

# National Stock Exchange of India

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Department: SURVEILLANCE	
<b>Download Ref No:</b> NSE/SURV/67801	<b>Date:</b> April 30, 2025
<b>Circular Ref. No:</b> 322/2025	

All Members,

### **Surveillance and Investigation Consolidated Circular**

The Exchange has consolidated the circulars issued by Surveillance and Investigation department over the period to provide one single document to refer for various policy and operational matters. This circular is in consolidation of all the previous circulars issued by the Surveillance and Investigation Department.

For queries pertaining to Surveillance, you may write to us at [surveillance@nse.co.in](mailto:surveillance@nse.co.in) .  
For queries pertaining to Investigation, you may write to us at [dl-invsg-all@nse.co.in](mailto:dl-invsg-all@nse.co.in) .

**For and on behalf of**  
**National Stock Exchange of India Limited**

**Binoy Yohannan**  
**Vice President**

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### SURVEILLANCE

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1	<u>Introduction of Periodic Call Auction Session for Illiquid Securities</u>	<u>NSE/CMTR/23063</u>	March 26, 2013
2	<u>Graded Surveillance Measure</u>	<u>NSE/SURV/38389</u> <u>NSE/SURV/42790</u> <u>NSE/SURV/59425</u> <u>NSE/SURV/64066</u>	July 20, 2018 November 29, 2019 November 17, 2023 September 20, 2024
3	<u>Enhanced Surveillance Measure</u>	<u>NSE/SURV/56948</u> <u>NSE/SURV/57609</u> <u>NSE/SURV/63361</u> <u>NSE/SURV/64400</u> <u>NSE/SURV/64066</u>	June 02, 2023 July 18, 2023 August 09, 2024 October 04, 2024 September 20, 2024
4	<u>Long Term Additional Surveillance Measure</u>	<u>NSE/SURV/52090</u> <u>NSE/SURV/63362</u> <u>NSE/SURV/64066</u>	April 22, 2022 August 09, 2024 September 20, 2024
5	<u>Short Term Additional Surveillance Measure</u>	<u>NSE/SURV/46557</u> <u>NSE/SURV/52144</u> <u>NSE/SURV/58558</u> <u>NSE/SURV/64066</u>	December 04, 2020 April 28, 2022 September 25, 2023 September 20, 2024
6	<u>Periodic review of movement of securities to / from Trade for Trade</u>	<u>NSE/SURV/33844</u> <u>NSE/SURV/58561</u>	December 19, 2016 September 25, 2023
7	<u>Insolvency and Bankruptcy Code</u>	<u>NSE/SURV/55582</u>	February 10, 2023
8	<u>Applicability of measure in respect of companies with high promoter as well non - Promoter "Encumbrance" as per Reg. 28(3) of SEBI (SAST) Regulation 2011</u>	<u>NSE/SURV/51189</u>	January 31, 2022
9	<u>Surveillance measure in respect of companies with high promoter pledge</u>	<u>NSE/SURV/42507</u> <u>NSE/SURV/44169</u>	October 24, 2019 April 17, 2020
10	<u>Surveillance measure for scrips with low non-promoter holding</u>	<u>NSE/SURV/55579</u>	February 10, 2023
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13	<u>Surveillance Indicator - Update</u>	<u>NSE/SURV/55831</u>	March 01, 2023
14	<u>Surveillance Indicator - Update</u>	<u>NSE/SURV/57110</u>	June 14, 2023
15	<u>Surveillance measures for Deep Out-of-The-Money (OTM) contracts</u>	<u>NSE/SURV/42382</u>	October 11, 2019
16	<u>Member Surveillance Dashboard</u>	<u>NSE/SURV/44477</u>	May 27, 2020
17	<u>Surveillance Obligation – Quarterly reporting by Trading Members</u>	<u>NSE/SURV/48818</u> <u>NSE/SURV/49765</u>	July 01, 2021 September 29, 2021
18	<u>High Order to Trade Ratio (OTR)</u>	<u>NSE/SURV/45016</u>	July 14, 2020
19	<u>Order Based Surveillance Measure-Persistent Noise Creators</u>	<u>NSE/SURV/52992</u>	July 15, 2022
20	<u>Monitoring of Foreign Investment limits in listed Indian companies</u>	<u>NSE/SURV/37906</u> <u>NSE/SURV/50158</u>	June 04, 2018 October 29, 2021
21	<u>Unique Identifier for Algorithms</u>	<u>NSE/SURV/39958</u> <u>NSE/SURV/50154</u>	January 15, 2019 October 29, 2021
22	<u>Position limits in Equity Index Derivatives (Futures and Options)</u>	<u>NSE/SURV/43915</u> <u>NSE/SURV/46458</u>	March 22, 2020 November 25, 2020
23	<u>Placing orders at fair prices</u>	<u>NSE/SURV/55281</u>	January 17, 2023
24	<u>Additional Surveillance Margin on Trading Members for Order Spoofing</u>	<u>NSE/SURV/41107</u>	May 23, 2019
25	<u>Consolidated Penalty Structure for Surveillance</u>	<u>NSE/SURV/57315</u>	June 27, 2023
26	<u>Cautionary Messages on Trading Terminal</u>	<u>NSE/SURV/57778</u> <u>NSE/SURV/ 60281</u> <u>NSE/SURV/60574</u> <u>NSE/SURV/63563</u> <u>NSE/SURV/64402</u> <u>NSE/SURV/64924</u> <u>NSE/SURV/65097</u>	July 31, 2023 January 16, 2024 February 06, 2024 August 23, 2024 October 04, 2024 November 06, 2024 November 14, 2024

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28	<u>Reversal Trade Cancellation Mechanism (RTCM) in Equity Segment</u>	<u>NSE/SURV/62493</u>	June 18, 2024
29	<u>Reversal Trade Cancellation Mechanism (RTCM) in Equity Derivatives Segment</u>	<u>NSE/SURV/65645</u> <u>NSE/SURV/65736</u> <u>NSE/SURV/66070</u>	December 17, 2024 December 23, 2024 January 10, 2025
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32	<u>Penalty on Abnormal / Non-Genuine Transactions</u>	<u>NSE/INVG/46662</u>	December 16, 2020
33	<u>Client due diligence</u>	<u>NSE/INVG/55347</u>	January 25, 2023
34	<u>Caution towards dealing with unsolicited videos and messages circulated in social media</u>	<u>NSE/INVG/54165</u> <u>NSE/INVG/54196</u> <u>NSE/INVG/55766</u>	October 21, 2022 October 25, 2022 February 24, 2023
35	<u>Measures to instil confidence in securities market – Brokers' Institutional mechanism for prevention and detection of fraud or market abuse - update</u>	<u>NSE/INVG/65921</u>	December 31, 2024

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### **SURVEILLANCE**

#### **1. Introduction of Periodic Call Auction Session for Illiquid Securities** **(NSE/CMTR/23063 dated March 26, 2013)**

SEBI vide its circular no. CIR/MRD/DP/38 /2013 dated December 19, 2013, had Rationalized criteria for identifying Illiquid Scrip's which shall trade in Periodic Call Auction and had provided the following criteria for identifying illiquid securities:

- Average daily turnover of less than Rs.2 lakhs calculated for previous two quarters; and
- The scrip is classified as illiquid at all Exchanges where it is traded.

Further, average daily trading turnover shall be computed as daily trading turnover /total no of available trading days in a month (including any special trading days). For the purpose of computation of turnover, all trades in EQ, BE, BT, IL and BL series shall be considered. Securities available for trading but not traded shall also be considered.

It may be noted that following exclusions shall be made whilst drawing up the above list as agreed between the Exchanges:

- Securities commencing trading during the quarter will be excluded. However, security made available for trading on the first day of the beginning of the quarter shall be considered.
- Exchange traded funds (ETF) and Mutual Funds to be excluded.
- Securities having derivative products or trading at No price band shall be excluded.
- Equity Linked securities (i.e., partly paid-up equity shares/convertible warrants E1, W1 etc....), DVR, debt instruments, preference shares to be excluded.

The securities satisfying the above criteria shall be available for trading only through periodic call auction (circular no. NSE/CMTR/23063 dated March 26, 2013). This list shall be reviewed every quarter. Securities shall be moved from periodic call auction mechanism to normal trading session if the following criteria are met:

- The scrip has remained in periodic call auction for at least two quarters.
- It is not classified as illiquid as per criteria mentioned above.
- Further, Scrip will be moved out from periodic call auction if the following exclusion criteria are met:
  - Scripts with average market capitalization more than Rs.10Cr; or
  - (Mcap of last working day of preceding two quarters will be considered. For example, Average of Mcap as on September 30, 2013, and December 31, 2013)
  - Scripts where company is paying dividend in at least two out of last three years; or

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- (Dividend declared in the previous 3 financial years will be considered. For example, FY 2010- 11, 2011- 12, 2012- 13)
- Scrips where company is profitable in at least 2 out of last 3 years, and not more than 20% of promoter's shareholding is pledged in the latest quarter and book value is 3 times or more than the face value.
- (Consolidated/Standalone profits of previous 3 financial years will be considered. For example, FY 2010- 11, 2011- 12, 2012- 13)
- Securities under GSM stage III/IV or under ASM IBC Stage I/II during the review period then it shall be exempted from shortlisting under PCAS.

The scrips satisfying the above criteria shall be shortlisted as Illiquid securities and will be a part of Periodic Call Auction Session. Rest all will be move out of Periodic Call Auction Session. This list shall be reviewed every quarter.

Further to the above-mentioned criteria in case of securities moving out of PCAS following criteria will also be considered: -

SEBI vide its Circular Nos CIR/ISD/3/2011 dated June 17, 2011, SEBI/Cir/ISD/1/2012 dated March 30, 2012 and SEBI directions dated October 25, 2013 related to "promoter shareholding less than 99% in demat form" had provided that all non-compliant companies which are in Trade for Trade, Periodic Call Auction Session or under suspension shall remain under Trade for Trade till the time the promoters of the respective companies fully comply with the said SEBI norms.

The list of common illiquid scrips shall be prepared on the 4th working trading day of the quarter, in co-ordination with other Exchanges. A circular to that effect shall be issued on the same day (circular shall be effective on 2nd working Monday of the quarter). Further, the list shall be forwarded to CM Trade department for necessary action.

## **2. Graded Surveillance Measure**

**(NSE/SURV/38389 dated July 20, 2018, NSE/SURV/42790 dated November 29, 2019, NSE/SURV/59425 dated November 17, 2023 and NSE/SURV/64066 dated September 20, 2024)**

Graded Surveillance Measure is a pre-emptive surveillance measure introduced to enhance market integrity and safeguard interest of investors. It is implemented on securities that witness an abnormal price rise not commensurate with financial health and fundamentals like Earnings, Book value, Fixed

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assets, Net-worth, P/E multiple, etc. Upward revision is done daily. Lower revision is done monthly. The working for inclusion and exclusion of securities from GSM framework is done on a quarterly basis.

The list of such securities identified under GSM shall be informed to the market participants from time to time and shall be available on the exchange's website.

#### **Graded Surveillance Measures (GSM) - Shortlisting of Securities- Mainboard**

1. The detailed criteria for shortlisting & review of securities under GSM Framework is given below:

##### **Criteria I:**

The following criteria shall be made applicable for inclusion of securities under GSM Framework.

1. Securities with latest available Net worth (Share Capital + Reserves & Surplus – debit balance in P&L) less than or equal to Rs. 10 crores;

**AND**

2. Securities with latest available Net Fixed Assets (Tangible Assets + Capital Work in Progress) less than or equal to Rs. 25 crores;

**AND**

3. Securities with PE greater than 2 times PE of Benchmark Index (Nifty 500) OR negative PE.

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

1. Securities where the price discovery is yet to take place as per the provision of SEBI circulars CIR/MRD/DP/01/2012 and CIR/MRD/DP/02/2012 dated January 20, 2012.
2. Securities already under suspension;
3. Securities on which derivative products are available;
4. Securities as a part of any index (NSE or BSE);
5. Securities listed during last 1 year through Initial Public Offering (IPO);
6. Securities which have paid a dividend for each of the last three preceding years;
7. Securities with Institutional holding greater than 10% only if the following conditions are met:

If the promoter entity has not offloaded any share in the last 5 years;

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**AND**

The current trading price of the security is within the range of High & Low price in last 3 years of the respective security.

8. Securities listed through Scheme of Arrangement involving Merger / Demerger during last 1 year:
- i. In case of demerger, the following condition shall be applicable:
    - If the parent company is under purview of GSM, the resultant demerged companies shall also attract GSM.
    - If the parent company is not under purview of GSM, the resultant demerged companies shall not be part of GSM at the time of demerger and shall be considered during the subsequent quarterly review.
  - ii. In case of merger of companies, if any of the securities at time of merger are under the purview of GSM, then the same shall be continued on the resultant entity.

**Criteria II:**

The following criteria shall be made applicable for inclusion of securities.

- 1) Securities with full market capitalization less than Rs. 25 crore;

**AND**

- 2) Securities with PE greater than 2 times PE of Benchmark Index (Nifty 500);

**OR**

- 3) Securities with negative PE, the following should be considered:

P/B (Price to Book) value of scrip greater than 2 times the P/B value of Benchmark Index (Nifty 500)

**OR**

P/B value is negative

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



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Identification / Review of securities for Graded Surveillance Measures shall be carried out on a quarterly basis. Securities placed under GSM Framework shall be reviewed and securities not meeting the inclusion Criteria - I & II shall be moved out of the GSM framework.

The review shall be carried out based on latest available quarterly consolidated / standalone results filed by the companies as per preference opted by companies under the SEBI (LODR) Regulations, 2015, which are submitted within 45 days from end of quarter and in case of annual results, within 60 days from end of their financial year.

#### **Graded Surveillance Measures (GSM) - Shortlisting of Securities- SME segment**

##### **Criteria I:**

Securities with latest available Net worth (Share Capital + Reserves & Surplus – debit balance in P&L) less than or equal to Rs. 5 crores

**AND**

Securities with latest available Net Fixed Assets (Tangible Assets + Capital Work in Progress) less than or equal to Rs. 10 crores

**AND**

PE greater than PE of NIFTY 500 / S&P BSE 500 as on cutoff date OR PE  $\leq 0$

##### **Criteria II:**

Securities with full market capitalization\* less than Rs. 10 crores;

**AND**

Securities with PE greater than PE of Nifty 500 / S&P BSE 500.

**OR**

Securities with negative PE, P/B (Price to Book) value of scrip greater than P/B value of Nifty 500 / S&P BSE 500 OR P/B value is negative.

\*Average Full Market Capitalization

The review shall be carried out based on latest available half yearly consolidated / standalone results filed by the companies as per preference opted by companies under the SEBI (LODR) Regulations,

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2015, which are submitted within 45 days from end of quarter and in case of annual results, within 60 days from end of their financial year.

<b>GSM Stages</b>	<b>Surveillance Actions</b>
I	Applicable margin rate shall be 100% and price band of 5% or lower as applicable
II	Trade for Trade with price band of 5% or lower as applicable and Additional Surveillance Deposit (ASD) of 50% of trade value to be deposited by the Buyers
III	Trade for Trade with price band of 5% or lower as applicable and Trading permitted once a week (Every Monday / 1st trading day of the week) and ASD (100% of trade value) to be deposited by the Buyers
IV	Trade for Trade with price band of 5% or lower as applicable and Trading permitted once a week (Every Monday / 1st trading day of the week) and ASD (100% of trade value) to be deposited by the Buyers with no upward movement.

## Extension of Graded Surveillance Measure (GSM) on Public Sector Undertaking (PSU) companies

As per Joint Surveillance Meeting of Exchanges and SEBI held on September 20, 2024, the extant Graded Surveillance Measure (GSM) was reviewed, and it was decided to extend them to Public Sector Undertaking (PSU) companies.

Further, all other provisions of the previous Exchange Circulars w.r.t GSM shall remain unchanged.

The amended framework shall be applicable from September 23, 2024 and the list of PSU/other scrips shortlisted (if any) as per the amended framework shall be published separately.

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### 3. Enhanced Surveillance Measure

**(NSE/SURV/56948 dated June 02, 2023, NSE/SURV/57609 dated July 18, 2023, NSE/SURV/63361 dated August 09, 2024, NSE/SURV/64400 dated October 04, 2024 and NSE/SURV/64066 dated September 20, 2024)**

SEBI and Exchanges in a joint meeting have introduced ESM framework for Micro-Small Companies (market cap less than 500 crores) with effect from June 05, 2023.

Further, as per Joint Surveillance Meeting of Exchanges and SEBI held on August 09, 2024, the extant ESM Framework was reviewed, and it was decided to extend the framework to main board companies having Market Capitalisation of less than 1000 Crs.

During the meeting held on October 4, 2024 between Exchanges and SEBI, it was decided that the extant ESM Framework shall be extended to stock listed under SME segment.

The following criteria shall be made applicable for selection of stocks in the Enhanced Surveillance Measure:

**A. Shortlisting criteria:** 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 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 Companies as defined above).

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**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:

- 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%)	Trade for Trade settlement  AND  100% Margin  AND

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Stage	Conditions for Entry	Action
	<b>OR</b>  b) On a monthly basis: Close-to-Close Variation ( <i>based on corporate action adjusted prices</i> ) $\geq$ (+30%)	Trading permitted with +/- 2% price band on all trading days under Periodic Call Auction.

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.

### Extension of Enhanced Surveillance Measure (ESM) on Public Sector Undertaking (PSU) companies

As per Joint Surveillance Meeting of Exchanges and SEBI held on September 20, 2024, the extant Enhanced Surveillance Measure (ESM) was reviewed, and it was decided to extend them to Public Sector Undertaking (PSU) companies.

Further, all other provisions of the previous Exchange Circulars w.r.t. ESM shall remain unchanged.

The amended framework shall be applicable from September 23, 2024 and the list of PSU/other scrips shortlisted (if any) as per the amended framework shall be published separately.

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#### **4. Long Term Additional Surveillance Measure**

**(NSE/SURV/52090 dated April 22, 2022, NSE/SURV/63362 dated August 09, 2024 and NSE/SURV/64066 dated September 20, 2024)**

As per Joint Surveillance meeting of the Exchanges and SEBI held on April 22, 2022, the following criteria shall be applicable for shortlisting of stocks under Long Term ASM framework:

**A)** The following SEVEN criteria shall be made applicable for selection of stocks in the Long Term ASM Framework.

**1)** High–Low Price Variation (*based on corporate action adjusted prices*) in 3 months  $\geq$  (150% + Beta ( $\beta$ ) of the stock \* Nifty 50 variation)

**AND**

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

**AND**

Market Capitalization > Rs. 100 Crore as on review date.

