

NATIONAL STOCK EXCHANGE OF INDIA LIMITED**DEPARTMENT : CAPITAL MARKET SEGMENT**

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All NSE Members,

Sub: Launch of SME platform on Capital Market segment of the Exchange

Securities Exchange Board of India (SEBI) vide circular No. CIR/MRD/DP/14/2010 dated April 26, 2010 and CIR/MRD/DSA/17/2010 dated May 18, 2010 stipulated guidelines for SME trading platform. As per the said guidelines, Exchange is introducing SME platform in the cash market segment of the Exchange, the details of which are enlisted below:

1) Trading System

The SME platform would be available in the Capital Market segment of the Exchange. The SME platform is a hybrid system which comprises of Continuous order mechanism (Normal Market) as well as Call auction mechanism. SME securities shall be available either in call auction or continuous session at any point of time. Trading in SME platform would be anonymous except for market maker quotes or transactions which would be identified distinctly with #.

Continuous Market:

All book types / market types currently available on the main board would be available for securities listed in the SME platform. Orders would be matched and executed at price time priority on a continuous basis.

Call Auction Market:

Call auction session shall comprise of two phases:

- a) Order Collection Period
 - During this period orders can be entered, modified and cancelled.
 - Both Limit and market order will be allowed.
 - The information like Indicative equilibrium / opening price of scrip, total buy and sell quantity of the scrip, would be computed and disseminated during this period.
- b) Order Matching Period
 - Order matching period will start immediately after close of order collection period.
 - Order will be matched at a single (equilibrium) price which will be open price.
 - Post matching, trade details will be disseminated to respective members.

Unmatched orders:

- All unmatched orders shall be cancelled by the system at the end of call auction session.

Determination of Equilibrium price

- The equilibrium price will be price at which the maximum quantity is tradable excluding quantity tradable between market maker.

- In case more than one price meets the said criteria, the equilibrium price will be the price at which there is minimum order imbalance quantity. The absolute value of the minimum order imbalance quantity will be taken into consideration.
- Imbalance quantity = Cumulative buy quantity - Cumulative sell quantity.
- In case more than one price has same minimum order imbalance quantity, the equilibrium price will be the price closest to the last traded price, if traded on that day (LTP), else previous day's closing price. In case LTP or previous day's closing price is the mid-value of pair of prices which are closest to it, then the LTP or previous day's closing price itself will be taken as the equilibrium price. In case of corporate action, previous day's closing price will be the adjustable closing price or the base price.
- Both limit and market orders shall reckon for computation of equilibrium price.
- In case of only market orders exists both in the buy and sell side, then order shall be matched at LTP or previous days close price or adjusted close price / base price.
- If both the side only market maker orders no price will be determined.

Matching Logic

- Order will be matched at a single (equilibrium) price as per the following sequence based on price time priority.
- The order matching will happen in following sequence:
 - Buy market maker orders will match with sell non-market maker limit and market order respectively.
 - Sell market maker orders will match buy non-market maker limit and market order respectively.
 - Remaining non-market maker to non-market order will match as limit to limit, limit to market and market to market respectively.
 - No matching of orders would be carried out between market maker orders

2) Market timings

Market timings for continuous & call auction markets is given below:

- **Continuous Market:** 9:15 AM to 3.30 PM
- **Call auction Market:** To start with, there would be one call auction session from 11:00 AM to 12:00 noon with random closure in the last five minutes. At the end of the call auction session, order matching would take place at the equilibrium price as explained above.

3) Eligible Members

All members eligible for capital market segment would be eligible to trade on SME platform. No separate membership is required for trading on SME platform.

4) Market parameters

a. Lot size -

As per SEBI circular no CIR/MRD/DSA/06/2012 dated February 21, 2012 applicable market lots for SME securities is given below:

Price Band (in Rs)	Lot Size (No of shares)
Upto 14	10000
more than 14 upto 18	8000
more than 18 upto 25	6000
more than 25 upto 35	4000
more than 35 upto 50	3000
more than 50 upto 70	2000
more than 70 upto 90	1600
more than 90 upto 120	1200
more than 120 upto 150	1000

Price Band (in Rs)	Lot Size (No of shares)
more than 150 upto 180	800
more than 180 upto 250	600
more than 250 upto 350	400
more than 350 upto 500	300
more than 500 upto 600	240
more than 600 upto 750	200
more than 750 upto 1000	160
Above 1000	100

The above lot size is applicable based on the issue size at the time of listing. The Exchange may review the lot size once in every 6 months / wherever warranted, by giving an advance notice of at least one month to the market. However, as far as possible the stock Exchange shall ensure those odd lots are not created. Further, the lot size would only be revised to lower lot size. Investors with holdings less than minimum depth (market lot) shall be allowed to sell their complete holdings in the odd lot market. The buyer for the odd lot shall be the market marker appointed for the security.

b. Tick size - 5 paise

c. Price band - 20%

d. Market type - Market type for SME call auction session would be “C” and for continuous session would be “N”

e. Series –SME securities would be distinctly identified as under:

- i. Rolling settlement with series as SM (EQ equivalent)
- ii. Trade for Trade with series as ST (BE equivalent)
- iii. Limited Physical market with series as SP (BT equivalent)
- iv. Block trading window with series as SL (BL equivalent)
- v. Odd lot trading window with series as SO (for odd lots trading)
- vi. Institutional segment with series as SI (IL equivalent)
- vii. Qualified foreign investor with series as SQ (IQ equivalent)

5) Index circuit filter

In the event of Index based market-wide circuit break, trading in SME platform will also halt as applicable to the normal market in conformity with SEBI circular no. SMDRPD/Policy/Cir-37/2001 dated June 28, 2001. In such an event, all orders collected during call auction session would be cancelled.

In case Index based market-wide circuit break during the order matching period of call auction session, the same will not have any impact on matching process and the same shall be completed.

For and on behalf of
National Stock Exchange of India Ltd.

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