2	Graded Surveillance Measure - Stage II
3	Graded Surveillance Measure - Stage III
4	Graded Surveillance Measure - Stage IV
5	Graded Surveillance Measure - Stage V
6	Graded Surveillance Measure - Stage VI
11	Short Term Additional Surveillance Measure (STASM) - Stage I
12	Short Term Additional Surveillance Measure (STASM) - Stage II



13	Long Term Additional Surveillance Measure (LTASM) - Stage I
14	Long Term Additional Surveillance Measure (LTASM) - Stage II
15	Long Term Additional Surveillance Measure (LTASM) - Stage III
16	Long Term Additional Surveillance Measure (LTASM) - Stage IV
20	Insolvency and Bankruptcy Code (IBC) - Receipt of Disclosure or Recommended scrip*
21	Insolvency and Bankruptcy Code (ASM IBC) - Stage I
22	Insolvency and Bankruptcy Code (ASM IBC) - Stage II
23	Inter Creditor Agreement (ASM ICA) - Stage I
24	Inter Creditor Agreement (ASM ICA) - Stage II
25	Company with high promoter Encumbrance
26	Company with high promoter as well as non-promoter Encumbrance
30	Information list (unsolicited SMS)
31	Current watch list (unsolicited SMS)
32	Unsolicited Video
33	Unsolicited Video and LTASM Stage IV
34	Enhanced Surveillance Measure (ESM) - Stage I
35	Enhanced Surveillance Measure (ESM) - Stage II
36	ESM Stage I and GSM Stage 0
37	ESM Stage II and GSM Stage 0
50	LTASM Stage I and GSM Stage 0
51	LTASM Stage II and GSM Stage 0
52	LTASM Stage III and GSM Stage 0
53	LTASM Stage IV and GSM Stage 0
54	STASM Stage I and GSM Stage 0
55	STASM Stage II and GSM Stage 0
56	Company with high promoter as well as non-promoter Encumbrance and GSM Stage 0



57	Company with high promoter Encumbrance and GSM Stage 0
58	ASM IBC Stage I and GSM Stage 0
59	ASM IBC Stage II and GSM Stage 0
60	ASM ICA Stage I and GSM Stage 0
61	ASM ICA Stage II and GSM Stage 0
62	Insolvency and Bankruptcy Code (IBC) - Receipt of Disclosure or Recommended scrip and GSM stage 0
63	GSM stage I and Insolvency and Bankruptcy Code (IBC) - Receipt of Disclosure or Recommended scrip
64	GSM stage II and Insolvency and Bankruptcy Code (IBC) - Receipt of Disclosure or Recommended scrip
65	GSM stage III and Insolvency and Bankruptcy Code (IBC) - Receipt of Disclosure or Recommended scrip
66	GSM stage IV and Insolvency and Bankruptcy Code (IBC) - Receipt of Disclosure or Recommended scrip

*Earlier surveillance indicator was 10 which is now discontinued

(Refer Exchange circular - NSE/SURV/57110 dated June 14, 2023)

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

Surveillance actions under ESM 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.

10) When does the Margin get released?

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

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

***** End of Document *****

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