**2)** Close–to–Close Price Variation (*based on corporate action adjusted prices*) in the last 60 trading days  $\geq$  (100% + Beta ( $\beta$ ) of the stock \* Nifty 50 variation).

**AND**

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

**AND**

Market Capitalisation > Rs. 100 Crore as on review date.

**3)** Close–to–Close Price Variation (*based on corporate action adjusted prices*) in 365 days  $\geq$  (100% + Beta ( $\beta$ ) of the stock \* Nifty 50 variation)

**AND**

High–Low Price Variation (*based on corporate action adjusted prices*) in 365 days  $\geq$  (200% + Beta ( $\beta$ ) of the stock \* Nifty 50 variation)

**AND**

Market Capitalisation > Rs. 500 Crore as on review date

**AND**

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

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- 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)

**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**

Market Capitalisation  $> \text{Rs. } 500$  Crore as on review date

**AND**

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

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%.

- 5) Close to Close price variation  $> 25\% + (\text{Beta} * \text{Nifty 50 Variation})$  in a month

**AND**

PE negative OR  $> 2$  times of PE of Nifty 50

**AND**

Market Capitalisation  $< \text{Rs. } 500$  Crores as on review date.

- 6) Close-to-Close price variation of the SME stock  $\geq \pm 25\% + (\text{Beta } (\beta) \text{ of the stock} * \text{NIFTY SME EMERGE Index Variation})$  in 15 days

**OR**

Close-to-Close price variation of the SME stock  $\geq \pm 50\% + (\text{Beta } (\beta) \text{ of the stock} * \text{NIFTY SME EMERGE Index Variation})$  in 30 days

**OR**

Close-to-Close price variation of the SME stock  $\geq \pm 90\% + (\text{Beta } (\beta) \text{ of the stock} * \text{NIFTY SME EMERGE Index Variation})$  in 3 months

**AND**

PE of the stock is negative OR PE of the stock  $\geq 2$  times the PE of NIFTY SME EMERGE Index.

**Note:**

For stagewise surveillance action on SME stock after inclusion in Long Term ASM criteria 6:

- Price variation  $\geq (+ 25\% + \text{Beta } (\beta) \text{ of the SME stock} * \text{NIFTY SME EMERGE Index Variation})$  shall be considered.

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- ii. Concentration of Top 25 clients excluding market makers shall be considered.

**7) Scrips with price band of  $\pm 10\%$ ,  $\pm 5\%$ ,  $\pm 2\%$**

**AND**

Close-to-Close Price Variation (*based on corporate action adjusted prices*) in 365 days  $\geq$  (200% + Beta ( $\beta$ ) of the stock \* Nifty 50 variation)

**AND**

High-Low Price Variation (*based on corporate action adjusted prices*) in 365 days  $\geq$  (300% + Beta ( $\beta$ ) of the stock \* Nifty 50 variation)

**AND**

Market Capitalisation > Rs. 1000 Crores as on review date

**AND**

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

Action on the stocks shortlisted as per Criteria 7:

- The shortlisted scrips shall be placed directly in Stage IV of Long Term ASM w.e.f. beginning of T+3 days (T Day being the day on which scrip was shortlisted).
- The shortlisted scrips shall be retained in Stage IV for a minimum period of 90 calendar days.
- Post completion of 90 calendar days, such scrips shall be subjected to stage-wise review (that is at present undertaken on weekly basis by the Stock Exchanges).

Securities completing 90 calendar days in Long-term ASM Framework would be eligible for exit from the framework subject to stage-wise exit.

In addition to the above, the stocks satisfying the below criteria after inclusion / stage - wise movement under the Long Term ASM shall be placed in Stage IV of Long Term ASM and shall be retained in Stage IV till such time the stocks satisfy the criteria:

Non-promoter holding in the stock < 25%

**AND**

Price Variation as under:

High-Low Price Variation (*based on corporate action adjusted price*) in 1 month  $\geq$  (50% + Beta ( $\beta$ ) of the stock \* Nifty variation)

**OR**



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High-Low Price Variation (based on corporate action adjusted price) in 3 months  $\geq$  (100% + Beta ( $\beta$ ) of the stock \* Nifty variation)

**OR**

High-Low Price Variation (based on corporate action adjusted price) in 6 months  $\geq$  (200% + Beta ( $\beta$ ) of the stock \* Nifty variation)

- ❖ Note: The Beta ( $\beta$ ) factor shall be applicable only in case of positive index variation. The securities satisfying any of the above six criteria shall be shortlisted under Long-term ASM.

The following securities shall be excluded from the process of shortlisting of securities under **Long Term ASM**:

- ❖ Securities already under Graded Surveillance Measure (GSM)
- ❖ Securities already under Trade for Trade

- B)** The applicable surveillance action on shortlisted scrip's based on the above criteria shall be as follows:

Stage wise Surveillance action after inclusion in Long Term ASM:

Stage	Conditions for Entry	Action
I	Identification of securities based on entry criteria	Applicable margin shall be 100% from T+3 day
II	<p>Stocks which are already in Stage I 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>) <math>\geq</math> (25% + Beta (<math>\beta</math>) of the stock * Nifty 50 variation)</p> <p><b>AND</b></p> <p>Concentration of Top 25 clients <math>\geq</math> 30% of combined trading volume of NSE &amp; BSE in the stock in last 30 days.</p>	Reduction of price band to next lower level and applicable margin shall be 100% from T+3 day
III	Stocks which are already in Stage II of Long term ASM, satisfying the following conditions in 5 consecutive trading days:	Further reduction of price band to next lower level and applicable margin shall be 100% from T+3 day

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Stage	Conditions for Entry	Action
	Close-to-Close Variation $\geq (25\% + \text{Beta } (\beta) \text{ of the stock } * \text{ Nifty 50 variation})$ <b>AND</b> Concentration of Top 25 clients account $\geq 30\%$ of combined trading volume of NSE & BSE in the stock in last 30 days	
IV	Stocks which are already in Stage III 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> ) $\geq (25\% + \text{Beta } (\beta) \text{ of the stock } * \text{ Nifty 50 variation})$ <b>AND</b> Concentration of Top 25 clients $\geq 30\%$ of combined trading volume of NSE & BSE in the stock in last 30 days	Settlement shall be on Gross basis with 100% margin for all clients and 5% price band.

(Refer Exchange Circulars - NSE/SURV/46557 dated December 04, 2020 & NSE/SURV/48506 dated June 04, 2021 & NSE/SURV/52090 dated April 22, 2022)

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

The applicable surveillance action on shortlisted scrip's based on the above criteria shall be as follows:  
 Stage wise Surveillance action after inclusion in Long Term ASM:

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:

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

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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 (based on corporate action adjusted prices) $\geq (25\% + \text{Beta } (\beta) \text{ of the stock } * \text{ Nifty 50 variation})$ AND Concentration of Top 25 clients $\geq 30\%$ of combined trading volume of NSE & BSE in the stock in last 30 days.	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 higher in case of underlying (equity) & F&O contracts from T+3 day.
III	Stocks which are already in Stage II of Long term ASM, satisfying the following conditions in 5 consecutive trading days: Close-to-Close Variation $\geq (25\% + \text{Beta } (\beta) \text{ of the stock } * \text{ Nifty 50 variation})$ AND Concentration of Top 25 clients account $\geq 30\%$ of combined trading volume of NSE & BSE in the stock in last 30 days	MWPL to be reduced to 50% 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 higher in case of underlying (equity) & F&O contracts from T+3 day.
IV	Stocks which are already in Stage III of Long term ASM, satisfying the following conditions in 5 consecutive trading days: Close-to-Close Variation (based on corporate action adjusted prices) $\geq (25\% + \text{Beta } (\beta) \text{ of the stock } * \text{ Nifty 50 variation})$ AND Concentration of Top 25 clients $\geq 30\%$ of combined trading volume of NSE & BSE in the stock in last 30 days.	MWPL to be retained to 50% of applicable limit (w.r.t F&O contracts) from T+3 day. AND 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. AND No fresh contracts to be issued from T+1 day##. After the expiry of existing contracts,

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Stage	Conditions for Entry	Action
		Gross settlement & (± 5 % price band) in underlying (equity).

### Review Period and Exit

- i. Securities completing 90 calendar days in Long-term ASM Framework would be eligible for exit from the framework subject to stage-wise exit as mentioned below.
- ii. The stage-wise review of stocks shall be on a weekly basis.
- iii. Exit for stocks shall be in stages as under:
  - ✚ Stocks in Stage I shall be eligible for exit from Long-term ASM framework subject to such stocks not meeting the entry criteria of Long-term ASM
  - ✚ Stocks in Stage IV shall move to Stage III if such stocks do not meet the entry criteria for Stage IV
  - ✚ Stocks in Stage III shall move to Stage II if such stocks do not meet the entry criteria for Stage III
  - ✚ Stocks in Stage II shall move to Stage I if such stocks do not meet the entry criteria for Stage II

### Extension of Long-Term Additional Surveillance Measure (LT-ASM) on Public Sector Undertaking (PSU) companies

As per Joint Surveillance Meeting of Exchanges and SEBI held on September 20, 2024, the extant Long-Term Additional Surveillance Measure (LT-ASM) was reviewed, and it was decided to extend them to Public Sector Undertaking (PSU) companies.

Further, all other provisions of the previous Exchange Circulars w.r.t. LT-ASM shall remain unchanged.

The amended framework shall be applicable from September 23, 2024 and the list of PSU/other scrips shortlisted (if any) as per the amended framework shall be published separately.

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### 5. Short-term Additional Surveillance Measure (Short-term ASM)

(NSE/SURV/46557 dated December 04, 2020, NSE/SURV/52144 dated April 28, 2022 and NSE/SURV/64066 dated September 20, 2024)

#### Mainboard

As per Joint Surveillance meeting of the Exchanges and SEBI the following criteria shall be applicable for shortlisting of stocks under Short Term ASM framework:

#### a) Stage I

Criteria for Identification of stocks:

Stocks witnessing Close-to-Close Price Variation  $\geq (\pm 25\% + \text{Beta } (\beta) \text{ of the stock } \times \text{ Nifty 50 variation})$  in 5 trading days.

**AND**

Concentration of Top 25 clients  $\geq 30\%$  of combined trading volume of NSE & BSE in the stock in 5 trading days.

Stocks witnessing Close-to-Close Price Variation  $\geq (\pm 40\% + \text{Beta } (\beta) \text{ of the stock } \times \text{ Nifty 50 variation})$  in 15 trading days.

**AND**

Concentration of Top 25 clients account  $\geq 30\%$  of combined trading volume of NSE & BSE in the stock in 15 trading days.

**OR**

**For Stocks with a market capitalization more than INR 100 crore and less than or equal to INR 500 crore**

High Low Variation on a one-month basis greater than 75%

**AND**

Average Unique PANs trading in the scrip in last one month  $< 100$

**For Stocks with a market capitalization greater than INR 500 crore**

High Low Variation on a one-month basis greater than 75%

**AND**

Average Unique PANs trading in the scrip in last one month  $< 200$

Stocks identified as per any of the above four criteria in any of the Exchanges shall be shortlisted under the framework.

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Action on the shortlisted stocks:

1. On identification of above stocks, clarification shall be sought from the company about any corporate announcement, if any that has not been disseminated to market. The clarification, so received shall be disseminated to the market.
2. A Surveillance dashboard shall also be displayed on the Exchange website mentioning the names of such stocks and other relevant details for the information of the investors.
3. Applicable margin rate for the shortlisted stock shall be 50% or existing margin, whichever is higher, subject to maximum rate of margin capped at 100%.

### b) Stage II

Criteria:

Stocks witnessing Close-to-Close Price Variation  $\geq (\pm 25\% + \text{Beta } (\beta) \text{ of the stock } \times \text{ Nifty 50 variation})$  in any 5 consecutive trading days during the 15 days following the inclusion in Stage I.

**AND**

Concentration of Top 25 clients  $\geq 30\%$  of combined trading volume of NSE & BSE in the stock during the above mentioned 5 days period.

**OR**

Stocks witnessing Close-to-Close Price Variation  $\geq (\pm 25\% + \text{Beta } (\beta) \text{ of the stock } \times \text{ Nifty 50 variation})$  in any 15 consecutive trading days during the 45 days following the inclusion in Stage I.

**AND**

Concentration of Top 25 clients  $\geq 30\%$  of combined trading volume of NSE & BSE in the stock during the above mentioned 15 days period.

### Action on the shortlisted stocks:

Applicable margin rate for the shortlisted stock shall be 100% or existing margin, whichever is higher, subject to maximum rate of margin capped at 100%.

The following securities shall be excluded from the process of shortlisting of securities under **Short Term ASM**:

- ❖ Public Sector Enterprises and Public Sector Banks
- ❖ Securities already under Graded Surveillance Measure (GSM)
- ❖ Securities already under Trade for Trade

### Exit Criteria

1. The stocks shall be retained in each stage as applicable for a minimum period of 5/15 trading days and shall be eligible for review from 6<sup>th</sup> / 16<sup>th</sup> Trading day onwards.
2. Accordingly, if a stock is not meeting entry criteria on the review date, it would be moved out of Short-term ASM framework.

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3. As long as a stock continues to meet the criteria for Short-term ASM without attracting the criteria for Long-term ASM, the stock will continue to be subjected to the Stage II ASM framework.
4. If the stock moves to Long-term ASM framework, the above mentioned Short-term ASM provisions shall not apply to the stock.

As per circular NSE/SURV/52144 dated April 28, 2022 the extant Short Term ASM Framework shall be extended to:

**A)** Derivative stock (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

#### **Action on the stocks shortlisted as per above criteria:**

The following margins would be applied

i. **For Shortlisted Derivative stocks:**

Stage 1- 50% or existing total margins whichever is higher, subject to maximum rate of margins capped at 100%

Stage 2- 100% or existing total margins whichever is higher, subject to maximum rate of margins capped at 100%

ii. **For corresponding Futures and Options contracts (pertaining to stocks shortlisted in point A):**

Stage 1- 50% or existing total margins, whichever is higher

Stage 2- 100% or existing total margins, whichever is higher

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

#### **Short-Term Additional Surveillance Measure (ST-ASM) framework for SME Segment**

As per Joint Surveillance Meeting of Exchanges and SEBI, the extant Short Term ASM (ST-ASM) Framework shall be extended to Small and Medium Enterprises (SME) stocks subject to certain changes. Accordingly, the ST-ASM framework applicable for SME stocks shall be as per Annexure.

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Market participants may note that ST-ASM 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 ST-ASM is purely on account of market surveillance, and it should not be construed as an adverse action against the concerned company / entity.

### Annexure

#### **Short-term Additional Surveillance Measure (Short-term ASM)- SME segment**

#### **Criteria for identification of Stocks:**

##### **A. Stage I**

##### **Criteria – 5/15 Days**

Stocks witnessing Close-to-Close Price Variation  $\geq (\pm 25\% + \text{Beta } (\beta) \text{ of the stock } \times \text{ S\&P BSE 500/Nifty 500 variation})$  in 5 trading days.

**AND**

Concentration of Top 25 clients  $\geq 30\%$  of combined trading volume of NSE & BSE in the stock in 5 trading days. Concentration excluding market makers shall be considered.

Stocks witnessing Close-to-Close Price Variation  $\geq (\pm 40\% + \text{Beta } (\beta) \text{ of the stock } \times \text{ S\&P BSE 500/Nifty 500 variation})$  in 15 trading days.

**AND**

Concentration of Top 25 clients  $\geq 30\%$  of combined trading volume of NSE & BSE in the stock in 15 trading days. Concentration excluding market makers shall be considered.

##### **Criteria – 30 Days**

##### **For Stocks with a market capitalization more than INR 100 crore**

High Low Variation on a one-month basis greater than  $(75\% + \text{Beta } (\beta) \text{ of the stock } \times \text{ S\&P BSE Sensex/Nifty 500 variation})$

**AND**

Average Unique PANs trading in the scrip in last one month  $< 25$

Stocks identified as per the above criteria in any of the exchanges shall be shortlisted under the framework.



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### **Action on the shortlisted stocks (Stage I):**

- I. Applicable rate of margin shall be 50% or existing total margins whichever is higher, subject to maximum rate of margins capped at 100%.
- II. On identification of stocks, Exchange shall seek clarification from the company whether there is any corporate announcement that has not been disseminated to market. The clarification so received shall be disseminated to the market.
- III. A surveillance dashboard shall also be displayed on the Exchange website mentioning the names of such stocks and other relevant details to inform the investors.

### **B. Stage II**

#### **Criteria for identification of Stocks:**

##### **Criteria – 5/15 Days**

Stocks witnessing Close-to-Close Price Variation  $\geq (\pm 25\% + \text{Beta } (\beta) \text{ of the stock } \times \text{ S\&P BSE 500/Nifty 500 variation})$  in 5 consecutive trading days during the 15 days following the inclusion in Stage I.

##### **AND**

Concentration of Top 25 clients  $\geq 30\%$  of combined trading volume of NSE & BSE in the stock during the above mentioned 5 trading days. Concentration excluding market makers shall be considered.

Stocks witnessing Close-to-Close Price Variation  $\geq (\pm 25\% + \text{Beta } (\beta) \text{ of the stock } \times \text{ S\&P BSE 500/Nifty 500 variation})$  in 15 consecutive trading days during the 45 days following the inclusion in Stage I.

##### **AND**

Concentration of Top 25 clients  $\geq 30\%$  of combined trading volume of NSE & BSE in the stock during the above mentioned 15 trading days. Concentration excluding market makers shall be considered.

Stocks identified as per the above criteria in any of the exchanges shall be shortlisted under the framework.

### **Action on the shortlisted stocks (Stage II):**

Applicable rate of margin shall be 100% or existing total margins whichever is higher, subject to maximum rate of margins capped at 100%.

#### **❖ Exit Criteria**

1. The stocks shall be retained in each stage as applicable for a minimum period of 5 / 15 trading

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- days/1 month and shall be eligible for review from 6<sup>th</sup> / 16<sup>th</sup> trading day/ 1month onwards.
2. Stock shall continue to remain under appropriate stages of ST-ASM framework if it meets the entry criteria as on the review date or if it does not qualify under any other Surveillance framework warranting more stringent action.

### **Extension of Short-Term Additional Surveillance Measure (ST-ASM) on Public Sector Undertaking (PSU) companies**

As per Joint Surveillance Meeting of Exchanges and SEBI held on September 20, 2024, the extant Short-Term Additional Surveillance Measure (ST-ASM) was reviewed, and it was decided to extend them to Public Sector Undertaking (PSU) companies.

Further, all other provisions of the previous Exchange Circulars w.r.t. ST-ASM shall remain unchanged.

The amended framework shall be applicable from September 23, 2024 and the list of PSU/other scrips shortlisted (if any) as per the amended framework shall be published separately.

### **6. Periodic review of movement of securities to / from Trade for Trade** **(NSE/SURV/33844 dated December 19,2016 and NSE/SURV/58561 dated** **September 25, 2023)**

The scrips in Trade for Trade segment are made available for trading under BE series. The settlement of scrips available in this segment is done on a trade for trade basis and no netting off is allowed. The criteria for shifting scrips to/from Trade for Trade segment are decided jointly by the Stock Exchanges in consultation with SEBI and reviewed periodically.

The process of identifying the securities moving to Trade for Trade segment is done on a fortnightly basis while securities moving to/from Trade to Trade is done on a quarterly basis. This review is applicable to all securities irrespective of Price Bands.

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### TFT Fortnightly Criteria -Mainboard

#### Price Earnings Multiple (P/E)

Price Earnings Multiple (P/E) less than equal to 0 or greater than or equal to upper limit # subject to a minimum of 25 as on the relevant date.

(# If Nifty P/E on the relevant date is in the range of 15-20, then the upper limit will be 30. If Nifty P/E >20 or <15 then the difference rounded off to nearest number will be added to or subtracted from 30).

**AND**

#### Price variation

- Fortnightly Price Variation is greater than or equal to Sectoral Index\* or Nifty 500 Index Fortnightly Variation plus 25% subject to a minimum of 10%.
- (\*In case a particular Sectoral Index is available only on one exchange the other exchange shall also use the same to compare price variation in securities of the concerned sector for the purpose of shifting to Trade for Trade segment).

**AND**

#### Market Capitalisation

- Less than equal to Rs. 500 crores as on relevant date.

#### Exceptions:

The following securities shall be excluded from the Fortnightly review process:

- Securities with Dynamic Price Bands.
- Newly listed securities (IPO) and the securities which are made available for trading in Trade for Trade segment for the first 10 trading days with applicable price band, while keeping the price band open on the first day of trading as per SEBI circular bearing no SEBI/Cir/ISD/1/2010 dated September 2, 2010.  
Securities transferred out of Trade for Trade settlement to Rolling settlement as per quarterly Trade for Trade Review Exercise will not be considered in the immediate following fortnightly Trade for Trade review for shifting it back to Trade for Trade.

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#### Quarterly Trade for Trade Criteria- Mainboard

Securities satisfying the following criteria on the date of review shall be shifted to Trade for Trade. The securities satisfying any of the following criteria A, B, C or D shall be transferred to Trade for Trade segment.

#### Criteria A

- Price Earnings Multiple (P/E) less than or equal to 0 or greater than or equal to upper limit # subject to a minimum of 25 as on the relevant date

**AND**

- Price Variation greater than or equal to 25% plus Sectoral Index\* / Nifty 500 variation in the last 2 fortnights; subject to a minimum of 10%

**AND**

- Volatility greater than three times Nifty volatility over a period of 6 fortnights. Volatility is computed as standard deviation of log normal close to close returns.

**OR**

#### Criteria B

- Price Earnings Multiple (P/E) greater than 0 0 but less than the upper limit # subject to a minimum of 25 as on the relevant date

**AND**

- Price Variation greater than or equal to 50% plus Sectoral Index / Nifty 500 variation in the last 2 Fortnights

**AND**

- Volatility greater than three times Nifty volatility over a period of 6 Fortnights.

**OR**

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### Criteria C

Criteria C shall be applicable to securities with a market capitalization of less than 2 times of the market capitalization\*\* arrived at for the review.

- Average daily volume variation for 2 Fortnights over previous 2 Fortnights greater than 200% + Average volume variation of Nifty 500 constituents. (computed as average of average volume variation month over month across the constituents as on relevant date, rounded off to the nearest 5%), subject to minimum of 200% (average daily volume in the recent 2 Fortnights being more than 1000 shares)

**AND**

- Concentration (Gross Purchase plus Gross Sales) of Top 10 Clients on the basis of PAN during the 2 Fortnights more than 25%

**AND**

- Price Variation greater than or equal to 25% plus Sectoral Index / Nifty 500 variation in the last 2 Fortnights, subject to a minimum of 10%.

**OR**

### Criteria D

- Number of non-promoter shareholders less than 500 as per the latest shareholding pattern available with the Exchange.

(# If Nifty P/E on the relevant date is in the range of 15-20, then the upper limit will be 30. If Nifty P/E > 20 or < 15 then the difference rounded off to nearest number will be added to or subtracted from 30).

(\*In case a particular Sectoral Index is available only on one exchange the other exchange shall also use the same to compare price variation in securities of the concerned sector for the purpose of shifting to Trade for Trade segment).

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(\*\*Market capitalization threshold shall be linked to the Nifty / Sensex movement between December 01, 2003 taking base as Rs. 200 crores and present quarterly relevant date (after rounding off to the nearest Rs. 50 crores of higher of Nifty / Sensex movement) but restricted to an upper limit of 500 crores.)

Securities moving out of Trade for Trade segment would be placed under 5 % price band until the next review for upward revision of Price bands.

#### Dropping Criteria

The following dropping Criteria shall be applied on the securities eligible to move to Trade for Trade as per above Criteria:

- Market Capitalization is greater than Rs. 500 crores as on relevant date

**AND**

- Institutional Holding is more than 20%

**OR**

- Securities where company is paying dividend or issued bonus shares (and no dividend) in at least two out of last three years.

#### Exceptions:

The following securities shall be excluded from the Quarterly review process:

- Securities with Dynamic Price Bands.

**OR**

- Newly listed securities (IPO) and the securities which are made available for trading in Trade for Trade segment for the first 10 trading days with applicable price band, while keeping the price band open on the first day of trading as per SEBI circular bearing no SEBI/Cir/ISD/1/2010 dated September 2, 2010.

**OR**

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- Securities transferred to Trade for Trade segment as per immediate preceding fortnightly Trade to Trade Review Exercise will not be considered for review for shifting it back to Rolling Settlement.

#### **TFT Fortnightly Criteria -SME segment**

##### **Price Earnings Multiple (P/E)**

Price Earnings Multiple (P/E) less than equal to 0 or greater than or equal to upper limit # subject to a minimum of 25 as on the relevant date.

(# If Nifty P/E on the relevant date is in the range of 15-20, then the upper limit will be 30. If Nifty P/E >20 or <15 then the difference rounded off to nearest number will be added to or subtracted from 30).

##### **AND**

2. Fortnightly Price Variation is greater than or equal Nifty 500 / S&P BSE 500 ## Index Fortnightly Variation plus 25% subject to a minimum of 10%.

##### **AND**

3. Market Cap less than equal to Rs. 100 crores as on relevant date

##### **Exceptions:**

The following securities shall be excluded from the Fortnightly review process:

- Securities with Dynamic Price Bands.
- Newly listed securities (IPO) and the securities which are made available for trading in Trade for Trade segment for the first 10 trading days with applicable price band, while keeping the price band open on the first day of trading as per SEBI circular bearing no SEBI/Cir/ISD/1/2010 dated September 2, 2010.
- Securities transferred out of Trade for Trade settlement to Rolling settlement as per quarterly Trade for Trade Review Exercise will not be considered in the immediate following fortnightly Trade for Trade review for shifting it back to Trade for Trade.

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### Quarterly Trade for Trade Criteria- SME segment

#### Criteria A

- Price Earnings Multiple (P/E) less than or equal to 0 or greater than or equal to upper limit # subject to a minimum of 25 as on the relevant date

**AND**

- Price Variation greater than or equal to 25% plus Nifty 500 variation in the last 2 fortnights; subject to a minimum of 10%

**AND**

- Volatility greater than three times Nifty volatility over a period of 6 fortnights. Volatility is computed as standard deviation of log normal close to close returns.

**OR**

#### Criteria B

- Price Earnings Multiple (P/E) greater than 0 but less than the upper limit # subject to a minimum of 25 as on the relevant date

**AND**

- Price Variation greater than or equal to 50% plus Nifty 500 variation in the last 2 Fortnights

**AND**

- Volatility greater than three times Nifty volatility over a period of 6 Fortnights.

**OR**

#### Criteria C

Market capitalization of less than 100 crores.

- Average daily volume variation for 2 Fortnights over previous 2 Fortnights greater than 200% + Average volume variation of Nifty 500 constituents. (computed as average of average volume variation month over month across the constituents as on relevant date, rounded off to the nearest 5%), subject to minimum of 200% (average daily volume in the recent 2 Fortnights being more than 1000 shares)



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**AND**

- Concentration (Gross Purchase plus Gross Sales) of Top 10 Clients (Excluding Market Makers) on the basis of PAN during the 2 Fortnights more than 25%

**AND**

- Price Variation greater than or equal to 25% plus Sectoral Index / Nifty 500 variation in the last 2 Fortnights, subject to a minimum of 10%.

**OR**

#### Criteria D

- Number of non-promoter shareholders less than 100 as per the latest shareholding pattern available with the Exchange.

(# If Nifty P/E on the relevant date is in the range of 15-20, then the upper limit will be 30. If Nifty P/E > 20 or < 15 then the difference rounded off to nearest number will be added to or subtracted from 30).

Securities moving out of Trade for Trade segment would be placed under 5 % price band until the next review for upward revision of Price bands.

#### Dropping Criteria

The following dropping Criteria shall be applied on the securities eligible to move to Trade for Trade as per above Criteria:

- Market Capitalization is greater than Rs. 250 crores as on relevant date

**AND**

- Institutional Holding is more than 20%

**OR**

- Securities where company is paying dividend or issued bonus shares (and no dividend) in at least two out of last three years.

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### Exceptions:

The following securities shall be excluded from the Quarterly review process:

- Securities with Dynamic Price Bands.

**OR**

- Newly listed securities (IPO) and the securities which are made available for trading in Trade for Trade segment for the first 10 trading days with applicable price band, while keeping the price band open on the first day of trading as per SEBI circular bearing no SEBI/Cir/ISD/1/2010 dated September 2, 2010.

**OR**

- Securities transferred to Trade for Trade segment as per immediate preceding fortnightly Trade to Trade Review Exercise will not be considered for review for shifting it back to Rolling Settlement.

### **7. Insolvency and Bankruptcy Code** **(NSE/SURV/55582 dated February 10, 2023)**

As per Joint Surveillance meeting of the Exchanges and SEBI the following criteria shall be applicable for shortlisting of stocks under IBC framework:

#### **Surveillance framework for companies under IBC (Non-Derivative Securities)**

	<b>Shortlisting criteria</b>	<b>Surveillance Action</b>
	Receipt of corporate announcement / disclosure from the company	<ul style="list-style-type: none"> <li>• (Gross settlement) + (price band of <math>\pm 5\%</math>) + (100% margin) w.e.f. T+2 day.</li> </ul> <p><b># Note 1:</b> Post attainment of non-promoter holding <math>\geq 25\%</math>* the securities shall be moved out of corresponding Surveillance Action after completion of subsequent 3 calendar months from attaining of non - promoter holding <math>\geq 25\%</math>. Examples as under:</p>

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	Shortlisting criteria	Surveillance Action			
		Particulars	Review Date	MPS Compliance Date	Scrip Move out Date
		Case 1	28th Feb 2023	1st Jan 2023	3rd April 2023
		Case 2	28th Feb 2023	16th April 2022 (Completed 3 Months)	2nd March 2023
		(*as per the quarterly shareholding pattern reporting or ad-hoc updation of shareholding pattern by the company whichever is earlier).			
<b>IBC Stage I</b>	<ul style="list-style-type: none"> <li>Close-to-Close Price Variation greater than 25% in 5 Trading days</li> <li>OR</li> <li>Close-to-Close Price Variation greater than 50% in 15 Trading days</li> <li>OR</li> <li>Close-to-Close Price Variation greater than 100% in 30 Trading days</li> <li>OR</li> <li>Close-to-Close Price Variation greater than 200% in 3 Months</li> </ul> <p>Review of the securities for inclusion under IBC Stage I shall be on Daily basis.</p>	<ul style="list-style-type: none"> <li>(Gross settlement) + (<math>\pm 5\%</math> price band) + (100% margin) w.e.f. T+2 basis</li> <li>ASD (100% Trade Value) to be deposited by Buyer, retained for period as applicable to GSM scrips.</li> <li>Once a week trading</li> </ul> <p>Scrips to be reviewed for exit from stage I or movement to Stage II on last trading day of the month post elapsing of minimum 1 month in IBC Stage I.</p> <p># Note 1: w.r.t securities attained non promoter holding <math>\geq 25\%</math> applicable in this stage as well.</p>			
<b>IBC Stage II</b>	<ul style="list-style-type: none"> <li>Close-to-Close Price Variation greater than 25% in 5 Trading days</li> <li>OR</li> </ul>	<ul style="list-style-type: none"> <li>(Gross settlement) + (<math>\pm 5\%</math> price band) + (100% margin)</li> <li>ASD (100% Trade Value) to be deposited by Buyer, retained for a period as applicable to GSM scrips.</li> <li>Once a week trading.</li> </ul>			

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Shortlisting criteria	Surveillance Action
<ul style="list-style-type: none"> <li>Close-to-Close Price Variation greater than 50% in 15 Trading days</li> <li>OR</li> <li>Close-to-Close Price Variation greater than 100% in 30 Trading days</li> <li>OR</li> <li>Close-to-Close Price Variation greater than 200% in 3 Months.</li> </ul> <p>Review of the securities for inclusion under IBC Stage II shall be on Monthly basis.</p>	<ul style="list-style-type: none"> <li>No upward movement permitted.</li> </ul> <p>Scripts to be reviewed for movement to Stage I on last trading day of the month post elapsing of minimum 1 month in IBC Stage II.</p> <p># Note 1: w.r.t securities attained non promoter holding <math>\geq 25\%</math> applicable in this stage as well.</p>

### **Surveillance framework for companies under IBC** **(Securities on which Derivative Products are available)**

Shortlisting Criteria	Revised Framework
Receipt of corporate announcement / disclosure from the company	<p>Action of <b>100% margin</b> shall be levied w.e.f T +2 basis and no fresh contracts shall be issued.</p> <p>After the expiry of existing contracts, all existing surveillance actions as under of the IBC framework shall be applicable on such securities.          (Gross settlement) + (price band of <math>\pm 5\%</math>) + (100% margin) w.e.f. T+2 day.</p> <p># Note 1: w.r.t securities attained non promoter holding <math>\geq 25\%</math> applicable in this stage as well.</p>

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	Shortlisting Criteria	Revised Framework
<b>IBC Stage I</b>	<ul style="list-style-type: none"> <li>Close-to-Close Price Variation greater than 25% in 5 Trading days</li> <li>OR</li> <li>Close-to-Close Price Variation greater than 50% in 15 Trading days</li> <li>OR</li> <li>Close-to-Close Price Variation greater than 100% in 30 Trading days</li> <li>OR</li> <li>Close-to-Close Price Variation greater than 200% in 3 Months</li> </ul> <p>Review of the securities for inclusion under IBC Stage I shall be on Daily basis.</p>	<p>Action of <b>100% margin</b> shall be levied w.e.f T +2 basis and no fresh contracts shall be issued.</p> <p>After the expiry of existing contracts, all existing surveillance actions as under of the IBC framework shall be applicable on such securities.</p> <ul style="list-style-type: none"> <li>(Gross settlement) + (price band of <math>\pm 5\%</math>) + (100% margin) w.e.f. T+2 day.</li> <li>ASD (100% Trade Value) to be deposited by Buyer, retained for period as applicable to GSM scrips.</li> <li>Once a week trading</li> </ul> <p>Scrips to be reviewed for exit from stage I or movement to Stage II on last trading day of the month post elapsing of minimum 1 month in IBC Stage I.</p> <p># Note 1: w.r.t securities attained non promoter holding <math>\geq 25\%</math> applicable in this stage as well.</p>
<b>IBC Stage II</b>	<ul style="list-style-type: none"> <li>Close-to-Close Price Variation greater than 25% in 5 Trading days</li> <li>OR</li> <li>Close-to-Close Price Variation greater than 50% in 15 Trading days</li> <li>OR</li> <li>Close-to-Close Price Variation greater than 100% in 30 Trading days</li> <li>OR</li> <li>Close-to-Close Price Variation greater than 200% in 3 Months.</li> </ul>	<p>Action of <b>100% margin</b> shall be levied w.e.f T +2 basis and no fresh contracts shall be issued.</p> <p>After the expiry of existing contracts, all existing surveillance actions as under of the IBC framework shall be applicable on such securities.</p> <ul style="list-style-type: none"> <li>(Gross settlement) + (price band of <math>\pm 5\%</math>) + (100% margin) w.e.f. T+2 day.</li> <li>ASD (100% Trade Value) to be deposited by Buyer, retained for a period as applicable to GSM scrips.</li> <li>Once a week trading.</li> <li>No upward movement permitted.</li> </ul>

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	Shortlisting Criteria	Revised Framework
	Review of the securities for inclusion under IBC Stage II shall be on Monthly basis.	<p>Scrips to be reviewed for movement to Stage I on last trading day of the month post elapsing of minimum 1 month in IBC Stage II.</p> <p># Note 1: w.r.t securities attained non promoter holding <math>\geq 25\%</math> applicable in this stage as well.</p>

### **8. Applicability of measure in respect of companies with high promoter as well non - Promoter "Encumbrance" as per Reg. 28(3) of SEBI (SAST) Regulation 2011.** **(NSE/SURV/51189 dated January 31, 2022)**

Measure in respect of companies with high Promoter as well as non- Promoter 'Encumbrance' as per Reg. 28(3) of SEBI (SAST) Regulation 2011 – Exchange circular - NSE/SURV/51189 dated January 31, 2022

In continuation to various measures already implemented, SEBI and Exchanges in a joint meeting have decided to levy minimum margin of 75% on the stocks (including stocks in derivatives segment) that satisfy certain conditions based on pledge holding of both promoter as well as non-promoter and price variation criteria.

### **9. Surveillance measure in respect of companies with high promoter pledge** **(NSE/SURV/42507 dated October 24, 2019)**

**9.1** In continuation to various Surveillance measures already implemented, SEBI and Exchanges in a joint meeting have decided to levy minimum margin of 35% on the stocks (including stocks in derivatives segment) that satisfy the following criteria:

I. Market Capitalization is greater than Rs.1000 crores.

AND

II. Pledged holding of the promoter accounts for more than 25% of the total number of the issued shares of the company,

AND

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- III. Concentration of Top 25 clients in trading during the last 30 days is 30% or more,  
AND
- IV. High-Low Price variation in the scrip in the last 3 months is greater than 40%.

The above surveillance measure is without prejudice to the right of SEBI and Exchanges to take any other surveillance measures, in any manner, on a case-to-case basis or holistically depending upon the situation and circumstances as may be warranted.

**9.2** Surveillance measure in respect of companies with high promoter pledge -Update NSE/SURV/42507 dated October 24, 2019 regarding "Surveillance measure in respect of companies with high promoter pledge" was reviewed.

In this regard, it was decided that to cover the potential risk to securities, 'encumbrance' as per Reg. 28(3) of SEBI (SAST) Regulation 2011 as amended from time to time, shall be used for shortlisting the securities.

The current definition of encumbrance as per the above regulation is as under:

- a. Any restriction on the free and marketable title to shares, by whatever name called, whether executed directly or indirectly.
- b. Pledge, lien, negative lien, non-disposal undertaking; or
- c. Any covenant, transaction, condition or arrangement in the nature of encumbrance, by whatever name called, whether executed directly or indirectly."

Securities previously shortlisted under the said surveillance measure in respect of companies with high promoter pledge shall continue to remain under the said measure, if they meet the above criteria as per the shareholding pattern submitted to the Exchange under regulation 31 of LODR.

Henceforth, for the purpose of short listing of securities under the said measure, the Stock Exchanges shall take into account all encumbrances viz., the sum total of all types of encumbrances (by whatever name called), as on date of shortlisting of securities.

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Further, the highest value of the encumbrance, from amongst the data as available with the Stock Exchanges and the Depositories, shall be taken.

All other provisions of the aforesaid circular remain unchanged.

#### **10. Surveillance measure for scrips with low Non-Promoter holding.** **(NSE/SURV/55579 dated February 10, 2023)**

In furtherance to NSE/SURV/52090 dated April 22, 2022, as per the joint Surveillance meeting of the Exchanges and SEBI, the criteria for Non-Promoter holding framework is mentioned as under:

Members are hereby requested to note that the securities shortlisted based on the below criteria of non-promoter holding < 25% will be subject to surveillance action. The applicable surveillance actions shall be as under:

- Maximum/highest price band applicable to be  $\pm 10\%$

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

#### **11. Inter Creditor's Agreement** **(NSE/SURV/52368 dated May 20, 2022)**

As per Joint Surveillance meeting of the Exchanges and SEBI the following criteria shall be applicable for shortlisting of stocks under IBC framework:

Revised framework		
ICA Stage I	Shortlisting Criteria	Surveillance Action
	1. Close-to-Close Price Variation greater than 25% in 5 Trading days OR	<ul style="list-style-type: none"> <li>• (100% Margin) + (<math>\pm 5\%</math> Price Band) w.e.f. T+2 days.</li> </ul>
	2. Close-to-Close Price Variation greater than 50% in 15 Trading days OR	<p>Scrips to be reviewed for exit from stage I or movement to Stage II on last trading day of the month post</p>



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	3. Close-to-Close Price Variation greater than 100% in 30 Trading days OR 4. Close-to-Close Price Variation greater than 200% in 3 Months  Review of the securities for inclusion under ICA Stage I shall be on Daily basis.	elapsing of minimum 1 month in ICA Stage I.
<b>ICA Stage II</b>	Scripts to be reviewed for inclusion under ICA Stage II on last trading day of the month post elapsing of minimum 1 month in ICA Stage I <u>Shortlisting Criteria</u> <ol style="list-style-type: none"> <li>1. Close-to-Close Price Variation greater than 25% in 5 Trading days OR</li> <li>2. Close-to-Close Price Variation greater than 50% in 15 Trading days OR</li> <li>3. Close-to-Close Price Variation greater than 100% in 30 Trading days OR</li> <li>4. Close-to-Close Price Variation greater than 200% in 3 Months</li> </ol>	<u>Surveillance Actions</u> <ul style="list-style-type: none"> <li>• (100% Margin) + (Gross settlement) + (±5% Price Band) w.e.f. T+2 days</li> </ul> Scripts to be reviewed for movement to Stage I on last trading day of the month post elapsing of minimum 1 month in ICA Stage II

### **12. Surveillance Indicator – Update** **(NSE/SURV/54513 dated November 18, 2022)**

Furtherance to Exchange Circular no. NSE/SURV/39327, NSE/SURV/45768, NSE/SURV/53054 dated November 02, 2018, September 21, 2020, July 22, 2022, respectively in respect of Additional Surveillance Measure (ASM). With effect from November 21, 2022, the following additional value in field “SurvInd” in security.txt & nnf\_security.dat file shall be introduced to indicate scrips in various Surveillance action.

The additional surveillance indicators for securities under respective list shall be as under -

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Surveillance Indicator	Description	Short Code (Surv Indicator)
32	Unsolicited Video	Unsolicited Video (32)
33	Unsolicited Video and LTASM Stage IV	Unsolicited Video and LTASM Stage IV (33)

As informed earlier vide above referred circulars, while placing an order on a security which is under Graded Surveillance Measure (GSM) /Additional Surveillance Measure (ASM)/IRP as per IBC/Unsolicited SMS or Videos/Pledge/ASM ICA/ASM IBC, Exchange provides an alert message on NEAT/NEAT+.

Similarly trading Members are required to develop a functionality on their non-NEAT front end including IBT, STWT, CTCL etc., whereby any person while placing an order in a security which is under Graded Surveillance Measure (GSM)/Additional Surveillance Measure (ASM) /IRP as per IBC/Unsolicited SMS or Videos/Pledge/ASM ICA/ASM IBC, gets the following message so that the person placing the order is aware of such surveillance action on the scrip before placing the order. The message shall be as under:

*“Security is under Surveillance Measure- <relevant Short Code (Surv Indicator)>, would you like to continue?” Yes / No*

The functionality will provide the option for the person placing the order to either select “Yes” or “No”. The order shall be sent to the Exchange only if option “Yes” is selected. The relevant Short Code (Surv Indicator) shall be populated as per the consolidated list of Surveillance indicators assigned to securities under various Surveillance actions.

As referred above the field “SurvInd” in security.txt & nnf\_security.dat file shall populate the respective scrip-wise surveillance indicator to indicate scrips in various Surveillance action.

### **13. Surveillance Indicator – Update** **(NSE circular no. NSE/SURV/55831 dated March 01, 2023)**

In furtherance to Exchange circular no. NSE/SURV/54513 dated November 18, 2022, the trading Members were directed to develop a functionality on their non-NEAT front end including IBT, STWT, CTCL etc., whereby any person while placing an order in a security which is under Graded Surveillance Measure (GSM)/Additional Surveillance Measure (ASM) /IRP as per IBC/Unsolicited SMS or Videos/Pledge/ASM ICA/ASM IBC etc. gets the following message at the time of placing the order and is aware of such surveillance action on the scrip before placing the order.

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*“Security is under Surveillance Measure- <relevant Short Code (Surv Indicator)>, would you like to continue?” Yes/ No*

The functionality will provide the option for the person placing the order to either select “Yes” or “No”. The order shall be sent to the Exchange only if option “Yes” is selected. The relevant Short Code (Surv Indicator) shall be populated as per the consolidated list of Surveillance indicators assigned to securities under various Surveillance actions.

The aforesaid feature is mandatory for trading members with retail clients. In view of the recent volatility, Trading Members are requested to make the said changes at the earliest and not later than **May 18, 2023**. This feature of alert message while placing orders, shall be applicable for all surveillance indicators/surveillance actions introduced by the Exchange from time to time.

The Trading members are required to submit the confirmation of aforesaid system changes at their end on the Member Surveillance Dashboard (MSD) as under –

- Login into Member Surveillance Dashboard (MSD)
- On the homepage, scroll down to the Exchange Communication Tab
- The said alert will be received from “admin” id.
- Click on the alert type – “Surv Indicator Compliance”

Exchange Communication ⓘ								
Information Type	Alert Type	Segment	Symbol	Expiry	Strike Price	Exchange Remarks	Reply Date & Time	Status
Alert Intimation	Surv Indicator Compliance	Equity Segment				Surveillance Measure (ASM) /IRP as per IBC/Unsolicit	May 18, 2023 12:00:00 AM	Pending

- The following submission table will open after you click on the surv indicator compliance –

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Surv Indicator Compliance,

×

Communication Thread

ADMIN -> With regards to the Exchange circular no. NSE/SURV/54513 dated November 18, 2022, the trading Members were directed to develop a functionality on their non-NEAT front end including IBT, STWT, CTCL etc., whereby any person while placing an order in a security which is under Graded Surveillance Measure (GSM)/Additional Surveillance

Remarks

Sample closure Remark

We have implemented the aforementioned modifications in our systems in accordance with the exchange requirement outlined in circular no. NSE/SURV/54513. The auditor's reports confirming the inclusion of the requirement is also attached.

Select file to Upload

Choose Files

Auditors certificate.docx

Status

Replied

All Attachments

Note

1. Total File Size: 10MB  
2. Max File Count: 5

Close

Reply

- Confirmation of necessary changes completed at Trading Member's end to be incorporated in the "Remarks" column
- Upload the Auditor's certificate (Format as per **Annexure I**)
- The "Status" will be by default shown as "Replied"
- Close the Exchange communication by clicking on "Reply" tab.

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### Annexure I Auditor's Certificate

(To be on the letterhead of the system auditor. All the pages should be stamped and signed)

I/We, M/s. (Name of the system auditor or system audit company) confirm that the trading member (Name of the trading member) has integrated the surveillance indicator's functionality into its system and that it has been thoroughly tested in (UAT), Exchange Mock/Simulated trading, and Exchange Test Market settings.

This is to certify that the Trading Member has successfully completed testing of all the indicators and any other impacted components for **ALL** their respective non-NEAT front-end terminals including IBT, STWT, CTCL etc.

Trading Member Code:	
Trading Member Name:	

The above-mentioned software can be deployed in live environment.

Following is the screenshot (*of non-NEAT front-end terminals including IBT, STWT, CTCL while placing of order*) of the alert message (para 2) & functionality as described in (para 3) of the circular.

#### Declaration:

There is no conflict of interest with respect to the member being audited and our directors / promoters are not directly or indirectly related to the current directors or promoters of the member being audited.

Signature

(Name of the Auditor & Auditing firm)

CISA / DISA / CISM / CISSP Reg. No:

Date:

Place:

Stamp/Seal:

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### 14. Surveillance Indicator – Update (NSE/SURV/57110 dated June 14, 2023)

This is further to Exchange Circular no. NSE/SURV/39327, NSE/SURV/45768, NSE/SURV/53054, NSE/SURV/54513 and NSE/SURV/55831 dated November 02, 2018, September 21, 2020, July 22, 2022, November 18, 2022, March 01, 2023 respectively.

With effect from June 19, 2023, the following additional value in field “SurvInd” in security.txt & nnf\_security.dat file shall be introduced to indicate scrips in various Surveillance action.

The additional surveillance indicators for securities under respective list shall be as under –

Surveillance Indicator	Description	Short Code (Surv Indicator)
34	Enhanced Surveillance Measure (ESM) - Stage I	ESM - I (34)
35	Enhanced Surveillance Measure (ESM) - Stage II	ESM - II (35)
36	ESM Stage I <b>and</b> GSM Stage 0	ESM I & GSM 0 (36)
37	ESM Stage II <b>and</b> GSM Stage 0	ESM II & GSM 0 (37)

As informed earlier vide above referred circulars, while placing an order on a security which is under Graded Surveillance Measure (GSM) /Additional Surveillance Measure (ASM)/IRP as per IBC/Unsolicited SMS or Videos/Pledge/ASM ICA/ASM IBC, Exchange provides an alert message on NEAT/NEAT+.

Similarly trading Members are required to develop a functionality on their non-NEAT front end including IBT, STWT, CTCL etc., whereby any person while placing an order in a security which is under Graded Surveillance Measure (GSM) /Additional Surveillance Measure (ASM)/IRP as per IBC/Unsolicited SMS or Videos/Pledge/ASM ICA/ASM IBC, Enhanced Surveillance Measure (ESM), gets the following message so that the person placing the order is aware of such surveillance action on the scrip before placing the order. The message shall be as under:

**“Security is under Surveillance Measure- <relevant Short Code (Surv Indicator)>, would you like to continue?” Yes / No**

The functionality will provide the option for the person placing the order to either select “Yes” or “No”. The order shall be sent to the Exchange only if option “Yes” is selected. Trading members may please note that the aforesaid verbatim of the pop-up message should mandatorily be included in the pop-up

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message on the trading front-end. Further it is reiterated that the aforesaid feature is mandatory for trading members with retail clients.

The relevant Short Code (Surv Indicator) shall be populated as per the consolidated list of Surveillance Indicators assigned to securities under various Surveillance Actions is attached as Annexure-I. As referred above the field “SurvInd” in security.txt & nnf\_security.dat file shall populate the respective scrip-wise surveillance indicator to indicate scrips in various Surveillance Action.

For Surveillance Indicator master refer website path “Regulation> Market Surveillance> Consolidated List of Surveillance Indicators”

Annexure-I

Please find the below list of consolidated Surveillance Indicators.

Surveillance Indicator	Description	Short Code (Surv Indicator)
99	Shortlisted under Graded Surveillance Measure	GSM - 0 (99)
1	Graded Surveillance Measure - Stage I	GSM - I (1)
2	Graded Surveillance Measure - Stage II	GSM - II (2)
3	Graded Surveillance Measure - Stage III	GSM - III (3)
4	Graded Surveillance Measure - Stage IV	GSM - IV (4)
5	Graded Surveillance Measure - Stage V	GSM - V (5)
6	Graded Surveillance Measure - Stage VI	GSM - VI (6)
11	Short Term Additional Surveillance Measure (STASM) - Stage I	STASM - I (11)
12	Short Term Additional Surveillance Measure (STASM) - Stage II	STASM - II (12)
13	Long Term Additional Surveillance Measure (LTASM) - Stage I	LTASM - I (13)
14	Long Term Additional Surveillance Measure (LTASM) - Stage II	LTASM - II (14)

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Surveillance Indicator	Description	Short Code (Surv Indicator)
15	Long Term Additional Surveillance Measure (LTASM) - Stage III	LTASM - III (15)
16	Long Term Additional Surveillance Measure (LTASM) - Stage IV	LTASM - IV (16)
20	Insolvency and Bankruptcy Code (IBC) - Receipt of Disclosure or Recommended scrip*	IBC - Receipt (20)
21	Insolvency and Bankruptcy Code (ASM IBC) - Stage I	IBC - I (21)
22	Insolvency and Bankruptcy Code (ASM IBC) - Stage II	IBC - II (22)
23	Inter Creditor Agreement (ASM ICA) - Stage I	ICA - I (23)
24	Inter Creditor Agreement (ASM ICA) - Stage II	ICA - II (24)
25	Company with high promoter Encumbrance	High promoter Encumbrance (25)
26	Company with high promoter as well as non-promoter Encumbrance	High Promoter/Non promoter Encumbrance (26)
30	Information list (unsolicited SMS)	SMS Info. List (30)
31	Current watch list (unsolicited SMS)	SMS watch List (31)
32	Unsolicited Video	Unsolicited Video (32)
33	Unsolicited Video and LTASM Stage IV	Unsolicited Video and LTASM Stage IV (33)
50	LTASM Stage I <b>and</b> GSM Stage 0	LTASM I & GSM 0 (50)
51	LTASM Stage II <b>and</b> GSM Stage 0	LTASM II & GSM 0 (51)
52	LTASM Stage III <b>and</b> GSM Stage 0	LTASM III & GSM 0 (52)
53	LTASM Stage IV <b>and</b> GSM Stage 0	LTASM IV & GSM 0 (53)
54	STASM Stage I <b>and</b> GSM Stage 0	STASM I & GSM 0 (54)
55	STASM Stage II <b>and</b> GSM Stage 0	STASM II & GSM 0 (55)
56	Company with high promoter as well as non-promoter Encumbrance <b>and</b> GSM Stage 0	High promoter/Non-Promoter Encumbrance & GSM 0 (56)
57	Company with high promoter Encumbrance <b>and</b> GSM Stage 0	High promoter Encumbrance & GSM 0 (57)



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Surveillance Indicator	Description	Short Code (Surv Indicator)
58	ASM IBC Stage I <b>and</b> GSM Stage 0	IBC I & GSM 0 (58)
59	ASM IBC Stage II <b>and</b> GSM Stage 0	IBC II & GSM 0 (59)
60	ASM ICA Stage I <b>and</b> GSM Stage 0	ICA I & GSM 0 (60)
61	ASM ICA Stage II <b>and</b> GSM Stage 0	ICA II & GSM 0 (61)
62	Insolvency and Bankruptcy Code (IBC) - Receipt of Disclosure or Recommended scrip <b>and</b> GSM stage 0	IBC - Receipt & GSM 0 (62)
63	GSM stage I <b>and</b> Insolvency and Bankruptcy Code (IBC) - Receipt of Disclosure or Recommended scrip	GSM I & IBC - Receipt (63)
64	GSM stage II <b>and</b> Insolvency and Bankruptcy Code (IBC) - Receipt of Disclosure or Recommended scrip	GSM II & IBC - Receipt (64)
65	GSM stage III <b>and</b> Insolvency and Bankruptcy Code (IBC) - Receipt of Disclosure or Recommended scrip	GSM III & IBC - Receipt (65)
66	GSM stage IV <b>and</b> Insolvency and Bankruptcy Code (IBC) - Receipt of Disclosure or Recommended scrip	GSM IV & IBC - Receipt (66)
34	Enhanced Surveillance Measure (ESM) - Stage I	ESM - I (34)
35	Enhanced Surveillance Measure (ESM) - Stage II	ESM - II (35)
36	ESM Stage I <b>and</b> GSM Stage 0	ESM I & GSM 0 (36)
37	ESM Stage II <b>and</b> GSM Stage 0	ESM II & GSM 0 (37)
*Earlier surveillance indicator was 10 which is now discontinued		

### 15. Surveillance measures for Deep Out-of-The-Money (OTM) contracts (NSE/SURV/42382 dated October 11, 2019)

In the joint surveillance meeting between SEBI, Exchanges and Clearing Corporations, following measures on Out of the Money (OTM) options contracts has been decided.

- Additional margin of 20% on the notional option value shall be levied and collected from the clearing member, in case an entity trades in Equity Derivatives Stock Options contracts and creates fresh Short Open Interest in deep Out of Money strikes (OTM). Deep OTM are those strikes which are 30% away from the underlying price at the time of trade.

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Illustration 1: If the underlying price is say Rs. 100 and an entity trade and creates fresh short positions in Call European (CE) strikes greater than 130 or in Put European (PE) strikes lesser than 70, then an additional margin of 20% on the notional option value shall be levied and collected from the clearing member at the End of day.

- This additional margin shall be levied on the top 10 clients, if they account for more than 30% of the overall fresh short positions created on that trading day (to be computed separately in respect of call and put options).

Illustration 2: Taking the illustration 1 ahead, Fresh short OI created by all entities in CE strikes greater than 130 shall be clubbed together and in case the top 10 clients account for more than 30% of the fresh short OI than an additional margin of 20% shall be levied and collected from the executing trading members of the top 10 clients. The same method shall be carried out for PE strikes lesser than 70. The amount shall be collected from the collaterals of the clearing member on an End of day basis. The above margin levied on the participants / clients shall continue till the contracts are squared off or till expiry of the contract.

### **16. Member Surveillance Dashboard** **(NSE/SURV/44477 dated May 27, 2020)**

In order to facilitate effective surveillance mechanisms at the Member level, the Exchange is pleased to introduce Member Surveillance Dashboard.

It aims to provide information about alerts on orders/trades which are abnormal in nature. Trading Members are required to submit their response on each of these alerts.

Surveillance dashboard is divided into the following 4 parts:

1. Information Dashboard
2. Alert / Monitoring Dashboard
3. Exchange communication
4. Transactional escalation from TM to the Exchange

For detailed understanding of the same, members are requested to refer manual attached as Annexure 1.

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Access:

Members can access Member Surveillance Dashboard by using the below URL:

<https://www.connect2nse.com/SurveillanceDashboard/>

Member user id and password has already been shared with all the members via Extranet (along with the e-mail id on which OTP will be shared) on the following path:

<Member folder>/Investigation/Dnld

For the purpose of login, member shall be required to enter Password along with OTP shared on mobile or email.

### **17. Surveillance Obligation – Quarterly reporting by trading members** **(NSE/SURV/48818 dated July 01, 2021 & NSE/SURV/49765 dated September 29, 2021)**

In order to facilitate effective surveillance at the Members' end, the trading members are advised about the surveillance obligations, which includes processing of transactional alerts provided by the Exchange as well as own alerts generated by the trading members at their end based on their surveillance policy and suitable actions thereof.

#### **Obligation of Trading Members to frame Surveillance Policy:**

Trading members may have different types of business models and may offer different types and combinations of services to different types of clients, in addition to proprietary trading (including Algorithmic trading). For effective monitoring, trading member shall frame a surveillance policy covering all such applicable business models / services they offer. The said surveillance policy shall, inter alia, cover the following:

- a. Generation of suitable surveillance alerts which may be guided by indicative themes (the list is inclusive and not exhaustive) given in Para 2 below as well as for transactional alerts downloaded by the Exchanges. (Transactional alerts downloaded by the Exchange are based on some thresholds or parameters. Trading members may have their own different thresholds or

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- parameters so as to detect any suspicious trading activity). As Trading members have closer supervision and are in possession of considerably more information about their clients, they may consider suitable parameters.
- b. Processing of alerts within 45 days from the date of alerts downloaded by the Exchanges as well as alerts generated at member's end.
  - c. Documentation of reasons for any delay in disposition of any of the alerts.
  - d. Suspicious / Manipulative activity identification.
  - e. Framework of appropriate actions, that can be taken by the Trading member. In addition to the obligations under Prevention of Money Laundering Act (PPILA), actions may include suspension of the trading activity of the suspect client, or any other action as may be deemed appropriate.
  - f. Record Maintenance for the period as stipulated under applicable statutes.

The surveillance policy of the Trading member shall be approved by its Board (in case of corporate trading member), Partners (in case of partnership firms) or Proprietor (in case of sole proprietorship firm) as the case may be.

This policy needs to be reviewed on a periodic basis to keep it in line with the market trends.

#### **Obligation of Trading Members to generate additional Surveillance alerts:**

In addition to the transactional alerts downloaded by Exchanges, Trading members are also required to generate appropriate surveillance alerts at their end, to enable them to effectively monitor the trading activity of their clients at their end as per the laid down surveillance policy.

The indicative themes on which Trading Members may formulate their own alerts are as under. The trading member also needs to analyze patterns and trends with respect to different themes.

The indicative themes applicable to ALL Trading Members.

- i. Client / group of clients, as identified by the trading member, accounting for a significant percentage of the total trading activity in a scrip / contract as compared to the market.
- ii. Client / group of clients with new account or clients dealing after a significant time gap, as identified by the trading member, accounting for significant value / percentage of total trading activity in a scrip / contract as compared to the market.

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- iii. Client / group of clients dealing frequently in small quantities/minimum market lot in a scrip / contract.
- iv. Disproportionate trading activity vs reported income / Net worth.
- v. Frequent changes in KYC submitted by clients.
- vi. Based on an announcement by a listed company, identify Client / group of clients, having possible direct / indirect connection with a listed company, who have undertaken any suspicious trading activity prior to price sensitive announcement by said listed company.
- vii. Client / group of clients having significant selling concentration, in the scrips, forming part of 'For Information list' or 'Current Watch list'. For more details, kindly refer Exchange circular no. NSE/INVG/45517 dated August 30, 2020.
- viii. Consistency in profit / loss at client / group of clients' levels, rationale for such trading activities. In addition, trading members may also refer details given in Exchange circular no. NSE/INVG/2019/40175 dated February 07, 2019.
- ix. Significant trading activity in scrips by client who has pledged the shares of same scrip.
- x. In case of concerns of trading activity of a client or a group of clients in a scrip, monitoring whether the orders are being placed by respective clients or their authorized representatives and monitoring client's address as per KYC vis a vis the dealing office address.

The indicative themes additionally applicable to Trading members who are Depository Participants - Significant trading activity in scrips where client has pledged shares or has significant holding or has frequent off-market transactions.

The indicative themes additionally applicable to Trading members who have facility of internet-based trading - Surveillance / monitoring of IP addresses of clients (including identification of multiple client codes trading from the same location)

The above guidelines are illustrative and not exhaustive. Based on circumstances and based on business model and service offered to the clients and for proprietary trading, the trading members are required to exercise their independent judgement and formulate their own alerts and take appropriate actions thereof.

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#### **Obligation of Trading Members w.r.t. client due diligence:**

The following activities required to be carried out by the trading members for client due diligence is being reiterated:

- a. Trading members are required to carry out the Due Diligence of their client(s) on an on-going basis.
- b. Trading members shall ensure that key KYC parameters of the clients are updated on a periodic basis as prescribed by SEBI and latest information of the client is updated in UCC database of the Exchange.

Based on available information, the Trading member shall establish groups / association amongst clients, inter alia, to identify multiple accounts / common account / group of clients.

#### **Obligation of Trading Members w.r.t. processing of alerts:**

- a. Trading Member shall obtain trading rationale and necessary documentation including bank statements, demat statements for analysing / processing the alerts.
- b. After analysing the documentary evidence, Trading member shall record its observations for such identified transactions of its Client / Group of Clients.
- c. With respect to the transactional alerts downloaded by the Exchange, Trading member shall ensure that all alerts are analyzed and status thereof (Verified & Closed / Verified & Sent to Exchange) including action taken is updated within 45 days, in the Member Surveillance Dashboard.
- d. With respect to the alerts generated at the Trading Members end, Trading members shall report instances with adverse observation, along with details of action taken, to the Exchange within 45 days of the alert generation.

#### **Obligation of Compliance officer, Designated Director / Partners / Proprietors and Internal Auditor of the Trading Member:**

- a. The surveillance activities of trading member shall be conducted under overall supervision of its Compliance Officer.
- b. A quarterly MIS shall be put up to the Designated Director / Partners / Proprietor on the number of alerts pending at the beginning of the quarter, generated during the quarter, processed and acted upon during the quarter and cases pending at the end of the quarter along with reasons

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for pendency and action plan for closure. Also, the Designated Director / Partners / Proprietor shall be apprised of any exception noticed during the disposition of alerts.

- c. Designated Directors / Partners / Proprietor would be responsible for all surveillance activities carried out by the Trading member.
- d. Internal auditor of trading member shall review the surveillance policy, its implementation, effectiveness and review the alerts generated during the period of audit. Internal auditor shall record the observations with respect to the same in their report.

#### **Obligation of Quarterly reporting of status of the alerts generated by the Trading member:**

Trading members are also required to provide duly approved status of the alerts on a quarterly basis, in the following format to the Exchange within 15 days from end of the quarter.

A. Status of Alerts generated by the Trading member:

Name of Alert	No. of alerts under process at the beginning of the quarter	No. of new alerts generated in the quarter	No. of alerts Verified & closed in the quarter	No. of alerts referred to Exchange (^)	No. of alerts pending / under process at the end of quarter

B. (^) Details of alerts referred to the Exchange:

Sr. No.	Date of Alert	Type of Alert	Brief observation and details of action taken	Date referred to Exchange

C. Details of any major surveillance action taken (other than alerts referred to Exchange), if any, during the quarter:

Sr. No.	Brief action taken during the quarter

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- i. Trading members who do not have anything to report, need to submit 'NIL Report' within 15 days from end of the quarter.
- ii. The above details shall be uploaded by the trading members on the Member Surveillance Dashboard (USD) within 15 days from end of the quarter.
- iii. The aforementioned quarterly system of reporting shall be effective from the quarter ending September 2021.

#### **Penalty in case of late / non-submission of Quarterly Reporting of status:**

In case of late / non-submission of quarterly reporting of the alerts generated by the Trading member as mentioned in Para 6 above, trading members shall be liable for penalty as given below:

<b>Submission of status report beyond stipulated period</b>	<b>Penalty to be imposed</b>
1st instance	Rs. 10,000 per day till submission of quarterly report
2nd instance onwards	Rs. 20,000 per day till submission of quarterly report

Trading members may note that aforesaid penalty shall be levied on a monthly basis based on slabs as mentioned above and same shall be debited in the monthly bill.

#### **Disciplinary Action for non-fulfilment of Surveillance obligation by Trading Members:**

- a. Trading members may note that during investigation / inspection, if it is observed that the member has not fulfilled their surveillance obligations, then appropriate disciplinary action shall be initiated against the concerned trading member.
- b. Any non-compliance with respect to surveillance obligations which may inter alia include delay in processing of transactional alerts downloaded by the Exchange and repeated instances of delay in reporting of the status of alerts, may result in further disciplinary action as deemed fit in terms of Rules, Bye-laws and Regulations of the Exchange.
- c. It may further be noted that aforesaid measure does not preclude SEBI / Exchange to take any further action(s), if the facts and circumstances so demand.

Trading members are required to take a note of the above and put in place the modifications in their procedures, policies and processes etc. as may be required. The provisions of the circular shall be effective from August 01, 2021.



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### **18. High Order to Trade Ratio (OTR)** **(NSE/SURV/45016 dated July 14, 2020)**

Trading Members have to place real-time monitoring systems to identify algorithms that may not behave as expected and take measures to impede any possible instances of order flooding. To ensure proper trading in the market and fair use of the trading platform, the Exchange has introduced economic deterrence in the form of suspension of property trading rights of Trading Members in all segments across all Exchanges.

Penal Charges and Actions: -

<b>Daily Algo Order to Trade Ratio</b>	<b>Existing Charges (per algo order)</b>	<b>Revised Charges (per algo order)</b>
Less than 50	Nil	Nil
50 to less than 250 (Incremental Basis)	2 Paise	2 Paise
250 to less than 500 (Incremental Basis)	10 Paise	10 Paise
500 to less than 1000 (Incremental Basis)	10 Paise	15 Paise
1000 to less than 2000 (Incremental Basis)		20 Paise
2000 or more than 2000 (Incremental Basis)		25 Paise

In addition to the above, in case, if the ratio is 2000 or more on three occasions in the previous thirty trading days (on rolling basis), the concerned member shall not be permitted to place any orders for the first 15 minutes on the next trading day as a cooling off action. In Equity Derivatives and Currency Derivatives segment, the current mechanism of permitting to enter orders in risk reduction mode shall continue. However, in Equity segment member shall be able to place orders only after 15 minutes of the normal market open.

In order to discourage repetitive instances of high daily order-to-trade ratio, there will be an additional penalty in form of suspension of proprietary trading right of the trading member for the first trading hour on the next trading day in case a trading member is penalized for maintaining high daily order to trade ratio, provided penalty was imposed on the trading member on more than ten occasions in the previous thirty trading days (on rolling basis).

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Disablement / Suspension shall take place across all Exchanges.

Trading members are also hereby informed that the data pertaining to their respective order to trade ratio shall be made available on daily basis in the following folders on Member Portal for Equity, Equity Derivatives and Currency Derivatives Segment:

**<Member folder>/Investigation/Dnld**

For other important information regarding the details of OTR framework, kindly refer to Annexure I.

#### **Annexure I**

- Orders placed in the Equity segment and orders placed under the liquidity enhancement schemes shall be under the order to trade framework.\
- For the purpose of calculation of Daily Order-to-Trade ratio all algo orders, i.e., order entry, order modifications and order cancellations will be considered.
- If the orders entered and/ or modified are within 0.75% of the last traded price (LTP) of the respective security/ contract ( $(\text{Absolute (Limit price - LTP)}/\text{LTP}) \leq 0.75\%$ ), such algo orders will not be included in the calculation of the aforesaid Order-to- Trade ratio.
- In Equity Segment, securities in SME, ETF and securities with designated market makers shall be excluded for computation of OTR.
- Orders placed in Odd Lot Market, Auction Market, Block Trading Session, Pre-open session, Post Close Session, Periodic Call Action session and Call auction in Pre-open session for Initial Public Offering (IPO) and other category of Scrip's shall also be excluded for the computation of OTR.
- In Equity Segment, cooling off session of 15 mins (for OTR violation of 2000 or more on three occasions in the previous thirty trading days (on rolling basis)) and 1 hour pro-trading (for more than 10 instances out of previous 30 rolling trading days where penalty has been levied), it should cover the following sessions:

For 15 mins

- Pre-open session- 9.00 to 9.15 am
- Special Pre-open Session- 9.00 to 9.30 am
- Continuous session- 9.15 to 9.30 am

For 1 hour proprietary trading

- Pre-open session - 9.00 to 9.15 am
- Special Pre-open Session - 9.00 to 9.45 am
- Continuous session- 9.15 to 10.15 am

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#### **19. Order Based Surveillance Measure-Persistent Noise Creators** **(NSE/SURV/52992 dated July 15, 2022)**

SEBI and Exchanges in a joint meeting decided that, in order to further strengthen the order level surveillance mechanism, there shall be an additional order-based surveillance measure to deter persistent noise creators i.e. excessive order modifications/ cancellations with an intent to avoid execution. The proposed measures are likely to help the retail trader against the 'noise' that is created by the high-frequency traders, who use Algorithms to place, bid/ask.

This order-based surveillance measure – Persistent Noise Creators (PNC) shall be applicable on the daily trading activity at the Client / Proprietary account level in a security / contract and shall be based on the following parameters:

##### **Noise 1:**

- Persistent order modifications by the Client / Proprietary account leading to maintained / deferred / lowering of order execution priority which has accounted for a considerable percentage of the overall modifications in the respective contract / security

**AND**

- High Order to Trade Ratio (OTR) in value terms (i.e., Value of all Orders Entered / Modified / Cancelled in a Security / Contract by a Client / Proprietary account vis-à-vis Value of all Trades in the Security / Contract by a Client / Proprietary account

**AND**

- High Number / Instances of Order modifications

##### **Noise 2:**

- Persistent order modifications by the Client / Proprietary account leading to maintained / deferred / lowering of order execution priority which has accounted for a considerable percentage of his own modifications in the respective contract / security

**AND**

- High Order to Trade Ratio (OTR) in value terms (i.e. Value of all Orders Entered / Modified / Cancelled in a Security / Contract by a Client / Proprietary account vis-à-vis Value of all Trades in the Security / Contract by a Client / Proprietary account

**AND**

- High Number / Instances of Order modifications

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If the number of instances crosses 99 on a rolling 20 trading days basis, the trading account will be disabled for the first 15 minutes of the next trading day. Any additional instance will lead to a longer disablement of a trading account subject to a maximum of 2 hours.

### **20. Monitoring of Foreign Investment limits in listed Indian companies** **(NSE/SURV/37906 dated June 04, 2018 & NSE/SURV/50158 dated October 29, 2021)**

A penalty on Trading Members is levied by the Exchange if they buy on behalf of their FPI/NRI clients in scrips where the aggregate FPI/ NRE / sector cap limit has been breached. The penalty shall be at 0.10% of the total value or Rs.50,000/- whichever is higher per security.

The exchange website keeps an updated list of scrips where the aggregate FPI/NRE/sector cap limit has been exceeded. Members are required to check the breach list prior to making a purchase on behalf of their FPI/NRI clients. Furthermore, the Circular (Circular Ref. No: 1077/2018) specifically mentions it.

“The Red Flag List and Breach List files shall be available on the Exchange website at the following location”

[>> www.nseindia.com](http://www.nseindia.com) >> corporates >> Foreign Investment limits in Listed Companies

### **21. Unique Identifier for Algorithms** **(NSE/SURV/39958 dated January 15, 2019 & NSE/SURV/50154 dated October 29, 2021)**

All Algorithmic orders emanating from the system to be tagged with the unique identifier as specified by Exchange from time to time. To enable members to tag their algorithmic orders appropriately in compliance of the above SEBI circular, Exchange has made the necessary provision on the member portal ENIT for members to source the unique identifier allotted for each algorithm.

Unique ‘Algo Id’ shall be assigned to each algorithm approval taken from the Exchange. Members shall be solely responsible to ensure that each algorithmic order is appropriately tagged with the correct ‘Algo Id’ as assigned to the algo in ENIT. The ‘Algo Id’ shall be displayed on ENIT under the path Trading

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> NNF Approval > Approval MIS (Report) and can also be downloaded as an excel file (option available in the same path).

The Exchange checks whether all Algorithmic orders are tagged with the unique identifier allocated by the Exchange. In case of any deviation is observed, the Exchange levies a penalty . The penalty structure is as follows:

Existing Penalty	Revised Penalty
Rs. 10,000/- per day	Rs. 10,000/- per day for up to 5 instances, post 5 instance Rs. 50,000/- per day

The 13th digit of the 15-digit NNF id represents the flag for Algo/Non-Algo. If the 13th digit is 0, it depicts the NNF id is an Algo id and if the 13th digit is 1, the id is classified as non-Algo. The Exchange checks whether any NNF id updated as Algo is tagged with an valid Algo ID registered with the Exchange. In case of any mismatch observed in Algo ID or not entered at all, Exchange levies the aforesaid penalty.

To enable Trading Members to take immediate corrective action, a mismatch file can be downloaded through FTP on the following location:

**File path: “/Surveillance/Dnld”**

### **22. Position limits in Equity Index Derivatives (Futures and Options)** **(NSE/SURV/43915 dated March 22, 2020 & NSE/SURV/46458 dated November 25, 2020)**

In the recent past, world over, the stock markets have been quite volatile due to the Covid-19 pandemic and the resultant fear of economic slowdown. So, on March 20, 2020, SEBI in discussion with the Stock Exchanges, Clearing Corporations, and Depositories (implemented) appropriate measures that may be taken in the existing circumstances. Pursuant to the said discussions and keeping in view the objective of ensuring orderly trading and settlement, effective risk management, price discovery and maintenance of market integrity, position limits in Equity Index Derivatives (Futures and Options) was introduced.

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Position limits in equity index derivatives (futures and options) -

- i. Mutual Funds / FPIs / Trading Members (Proprietary) / Clients may take exposure in equity index derivatives subject to the following limits:
  - a. Short positions in index derivatives (short futures, short calls and long puts) shall not exceed (in notional value) the Mutual Funds' / FPIs' / Trading Members' (Proprietary) / Clients' holding of stocks.
  - b. Long positions in index derivatives (long futures, long calls and short puts) shall not exceed (in notional value) the Mutual Funds' / FPIs' holding of cash, government securities, T-Bills and similar instruments.
- ii. Additional position limits mentioned hereunder shall be available to Trading Members (Proprietary) / FPIs / Mutual Funds / Clients:
  - a. Equity Index Futures Contracts: Rs. 500 Crores.
  - b. Equity Index Options Contracts: Rs. 500 Crores
- iii. If any of the aforesaid entities exceed the respective limits prescribed at 3(i) and 3(ii) above, an additional deposit shall be payable by the entity equivalent to double the amount of margin chargeable on excess position beyond the limits prescribed at 3(i) and 3(ii) above and the same shall be retained by stock exchanges / clearing corporations for a period of 1 month.

Various scenarios with reference to Point no. 3 of Annexure- A of the above-mentioned Press Release, on "Index Derivatives- Revised position limits in equity index derivatives (futures and options)" are as follows.

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Value in Crs (negative is short and positive is long) based on Previous day close price/ settlement price				
Scenarios	Futures Positions Value (Netted all expiries)	Options Positions Value (Netted across Call Puts, based on sentimental positions across expiries)	Excess Positions Value (After giving benefit of Rs. 500 Crores)	Requirement
1	-400	-400	0	No Action. Both within Rs. 500 Crs limit
2	-400	-600	-100	Action. Short side Underlying required for Rs. 100 Crs
3	-600	-400	-100	Action. Short side Underlying required for Rs. 100 Crs
4	-600	-600	-200	Action. Short side Underlying required for Rs. 200 Crs
5	-600	300	-100	Action. Short side Underlying required for Rs. 100 Crs
6	-600	-1000	-600	Action. Short side Underlying required for Rs. 600 Crs
7	-600	600	100	Action. Short side required underlying for Rs.100 crs
			-100	Action. Long side required Cash,GSec,TBills for Rs 100 Crs for FPIs and MFs
8	600	-600	100	Action. Short side required underlying for Rs.100 Crs
			-100	Action. Long side required Cash,GSec,TBills for Rs 100 Crs for FPIs and MFs
9	600	100	100	Action. Long side Cash, GSec, TBills Rs. 100 Crs only for FPIs and MFs
10	600	300	100	Action. Long side Cash, GSec, TBills Rs. 100 Crs only for FPIs and MFs
11	600	600	200	Action. Long side Cash, GSec, TBills Rs. 200 Crs only for FPIs and MFs
12	2000	-2000	1500	Action. Short side required underlying for Rs.1500 Crs
			-1500	Action. Long side required Cash,GSec,TBills for Rs 1500 Crs for FPIs and MFs
13	-2000	1000	-1500	Action. Short side required underlying for Rs.1500 crs
			500	Action. Long side required Cash,GSec,TBills for Rs 500 Crs for FPIs and MFs
14	-750	250	-250	Action. Short side Underlying required for Rs. 250 Crs

- A. The requirement for the entity as specified in the above table under “Requirement” for all net short positions under the column “Excess Value” will be checked against,
- Portfolio value available in the DEMAT account with depositories, AND,
  - Value of any purchases for the which the Payout has not taken place.

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In case such underlying portfolio is not available, an additional deposit (i.e. twice the difference in margin on all actual Total Index Positions vis a vis margin if Total Index Positions are within limits) as specified in “3(iii) of Annexure A” of the Press Release will be payable by the entity. The same shall be retained by the Stock Exchange for a period of 3 months. Such additional deposit shall be accepted in Cash and FD (lien marked in favour of National Stock Exchange of India Limited).

- B. Similarly, the requirement for the entity as specified in the above table under “Requirement” for all net long positions under the column “Excess Value” for MF/ FPI, will be matched with value of holding in Cash, Government Securities, T bills and Similar Instruments. The extant clearing corporation mechanism will be utilized to obtain the value of holding in Cash, Government Securities, T bills and Similar Instruments. In case such holding in Cash, Government Securities, T Bills, and similar Instruments is not available, an additional deposit (i.e. twice the difference in margin on all actual Total Index Positions vis a vis margin, if Total Index Positions are within limits) as specified in “3(iii) of Annexure A” of Press Release will be payable by the entity. The same shall be retained by the Stock Exchange for a period of 1 month. Such additional deposit shall be accepted in cash and FD (lien marked in favour of National Stock Exchange of India Limited).

Further, Trading members need to independently monitor the positions of all their clients and maintain it below 500 Cr to ensure compliance with the below-mentioned circulars.

### **23. Placing orders at fair prices** **(NSE/SURV/55281 dated January 17, 2023)**

Exchange has implemented various Pre-Trade Risk Controls (PTRC) like Market Price Protection (MPP), Limit Price Protection (LPP), Stop loss trigger- Limit price validation and Hard bounds (specifically for options). The Pre-Trade Risk Controls are aligned with market movements ensuring continuous orderly trading.

While the Exchange may enhance these controls, the trading members should continue to ensure pertaining to Placing orders at fair prices by building adequate controls in their Non-Neat Frontend (NNF) systems as well. This applies to all types of orders including Stop Loss, Spread orders etc.



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Trading Members are required to incorporate in their NNF systems, controls as prescribed in these circulars.

Trading member shall ensure minimum level of Risk controls before placing any algorithmic orders routed through electronic / automated risk management system. As a part of the 13 checks mentioned in the circular, trading members should adhere to the Market Price Protection check, by not placing any algorithmic orders on the Exchange as a market order.

#### **24. Additional Surveillance Margin on Trading Member for Order Spoofing** **(NSE/SURV/41107 dated May 23, 2019)**

If any Trading member places and cancels order on his own account or on behalf of his client, which is considerable portion of the pending order book and at the same time executes trade(s) on the opposite side of the order book, then Exchanges shall initiate suitable action which may include levy of additional surveillance margin of 5%. This additional surveillance margin when levied shall remain for a period of one month and shall be applicable on both Equity and Equity Derivatives Segment, across all Exchanges.

The trading members identified by the Exchanges shall be informed individually about the additional surveillance margins.

This measure is without prejudice to the rights of SEBI and Exchanges to take any other surveillance measures, in any manner, on a case-to-case basis or holistically depending upon the situation and circumstances as may be warranted.

#### **25. Consolidated Penalty Structure for Surveillance** **(NSE/SURV/57315 dated June 27, 2023)**

The Exchange has reviewed and revised the penalties levied by Surveillance Department as under:

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### 1. Unique Identifier for Algorithms:

With reference to Exchange circular no. NSE/SURV/39958 dated January 15, 2019, Trading Members were advised to adhere to the various circulars pertaining to tagging of algorithmic orders with the unique identifier and ensure that all algorithmic orders are tagged with the unique identifier allocated by the Exchange.

Further w.r.t Exchange circular no. NSE/SURV/50154 dated October 29, 2021, members may note that the penalty structure has been revised as under:

Existing Penalty	Revised Penalty
<ul style="list-style-type: none"> <li>Penalty of Rs. 10,000/- per day,</li> <li>After 5 instances Rs 50000/- per day</li> </ul>	<ul style="list-style-type: none"> <li>Penalty of Rs. 20,000/- per day,</li> <li>After 3 instances Rs 50,000/- per day,</li> <li>After 10 instances Rs 1,00,000/- per day (for incremental instances)</li> </ul>

**Note:** Instance violation count to be computed based on rolling 3 months.

### 2. Quote Stuffing:

Trading Members having excessive order messages with nil or low trade count as per the below criteria:

#### Criteria:

- Order messages of 10 lakh or above with 0 trade count
- Order messages of 20 lakh or above with 10 trade or less

Existing Penalty	Revised Penalty
NIL	<ul style="list-style-type: none"> <li>Penalty of Rs. 20,000/- per instance in case 3 instances of violation observed in rolling 1 month.</li> <li>Post levy of initial penalty as above, penalty of Rs 25,000/- shall be levied for every incremental instance of violation.</li> </ul>

**Note:** The above computation of order messages and trade count will be done separately for equity, equity derivatives and currency derivatives segment at unique algo and dealer level (Algo id + Dealer user id level).

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### 3. Order modifications without change in price and quantity:

Penalty will be levied in case of excessive order modifications without change in price and quantity based on the number of modifications observed as per the below structure.

Existing Penalty	Revised Penalty
NIL	<ul style="list-style-type: none"> <li>Penalty of Rs. 20,000/- per day (Between 10,000 to 50,000 modifications)</li> <li>Stopping the algo strategy and Penalty of Rs. 50,000/- per day (More than 50,000 modifications)</li> </ul>

### 4. High algo order messages in stock/stock derivatives with Nil or low trade count:

Computation of symbol/contract ratio:

Symbol/Contract = No. of Order Messages (Algo) / No. of Trades (Algo)

Order messages = Order Entry + Order Modification + Order Cancellation

The above computation will be checked for entire month at trading member level and at specific stock/stock derivatives level.

Members may note that the penalty will be levied as per the below table in case the symbol/contract ratio computed for a trading member is more than 500:

Existing Penalty	Revised Penalty
NIL	Penalty of Rs. 20,000/- to be levied in case instances of violations are observed in a particular segment for 3 consecutive months.

**Note:** Penalty shall be levied for each segment (CM, FO, CDS) separately for which violation condition is satisfied.

All orders, including those within 0.75% of LTP will be considered in computation of the above ratio.

The extant OTR framework as per Exchange circular - NSE/SURV/45016 dated July 14, 2020 shall continue to be in force.

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### 5. Non-algo id pumping excessive order messages:

Non- Algo ID is identified on basis of 13th digit of NNF id. Penalty will be levied for NNF id pumping excessive order messages, incorrectly tagged as non-algo instead of algo.

Existing Penalty	Revised Penalty
NIL	<ul style="list-style-type: none"> <li>Penalty of Rs. 20,000/- per day,</li> <li>After 3 instances Rs 50,000/- per day,</li> <li>After 10 instances Rs 1,00,000/- per day (for incremental instances)</li> </ul>

**Note:** Instance violation count to be computed based on rolling 3 months post establishment that the NNF id is Algo.

### 6. Market Orders emanating from Algo:

This is with reference to circular no NSE /SURV/55281 dated January 17, 2023 wherein Exchange has reiterated that trading members should adhere to the Market Price Protection check, by not placing any algorithmic orders on the Exchange as a market order. In continuation of the above, the following penalty structure has been put in place and shall be levied at member level for Market Orders emanating from Algo:

Existing Penalty	Revised Penalty
Nil	Penalty of Rs 1000 per order up to a maximum of Rs 1 lac per day at member level

**Note:** Orders placed in post close session will be exempted.

**The above penalty changes/revisions will be effective w.e.f 1<sup>st</sup> August 2023.**

**Members may note that the below penalties shall remain unchanged:**

Particulars	Circular reference	Penalty/Disciplinary action
Monitoring of Foreign Investment limits in listed Indian companies	NSE/SURV/50158 dated October 29, 2021	Penalty of Rs. 50,000 or 0.10 % of the total value whichever is higher per security
Surveillance Obligation Quarterly Reporting	NSE/SURV/49765 dated September 29, 2021	Penalty of Rs. 10,000 per day till submission of quarterly report on 1st instance.

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Particulars	Circular reference	Penalty/Disciplinary action
		From 2nd instances, Rs. 20,000 per day till submission of quarterly report.
Order to Trade Ratio (OTR)	NSE / SURV / 45016 dated July 14, 2020	Actions/penalties as specified in the circular
Persistent Noise Creator (PNC)	NSE / SURV / 52992 dated July 15, 2022	Actions/penalties as specified in the circular

### 26. Cautionary Messages on Trading Terminal

**(NSE/SURV/57778 dated July 31, 2023, NSE/SURV/60281 dated January 16, 2024 and NSE/SURV/60574 dated February 06, 2024, NSE/SURV/63563 dated August 23, 2024, NSE/SURV/64402 dated October 04, 2024, NSE/SURV/64924 dated November 06, 2024, NSE/SURV/65097 dated November 14, 2024)**

With effect from August 11, 2023, the following additional value in field “SurvInd” in security.txt & nnf\_security.dat file shall be introduced to indicate cautionary message on trading terminals.

Indicator	Description	Short Code (Indicator) <i>Cautionary Pop-up message to be displayed on front end</i>	Exchange Timelines
80	The company has been loss making for at least the last 8 quarters for main board and last 2 years for SME companies on consolidated basis. Where solely standalone results is applicable to the company, the same will be considered instead of consolidated basis.	Loss making for last 8 quarters (80)	65 days from the end of the Quarter/ Year (Main Boards Companies) for which the results are required to be disclosed. 65 days from end of half year/Yearly (SME companies) for which the results are required to be disclosed. Companies that have not submitted the financial results by the expiry of 60 days, it will be presumed as an instance of loss for that quarter/half year/ annual results.

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Indicator	Description	Short Code (Indicator) <i>Cautionary Pop-up message to be displayed on front end</i>	Exchange Timelines
81	Encumbrance of Promoters/ promoter group shareholding is at least 50% of the total capital.	Encumbrance of Promoters/ promoter group shareholding more than 50% (81)	To be taken from shareholding Pattern and will be provided within 30 days from end of each quarter.
82	The company is in BZ/SZ series due to non-compliance with SEBI SOP Circular.	Scrip is in BZ/SZ series (82)	Will be effective from date of change in trading system.
83	The company has failed to pay Annual listing fee.	Company has failed to pay Annual listing fee (83)	After Six Months from issuance of the invoice for Annual Listing Fees.
84	The security is scheduled to move out of derivatives. No fresh far month contracts shall be issued.	Derivative contracts in the scrip to be moved out of F&O (84)	N. A
-	Security is in BAN for Trade on account of breach of 95% of MWPL (i.e., 20% of Non-promoter holding) #	N. A	N. A

#Short code (Indicator) not applicable. Trading members to develop the functionality as per circular NSE/FAOP/37975 dated June 08, 2018. Details mentioned in the last para of this circular.

In order to standardize the format across Exchanges and to facilitate dissemination of scrip specific cautionary messages (single/multiple) on trading terminals at the time of order entry, a new file REG\_INDDMMYY.csv and an existing file ('fo\_secban\_DDMMYYYY.csv' as per Annexure-2, Point B of circular NSE/FAOP/37975 dated June 08, 2018) shall be provided to identify securities which are under Surveillance and Other actions. In case multiple messages are eligible to be displayed, it is mandatory for the trading members to provide all eligible messages in the pop-up.

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Sample format of the new file (REG\_INDDDDMMYY.csv) along with the file structure is enclosed herewith as Annexure.

This file (REG\_INDDDDMMYY.csv) containing the security-wise identifiers, shall be made available daily on the Exchange website w.e.f. EOD as per the following dates in the respective paths. It is to be noted that the REG\_INDDDDMMYY.csv file shall be applicable for the next trading day.

File Nomenclature	NSE Website Path	Effective Date
REG_INDDDDMMYY.csv	<a href="https://www.nseindia.com/all-reports">https://www.nseindia.com/all-reports</a>	22-Jan-24

REG\_INDDDDMMYY.csv will contain the surveillance actions / additional actions and the existing file ('fo\_secban\_DDMMYYYY.csv') will contain list of securities under BAN period securities.

Trading Members are required to develop a functionality on their non-NEAT front end including IBT, STWT, CTCL etc., whereby any person while placing an order in a security for which the cautionary indicators are applicable (as per the REG\_INDDDDMMYY.csv file and 'fo\_secban\_DDMMYYYY.csv'), gets the following message so that the person placing the order is aware of such single/multiple actions on the scrip before placing the order. The message shall be as under:

**“Security is under - <for relevant indicator refer Reg Indicator file/fo\_secban>, would you like to continue?” Yes / No.**

If a security qualifies for a combination of multiple actions, e.g. Qualifies for 'GSM-0', 'ESM-1', 'Failed to pay Annual listing fee' & 'BAN period' in F&O', then the pop-up message while placing an order for that security shall display all the 3 messages. In this case, sample message should be “Security is under - GSM-0, ESM-1, Failed to pay Annual listing fee & BAN period in F&O, would you like to continue?” Yes / No.

The functionality will provide the option for the person placing the order to either select “Yes” or “No”. The order shall be sent to the Exchange only if option “Yes” is selected.

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Trading members may please note that the aforesaid verbatim of the pop-up message should mandatorily be included in the pop-up message on the trading front-end.

Further it is reiterated that the aforesaid feature is mandatory for trading members with retail clients.

### **Cautionary Messages on Trading Terminal – Update (NSE/SURV/64402 dated October 04, 2024)**

This is in continuation to Exchange circular(s) NSE/SURV/39327, NSE/SURV/45768, NSE/SURV/53054, NSE/SURV/54513, NSE/SURV/55831, NSE/SURV/57110, NSE/SURV/57778, NSE/SURV/60281, NSE/SURV/60574 and NSE/SURV/63563 dated November 02, 2018, September 21, 2020, July 22, 2022, November 18, 2022, June 14, 2023, July 31, 2023, January 16, 2024, February 6, 2024 and August 23, 2024 respectively.

1. Exchange vide circular no. NSE/SURV/60281 dated January 16, 2024 informed the Trading Members (TMs) about introduction of a new file REG\_INDDMMYY.csv for standardization of the format across Exchanges and facilitating dissemination of scrip specific cautionary messages (single/multiple) on trading terminals at the time of order entry. Exchange provides the REG\_INDDMMYY.csv file to identify securities which are under Surveillance and Other actions and is made available daily on the Exchange website at path <https://www.nseindia.com/all-reports>.

As of now TMs are required to provide the following pop-up alert messages which need to be disseminated on non-NEAT front end including IBT, STWT, CTCL etc. All these messages are mandatory wherever applicable for a scrip in CM segment.

Sr. No.	Broad Criteria	Pop-up Alert Message
1.1.	Graded Surveillance Measure (GSM)	1.1.1. Scripts in GSM 1.1.2. Stage 1 GSM scrip 1.1.3. Stage 2 GSM scrip 1.1.4. Stage 3 GSM scrip 1.1.5. Stage 4 GSM scrip 1.1.6. Stage 6 GSM scrip



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Sr. No.	Broad Criteria	Pop-up Alert Message
1.2.	Long Term Additional Surveillance Measure (Long Term ASM)	1.2.1. Stage 1 Long Term ASM scrip 1.2.2. Stage 2 Long Term ASM scrip 1.2.3. Stage 3 Long Term ASM scrip 1.2.4. Stage 4 Long Term ASM scrip
1.3.	Short Term Additional Surveillance Measure (Short Term ASM)	1.3.1. Stage 1 Short Term ASM scrip 1.3.2. Stage 2 Short Term ASM scrip
1.4.	Enhanced Surveillance Measure (ESM)	1.4.1. Stage 1 ESM Scrip 1.4.2. Stage 2 ESM scrip
1.5.	Unsolicited SMS	1.5.1. Under SMS – stock under ‘Current Watchlist’ 1.5.2. Under SMS – stock under ‘For Information’ List
1.6.	Insolvency Resolution Process (IRP)	1.6.1. Identified as ‘Receipt of Corporate Announcement / Disclosure from the Company’ 1.6.2. IBC stage 1 1.6.3. IBC Stage 2
1.7.	Inter Credit Agreement (ICA)	1.7.1. Identified under ICA 1.7.2. Identified under Surveillance Measure for ICA
1.8.	Default	1.8.1. Identified under disclosure of Default. 1.8.2. Identified under Additional Surveillance Measure for disclosure of Default.
1.9.	Pledge	Identified under Surveillance measure in respect of companies with high promoter pledge.
1.10.	Total Pledge	Identified under Regulatory measure on companies as per pledge holding of both promoter as well as non-promoter
1.11.	Social Media Platforms	Under Social Media Platforms – stocks under ‘Surveillance Measure list’

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Sr. No.	Broad Criteria	Pop-up Alert Message
1.12.	Loss making	The company has been loss making for at least the last 8 quarters for main board and last 2 years for SME companies on consolidated basis.
1.13.	The Overall encumbered share in the scrip is more than 50 Percent.	Encumbrance of Promoters/ promoter group shareholding of at least 50% of the total capital
1.14.	Under BZ/SZ Series	The company is in BZ/SZ series due to non-compliance with SEBI SOP Circular
1.15.	Company has failed to pay Annual listing fee	The company has failed to pay Annual listing fee.
1.16.	Derivative contracts in the scrip to be moved out of F and O	The security is scheduled to move out of derivatives. No fresh far month contracts shall be issued.
1.17.	Add-on PB	Identified under Add-on Price Band
1.18.	Security is in BAN for Trade on account of breach of 95% of MWPL (i.e., 20% of Nonpromoter holding) *	Security is in 'BAN period' in F&O

**\* Details regarding securities in Ban Period is not available in Regulatory Indicator file and members to use**

**'fo\_secban\_DDDMMYYY.csv' file from extranet path: FAOFTP\FaoCommon\Limit Files (as per Annexure-2, Point B of circular NSE/FAOP/37975 dated June 08, 2018).**

In case multiple messages are eligible to be displayed, it is mandatory for the TMs to provide all eligible messages in the pop-up.

- Exchange vide circular no. NSE/SURV/63563 dated August 23, 2024 directed the Trading Members (TMs) to inform investors about scrips under gross settlement (Trade for Trade) by developing a cautionary message to their clients based on the series (BE/ BZ/ ST or SZ) populated in the REG\_INDDDDMMYY.csv file.

Sr. No.	Broad Criteria	Pop-up Alert Message
2.1.	Trade for Trade (TFT)	Security is under Gross settlement (Trade for Trade)

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This is in addition to the other pop-up messages mentioned at point no.1 above.

3. As per Joint Surveillance Meeting of Exchanges and SEBI held on October 4, 2024, the abovementioned cautionary messages pop-up alerts messages were reviewed, and it was decided to:
  - 3.1. Introduce additional mandatory pop-up alert messages applicable for all scrips
  - 3.2. Introduce additional mandatory pop-up alert messages applicable for all SME scrips
  - 3.3. Introduce additional pop-up alert messages applicable for some scrips based on close-to-close Price Variation and high/low price variations. These thresholds are similar to thresholds in existing ASM/ESM criteria
4. Pursuant to the above additions of pop-up alert messages, the list of mandatory pop up alert messages is as under:

4.1. List of Pop-up alert messages which are mandatory for ALL scrips wherever applicable based on various price variation criteria.

Sr. No.	Broad Criteria	Pop-up Alert Message
4.1.1.	Graded Surveillance Measure (GSM)	4.1.1.1. Scrips in GSM 4.1.1.2. Stage 1 GSM scrip 4.1.1.3. Stage 2 GSM scrip 4.1.1.4. Stage 3 GSM scrip 4.1.1.5. Stage 4 GSM scrip 4.1.1.6. Stage 6 GSM scrip
4.1.2.	Long Term Additional Surveillance Measure (Long Term ASM)	4.1.2.1. Stage 1 Long Term ASM scrip 4.1.2.2. Stage 2 Long Term ASM scrip 4.1.2.3. Stage 3 Long Term ASM scrip 4.1.2.4. Stage 4 Long Term ASM scrip
4.1.3.	Short Term Additional Surveillance Measure (Short Term ASM)	4.1.3.1. Stage 1 Short Term ASM scrip 4.1.3.2. Stage 2 Short Term ASM scrip

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Sr. No.	Broad Criteria	Pop-up Alert Message
4.1.4.	Enhanced Surveillance Measure (ESM)	4.1.4.1. Stage 1 ESM Scrip 4.1.4.2. Stage 2 ESM scrip
4.1.5.	Unsolicited SMS	4.1.5.1. Under SMS – stock under ‘Current Watchlist’ 4.1.5.2. Under SMS – stock under ‘For Information’ List
4.1.6.	Insolvency Resolution Process (IRP)	4.1.6.1. Identified as ‘Receipt of Corporate Announcement / Disclosure from the Company’ 4.1.6.2. IBC stage 1 4.1.6.3. IBC Stage 2
4.1.7.	Inter Credit Agreement (ICA)	4.1.7.1. Identified under ICA 4.1.7.2. Identified under Surveillance Measure for ICA
4.1.8.	Default	4.1.8.1. Identified under disclosure of Default. 4.1.8.2. Identified under Additional Surveillance Measure for disclosure of Default.
4.1.9.	Pledge	Identified under Surveillance measure in respect of companies with high promoter pledge.
4.1.10.	Total Pledge	Identified under Regulatory measure on companies as per pledge holding of both promoter as well as nonpromoter
4.1.11.	Social Media Platforms	Under Social Media Platforms – stocks under ‘Surveillance Measure list’
4.1.12.	Add-on PB	Identified under Add-on Price Band
4.1.13.	Trade for Trade (TFT)	Security is under Gross settlement (Trade for Trade)

4.2. List of Pop-up alert messages which are mandatory for ALL scrips wherever applicable based on criteria other than price variation.

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Sr. No.	Broad Criteria	Pop-up Alert Message
4.2.1.	Loss making	The company has been loss making for at least the last 8 quarters for main board and last 2 years for SME companies on consolidated basis.
4.2.2.	The Overall encumbered share in the scrip is more than 50 Percent.	Encumbrance of Promoters/ promoter group shareholding of at least 50% of the total capital
4.2.3.	Under BZ/SZ Series	The company is in BZ/SZ series due to non-compliance with SEBI SOP Circular
4.2.4.	Company has failed to pay Annual listing fee	The company has failed to pay Annual listing fee.
4.2.5.	Derivative contracts in the scrip to be moved out of F and O	The security is scheduled to move out of derivatives. No fresh far month contracts shall be issued.
4.2.6.	Security is in BAN for Trade on account of breach of 95% of MWPL (i.e., 20% of Nonpromoter holding) *	Security is in 'BAN period' in F&O

4.3. List of additional Pop-up alert messages which are mandatory for ALL scrips wherever applicable.

Sr. No.	Broad Criteria	Pop-up Alert Message
4.3.1.	Scrip PE is greater than 50 (4 trailing quarters)	The scrip PE is greater than 50 for previous 4 trailing quarters
4.3.2.	EPS in the scrip is zero (4 trailing quarters)	EPS based on previous 4 trailing quarters in the scrip is zero
4.3.3.	Less than 100 unique PAN traded in previous 30 days	Average daily number of unique Clients/PAN traded in the scrip in previous 30 days is less than 100

4.4. List of additional Pop-up alert messages which are mandatory for ALL SME scrips wherever applicable.

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Sr. No.	Broad Criteria	Pop-up Alert Message
4.4.1.	Mandatory Market making period in SME scrip is over	Mandatory Market making period in this scrip is over, exit may be difficult.
4.4.2.	SME scrip is not regularly traded	The scrip is not regularly traded, and exit may be difficult.

4.5. Additionally, Top 3 (based on price movement per day) (Top 2 from close-to-close price variation and Top from High-low variation list) from the below list of pop-up alert messages will be applicable for all scrips for which alert messages mentioned in para 4.1 is not applicable.

Sr. No.	Broad Criteria	Pop-up Alert Message
4.5.1.	Close to Close price movement greater than 25% in previous 5 trading days	Close to Close price movement was greater than 25% in previous 5 trading days
4.5.2.	Close to Close price movement greater than 40% in previous 15 trading days	Close to Close price movement was greater than 40% in previous 15 trading days
4.5.3.	Close to Close price movement greater than 100% in previous 60 trading Days	Close to Close price movement was greater than 100% in previous 60 trading Days
4.5.4.	Close to Close price movement greater than 25% in previous 15 Days	Close to Close price movement was greater than 25% in previous 15 Days
4.5.5.	Close to Close price movement greater than 50% in previous 1 month	Close to Close price movement was greater than 50% in previous 1 month
4.5.6.	Close to Close price movement greater than 90% in previous 3 months	Close to Close price movement was greater than 90% in previous 3 months
4.5.7.	Close to Close price movement greater than 25% in previous 1 month	Close to Close price movement was greater than 25% in previous 1 month
4.5.8.	Close to Close price movement greater than 50% in previous 3 months	Close to Close price movement was greater than 50% in previous 3 months

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Sr. No.	Broad Criteria	Pop-up Alert Message
4.5.9.	Close to Close price movement greater than 200% in previous 365 Days	Close to Close price movement was greater than 200% in previous 365 Days
4.5.10.	Close to Close price movement greater than 75% in previous 6 months	Close to Close price movement was greater than 75% in previous 6 months
4.5.11.	Close to Close price movement greater than 100% in previous 365 Days	Close to Close price movement was greater than 100% in previous 365 Days
4.5.12.	High low price variation greater than 75% in previous 1 month	High low price variation was greater than 75% in previous 1 month
4.5.13.	High low price variation greater than 150% in previous 3 months	High low price variation was greater than 150% in previous 3 months
4.5.14.	High low price variation greater than 75% in previous 3 months	High low price variation was greater than 75% in previous 3 months
4.5.15.	High low price variation greater than 300% in previous 365 Days	High low price variation was greater than 300% in previous 365 Days
4.5.16.	High low price variation greater than 100% in previous 6 months	High low price variation was greater than 100% in previous 6 months
4.5.17.	High low price variation greater than 200% in previous 365 Days	High low price variation was greater than 200% in previous 365 Days
4.5.18.	High low price variation greater than 150% in previous 12 months	High low price variation was greater than 150% in previous 12 months

Exchange shall update the file structure to accommodate the aforesaid additional messages and provide the relevant indicators in the REG\_INDDMMYY.csv file.

In order to inform investors about these additional alert messages, trading members are directed to develop a cautionary message to their clients based on the additional fields populated in the REG\_INDDMMYY.csv file.

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Trading Members are required to develop a functionality on their non-NEAT front end including IBT, STWT, CTCL etc., whereby any person while placing an order in a security for which the cautionary indicators are applicable (as per the REG\_INDDDDMMYY.csv file and 'fo\_secban\_DDMMYYYY.csv'), gets the following message so that the person placing the order is aware of such single/multiple actions on the scrip before placing the order. The message shall be as under:

**“Security is under - , would you like to continue?” Yes / No.**

For example: If a security qualifies for a combination of multiple actions, e.g. Qualifies for 'GSM-0', 'ESM1', 'Failed to pay Annual listing fee' & 'BAN period' in F&O', then the pop-up message while placing an order for that security shall display all the 3 messages. In this case, sample message should be “Security is under - GSM-0, ESM-1, Failed to pay Annual listing fee & BAN period in F&O, would you like to continue?” Yes / No. This is applicable for any combination of mandatory pop up alert message indicated in para 4.

The functionality will provide the option for the person placing the order to either select “Yes” or “No”. The order shall be sent to the Exchange only if option “Yes” is selected.

Trading members may please note that the aforesaid verbatim of the pop-up message should mandatorily be included in the pop-up message on the trading front-end.

Trading Members are also required to maintain a LOG of all such displays per scrip and the options selected by the investor on the order entry screen. Management of the TM needs to provide such LOGs to the Board of the Trading Member and must satisfy them that all alerts were displayed at the time of order entry and the option chosen by the client on the system was also recorded.

The System Auditor should also check in the periodic submission, whether the above functionality was properly deployed.

Sample format of the revised file (REG\_INDDDDMMYY.csv) along with the file structure will be provided vide a separate circular.



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The file (REG\_INDDMMYY.csv) shall continue to be made available daily on the Exchange website at path <https://www.nseindia.com/all-reports>.

Further it is reiterated that the aforesaid feature is mandatory for trading members with retail clients.

Trading members are requested to build the requisite functionality and comply with the circular **preferably by December 10, 2024** and **mandatorily by January 10, 2025**.

### **Cautionary Messages on Trading Terminal – Update (NSE/SURV/64924 dated November 06, 2024)**

This is in continuation to Exchange circular NSE/SURV/64402 dated October 04, 2024.

Trading members were informed about the introduction of the additional cautionary messages pop-up alerts messages vide Exchange circular NSE/SURV/64402 dated October 04, 2024. Accordingly, a new regulatory indicator file viz., REG1\_INDDMMYY.csv (standard format across Exchanges) is being introduced for facilitating dissemination of scrip specific cautionary messages (single/multiple) on trading terminals at the time of order entry. The file structure of the new REG1\_INDDMMYY.csv file (accommodating the additional messages and the relevant indicators) along with the sample file is enclosed herewith as Annexure. Additional fields from Sr. no. 26 onwards have been introduced in the new file structure.

The new file (REG1\_INDDMMYY.csv) containing the security-wise identifiers, shall be made available daily on the Exchange website w.e.f. December 6, 2024 EOD. It is to be noted that the REG1\_INDDMMYY.csv file shall be applicable for the next trading day.

The Exchange shall also continue to provide the existing regulatory indicator file (REG\_INDDMMYY.csv) until transition to the aforesaid new regulatory indicator file (REG1\_INDDMMYY.csv).

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It is reiterated (as stated in Exchange circular NSE/SURV/64402 dated October 04, 2024) that Trading members are requested to build the requisite functionality and comply with the circular preferably by December 10, 2024 and mandatorily by January 10, 2025.

#### **Corrigendum to Cautionary Messages on Trading Terminal – Update (NSE/SURV/65097 dated November 14, 2024)**

This is corrigendum to Exchange circular NSE/SURV/64924 dated November 06, 2024.

The aforesaid circular included an Annexure which provided the file structure of the new regulatory indicator file (REG1\_INDDMMYY.csv). There are minor changes in the said file structure w.r.t the description provided at Sr. nos. 42 to 48. The same has been highlighted for easy reference.

The updated file structure of the new regulatory indicator file (along with the sample file) is provided.

All other contents mentioned in the Exchange circular NSE/SURV/64924 dated November 06, 2024 remain unchanged.

#### **27. Advisory on Inventory Management for Market Makers on SME Platform (NSE/SURV/63146 dated on July 30, 2024 )**

This is with reference to SEBI Circular nos. CIR/MRD/DP/14/2010 dated April 26, 2010, CIR/MRD/DSA/17/2010 dated May 18, 2010 and Exchange Circular no. NSE/SME/MEM/21427 dated on August 06, 2012 regarding Market Makers on SME platform and SEBI Circular no. CIR/MRD/DSA/31/2012 dated November 27, 2012 regarding Inventory Management for Market Makers of SME Exchange / Platform.

Exchange has observed that post exhaustion of the initial inventory, some of the Market Makers are not providing one-way 'Buy' quote for atleast 75% of time in a day. Further, some Market Makers have stopped providing two-way quotes for atleast 75% of time in a day, within permissible bid-ask spread limit, even after acquiring the new inventory (by providing one-way 'Buy' quote post exhaustion of the initial inventory). This results in non-compliance with the requirements of the above-mentioned SEBI/ Exchange circulars.

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Accordingly, Market Makers are hereby advised to follow the below guidelines while managing their inventory during the process of market making:

1. In the event the Market Maker exhausts the inventory (i.e., Initial allotment and/or shares acquired during the market making process) through market making process on the platform of the exchange:
  - 1.1. Market Maker shall inform the Exchange about the inventory exhaustion in the prescribed format (Refer Annexure 1) along with copy of the relevant demat account transaction-cumholding statement (duly certified/stamped by the Depository Participant) evidencing the same.
  - 1.2. Market Maker shall continue the market making process by providing one-way 'Buy' quote for atleast 75% of time in a day, until the new inventory is acquired (i.e., shares acquired during the market making process) for the security.
2. Upon acquiring the new inventory, Market Maker shall resume to provide two-way quotes for atleast 75% of time in a day, within permissible bid-ask spread limit as per the obligations and responsibilities of market maker mentioned in SEBI circular dated April 26, 2010 and Exchange circular dated August 6, 2012.

Market Makers are advised to ensure compliance with the SEBI/ Exchange circulars issued from time to time.

#### **28. Reversal Trade Cancellation Mechanism (RTCM) in Equity Segment** **(NSE/SURV/62493 dated June 18, 2024)**

In order to enhance market integrity and safeguard interest of investors, Exchange has been introducing various pre-emptive controls. In line with the same, to restrain abnormal / non – genuine transactions executed with an objective of transferring profit / loss between entities or creation of artificial volume in securities / contracts, Exchange vide circular no. NSE/SURV/58192 dated August 31, 2023 had indicated to introduce “Reversal Trade Cancellation Mechanism” (RTCM) on an intraday basis to cancel trades which satisfy the conditions of a reversal transaction.

Exchange has finalized the following mechanism pertaining to RTCM. This is in replacement of the mechanism communicated in the above-mentioned circular.

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Exchange will monitor transactions on an intraday basis, between a pair of PANs (PAN will be replaced with CP Codes wherever applicable). As a new trade takes place between a pair of PANs, the quantity of the trade will get aggregated to either of the legs (First Leg or Second Leg) i.e. “First leg - where PAN “A” is the buyer and PAN “B” is the seller” or “Second leg - where PAN “A” is the seller and PAN “B” is the buyer”. At every trade instance after the above aggregation, wherever such aggregated quantity of two legs between PAN “A” and PAN “B” (i.e. first leg is where PAN “A” is the buyer and PAN “B” is the seller and second leg where PAN “B” is the buyer and PAN “A” is the seller) breach thresholds with respect to the following parameters, the trade will be eligible for cancellation

1. Combined traded quantity of a pair of PANs for both legs to the extent of reversal, compared with market gross traded quantity in the scrip on that day till that point in time. “Reversal quantity” is the quantity which is bought and sold within the pair of PANs (i.e. if 500 quantity is bought within the pair of PANs and 600 quantity is sold within the pair of PANs then “Reversal Quantity” will be 500 quantity.)
2. Reversal Ratio in the scrip, of the pair of PANs at that point in time (e.g. calculation of reversal ratio = if the first leg cumulative quantity is x and the second leg cumulative quantity is y then reversal ratio is  $(x/y*100)\%$ )
3. Square off difference of a pair of PANs at that point in time in a scrip (i.e. difference between “average sell price” and “average buy price” multiplied by “reversal quantity”)
4. Reversal quantity of a PAN till that point in time in the scrip compared with total quantity traded by each PAN in the pair of PANs in the scrip for that day till that point of time.

Client Code Modification during market hours resulting in reversal of trade, shall also be cancelled as a part of RTCM mechanism.

RTCM mechanism shall be applicable to continuous normal market.

For identification of client ‘A’ and client ‘B’ as mentioned in the above paragraphs, the following logic will be used.

In case of proprietary and client (Non-CP code), “PAN” would be used to identify the above clients.

In case of CP code clients (excluding CP code “INST”), “CP code” would be used to identify the above clients.

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In case of such reversal trade in a scrip in CM segment, the Exchange shall automatically cancel the trade on an intra-day basis. Upon such trade cancellations, trading member shall get below message on the respective trading terminals.

Trade CXL: < Trade details> Trade Cancelled by Exchange User Id (Dealer ID)

All trades (including the client code modification data) shall be cumulated for the respective client on symbol/contract basis to validate the aforesaid four conditions. The Reversal Trade Cancellation Mechanism checks shall be done from 10:30 a.m. (trades from 09:15 am to 10:30 am shall be accumulated) onwards until 3:00 p.m. (half hour prior to market close – i.e. RTCM shall not be applicable from 3:00 p.m. to 3:30 p.m.).

The RTCM mechanism shall be made applicable for scrips which are relatively illiquid. The list of such scrips/contracts will be published on end of month and the list shall be valid for the subsequent month.

The list shall be available in the excel sheet named “CM\_RTCM\_mmmmyyyy.csv” at extranet path /common/Surveillance/RTCM

To begin with, the Reversal Trade Cancellation Mechanism (RTCM) shall be released in the CM Segment. The RTCM shall be subsequently implemented in other segments.

**29. Reversal Trade Cancellation Mechanism (RTCM) in Equity Derivatives Segment**  
**(NSE/SURV/65645 dated December 17, 2024, NSE/SURV/65736 dated December 23, 2024 and**  
**NSE/SURV/66070 dated January 10, 2025)**

In order to enhance market integrity and safeguard interest of investors, Exchange has been introducing various pre-emptive controls. In line with the same, to restrain abnormal / non – genuine transactions / creation of artificial volume in securities / contracts, Exchange vide circular no. NSE/SURV/62493 dated June 18, 2024 had introduced “*Reversal Trade Cancellation Mechanism*” (RTCM) in CM Segment on an intraday basis to cancel trades which satisfy the conditions of a reversal transaction.

Exchange has finalized the following mechanism pertaining to RTCM in Equity Derivatives Segment.

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Exchange will monitor transactions on an intraday basis, between a pair of PANs (PAN will be replaced with CP Codes wherever applicable). As a new trade takes place between a pair of PANs, the quantity of the trade will get aggregated to either of the legs (First Leg or Second Leg) i.e. “First leg - where PAN “A” is the buyer and PAN “B” is the seller” or “Second leg - where PAN “A” is the seller and PAN “B” is the buyer” at an individual contract level. At every trade instance after the above aggregation at individual contract level, wherever such aggregated quantity of two legs between PAN “A” and PAN “B” (i.e. first leg is where PAN “A” is the buyer and PAN “B” is the seller and second leg where PAN “B” is the buyer and PAN “A” is the seller) breach thresholds with respect to all the following parameters, the trade will be eligible for cancellation.

1. Combined traded quantity of a pair of PANs for both legs to the extent of reversal, compared with market gross traded quantity in the respective contract on that day till that point in time. “Reversal quantity” is the quantity which is bought and sold within the pair of PANs (i.e. if 500 quantity is bought within the pair of PANs and 600 quantity is sold within the pair of PANs then “Reversal Quantity” will be 500 quantities.)
2. Reversal Ratio in the respective contract, of the pair of PANs at that point in time (e.g. calculation of reversal ratio = if the first leg cumulative quantity is x and the second leg cumulative quantity is y then reversal ratio is  $(x/y \times 100)\%$ )
3. Square off difference of a pair of PANs at that point in time in a respective contract (i.e. difference between “average sell price” and “average buy price” multiplied by “reversal quantity”)
4. Reversal quantity (both first and second leg) of a PAN till that point in time in the respective contract compared with total quantity traded by each PAN in the pair of PANs in the respective contract for that day till that point of time.

Client Code Modification during market hours resulting in reversal of trade, shall also be cancelled as a part of RTCM mechanism.

RTCM mechanism shall be applicable to continuous normal market.

For identification of client ‘A’ and client ‘B’ as mentioned in the above paragraphs, the following logic will be used.

- a) In case of proprietary and client (Non-CP code), “PAN” would be used to identify the above clients.
- b) In case of CP code clients “CP code” would be used to identify the above clients.

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In case of such reversal trade in a contract in Equity Derivatives segment, the Exchange shall automatically cancel the trade on an intra-day basis. Upon such trade cancellations, trading member shall get below message on the respective trading terminals.

*Trade CXL: < Trade details> Trade Cancelled by Exchange User Id (Dealer ID)*

All trades (including the client code modification data) shall be cumulated for the respective client on individual contract basis to validate the aforesaid four conditions. The Reversal Trade Cancellation Mechanism checks shall be done from 10:30 a.m. (trades from 09:15 am to 10:30 am shall be accumulated) onwards until 3:00 p.m. (half hour prior to market close – i.e. RTCM shall not be applicable from 3:00 p.m. to 3:30 p.m.).

It may be noted that RTCM will be applicable on certain contracts specified by the Exchange. Such list of contracts will be published at the end of the day and the list shall be valid for the subsequent trade day. Such list shall be available in the excel sheet named “FO\_RTCM\_DDMMYYYY.csv” at extranet path /faocommon/Surveillance/RTCM. This file will be refreshed daily. The list of contracts will include the following:

1. Contracts with Monthly Expiry
  - a. All Monthly Expiry Futures & Options contracts (Stock & Indices) for which expiry day is more than 40 calendar days away from next trading day.
  - b. For Monthly Stock Futures & Options contracts with expiry date less than equal to 40 calendar days to expiry – all strikes 10% away from underlying price.
  - c. For Monthly Index Futures & Options contract with expiry date less than equal to 40 calendar days to expiry – all strikes 5% away from underlying price.
2. Contracts with Weekly Expiry
  - a. All Weekly Expiry Index Futures & Options contracts for which expiry day is more than 15 calendar days away from next trading day.
  - b. For Index contract with weekly expiry with expiry less than equal to 15 calendar days to expiry – all strikes 5% away from underlying price.

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### **30. Monitoring of position limits for equity derivative segment** **(NSE/SURV/64953 dated November 08, 2024)**

This has reference to the SEBI circular No. SEBI/HO/MRD/MRD-PoD-2/P/CIR/2024/140 dated October 15, 2024 regarding– “Monitoring of position limits for equity derivative segment”. The copy of the circular issued by SEBI is enclosed as Annexure.

For further details with respect to the changes, please refer to the circular Ref No: NCL/CMPT/64569 dated October 15, 2024 issued by NSE Clearing Limited.

There is no change in the mechanism or threshold w.r.t position limits in Equity Index Derivatives (futures and options) as per NSE circular no. Ref No: NSE / SURV / 46458 dated November 25, 2020.



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### **INVESTIGATION**

#### **31. Modification of Client Codes (All Segments)** **(NSE/INVG/56395 dated April 17, 2023)**

With an objective to reduce order entry mistakes and to discourage client code modifications, levy of penalty in all cases of client code modification as applicable was considered appropriate and accordingly a penalty structure was implemented.

The relevant Exchange circulars w.r.t modification of Client Codes of Non-Institutional Trades is as under:

- NSE/INVG/2011/18484 dated July 29, 2011
- NSE/INVG/2011/18716 dated August 26, 2011
- NSE/INVG/24045 dated July 31, 2013
- NSE/SURV/27878 dated October 21, 2014
- NSE/INVG/31729 dated February 12, 2016
- NSE/INVG/35398 dated July 19, 2017
- NSE/INVG/41356 dated June 20, 2019
- NSE/INVG/41459 dated June 28, 2019
- NSE/INVG/42106 dated September 11, 2019

The framework for Client Code (Non-Institutional / Institutional client category) Modification monitoring and penalty is as under:

#### **31.1** Penalty on Client Code Modification where either original code or modified client code is non-institutional client category:

**31.1.1** As per Exchange circulars - NSE / INVG / 2011 / 18484 dated July 29, 2011, NSE / INVG / 2011 / 18716 dated August 26, 2011, and NSE / INVG / 35398 dated July 19, 2017, any client code modification from a non-institutional client category to non-institutional / institutional client category shall be subject to penalty. Further, client code modification

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from an institutional client category to non-institutional client category shall be subject to penalty.

**31.1.2** The following penalty structure will be applicable:

<b>“a” as % of “b”</b>	<b>Penalty as % of “a”</b>
≤ 5	1
> 5	2

Where:

**“a”** = Value (turnover) of non-institutional trades where client codes have been modified by a trading member in a segment during a calendar month.

**“b”** = Value (turnover) of non-institutional trades of the trading member in the segment during the calendar month.

**31.2** Designated ERROR account

**31.2.1** As per Exchange circular - NSE/INVG/2011/18716 dated August 26, 2011, Trading members would be required to disclose the client codes which are classified as ‘Error Accounts’ to the Exchange at the time of UCC upload.

**31.2.2** The naming convention w.r.t classification of Error Accounts by the Trading Member will be as under:

**31.2.2.1** The client code of the designated error account should have the nomenclature as “ERROR” or “ERROR%” where % is a number.

**31.2.2.2** The name of the designated error account should have the nomenclature as “TM Name - Error Account”.

**31.2.2.3** In cases where the trading member fails to maintain a single active designated “ERROR” account, a penalty of Rs. 10,000 per month of violation will be applicable. Further, after 3 months disciplinary action shall be initiated.

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**31.3** Modification to ERROR client code category and Liquidation of trades transferred to ERROR account.

**31.3.1** As per Exchange circular - NSE/INVG/2011/18716 dated August 26, 2011, shifting of any trade (institutional or non-institutional) to the error account of the trading member shall not be treated as modification of client code provided the positions arising out of trades in error account are subsequently liquidated / closed out in the market and not shifted to some other client code.

**31.3.2** Trading Members will be provided with a timeline of 3 working days (including the day of trade) to square off / liquidate their trades flowing into error account. In case trades / open positions are not liquidated or squared off within the prescribed time limit, a penalty as prescribed in para 31.1.2 above would be applicable. This timeline is subject to availability of liquidity in the scrip/contract. In case the liquidity is not sufficient, the Trading Member should approach the Exchange within one trading day if sufficient liquidity is not available at the Exchange. The square off / liquidation must be done at the earliest. The decision of the Exchange on the question of “Availability of liquidity” will be final and binding.

**31.3.3** In case from the ERROR account, modification is done to some other client code, a penalty at the rate of 2% of traded value will be levied. In case of such repeated instances, in addition to the penalty levied further disciplinary action as deemed fit would be initiated.

**31.3.4** Exchange will periodically review the trades flowing to “error accounts” of the brokers. For suspicious or unusual modifications observed, suitable disciplinary action would be initiated.

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**31.3.5** Trading Members are required to implement internal controls to minimize the instance of modifications into Error account to avoid disciplinary action proceedings from the Exchange. Internal controls implemented by brokers will be checked as a part of Inspection.

**31.4** In addition to the above, client code modifications wherein both the two client codes (original code and modified code) are of institutional category the framework for monitoring and penalty will be as under:

**31.4.1** Modification between client codes of two entities which are of the institutional category will be allowed only if the modification from both client codes is from different schemes / sub-accounts of / managed by the same Institution. Such modifications shall not be subject to penalty. For FPIs, the group will be considered as uploaded by Members under the facility of “FPI Client Mapping – File Upload” as provided in “16.5 OTR allocation for Foreign Portfolio Investor (FPI)” under “Part B” of circular “NCL/CMPT/50876 dated January 03, 2022”.

**31.4.2** With respect to trades settled through DVP mechanism, Trading Members would need to report the name of entities to whom the trades were settled. The original client would be the client in whose client code the trades were executed, and the modified client code will be the PAN in whose name trades were settled through DVP mechanism. In the event that, the Exchange finds that modified client code is not of / managed by the same institution, penalty shall be levied.

**31.4.3** Any modification between two client codes which are of institutional category and do not satisfy the criteria mentioned in para 31.4.1 above i.e., modification between two unrelated institutional clients will be subject to penalty.

For 31.4.2 and 31.4.3, the applicable penalty on such modifications will be computed as below:

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“a” as % of “b”	Penalty as % of “a”
≤ 5	1
> 5	2

Where:

“a” = Value (turnover) of institutional trades where client codes (unrelated institutional clients) have been modified by a trading member in a segment during a calendar month.

“b” = Value (turnover) of institutional trades of the trading member in the segment during a calendar month.

### 31.5 Reasons for client code modification and error trades.

**31.5.1** As per Exchange circular - NSE/INVG/41459 dated June 28, 2019, and NSE/INVG/42106 dated September 11, 2019, Trading members would be required to provide the reasons for client code modification and error trades.

**31.5.2** The facility of providing the reasons based on objective criteria have been provided in ENIT portal at:

Compliance => Client Code Modification => Client Code Modification Reason

**31.5.3** The reason for modification is mapped as following:

Reason Code	Description
0	Modified to Error
1	Error due to communication or Punching / Typing Error such that the original client code / name and the modified client code / name are similar to each other
2	Modification with Relatives (as per Companies Act, 2013)
3	Allocation to related schemes / sub-accounts

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### **31.6** Frequent Client Code Modifications.

**31.6.1** In addition to the penalty levied as stated above, Exchange shall undertake disciplinary actions as deemed fit in terms of Rules, Byelaws and Regulations of the Exchange against Trading Members who undertake frequent client code modifications.

**31.6.2** For para 31.6.1, such instances of client code modification mentioned below shall not be considered while computing the frequency of client code modifications.

**31.6.2.1** Modification to ERROR account which is liquidated within 3 working days.

**31.6.2.2** Modification between two client codes which are of institutional client category and belong to same group as specified in para 31.4.1 above.

### **31.7** Procedure of waiver of penalty.

**31.7.1** With reference to Exchange Circular - NSE / INVG / 2011 / 18484 dated July 29, 2011, the following will be classified as genuine errors for the purpose of client code modification:

**31.7.1.1** Error due to communication and / or punching or typing such that the original client code / name and the modified client code / name are similar to each other.

**31.7.1.2** Modification within relatives ('Relative' for this purpose would mean as defined under Companies Act, 2013).

**31.7.2** Subject to the reasons mentioned above, Trading Members may kindly note that the request for waiver of penalty along with reasons and relevant supporting documents should be submitted to the Exchange within a period of 3 calendar

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months from the date of levy of penalty failing which request for waiver shall not be accepted.

Trading members are required to take note of the same and take adequate precautions while placing the orders. The provisions of the circular - NSE/INVG/56395 are effective from June 01, 2023.

### **31.8 Modification of Client Codes (All Segments) - Delivery versus Payment (DVP) Reporting** **(NSE/INVG/56755 dated May 18, 2023)**

As per para 4.2 of Exchange circular - NSE/INVG/56395 (also referred in para 27.4.2 above), Trading members need to report trades settled through DVP mechanism, relevant extract of the circular is as under:

“With respect to trades settled through DVP mechanism, Trading Members would need to report the name of entities to whom the trades were settled. The original client would be the client in whose client code the trades were executed, and the modified client code will be the PAN in whose name trades were settled through DVP mechanism. In the event that, the Exchange finds that modified client code is not of / managed by the same institution, penalty shall be levied.”

In view of the aforesaid circulars, Trading Members are required to report all DVP transactions on a daily basis. This information is required to be uploaded on extranet portal of the Exchange under <Member\_folder>\DVP\_Trades\Upld> in CSV file format as per below mentioned format:

Following file naming convention should be followed-

<"DVP">\_<TMCode>\_<SegmentID>\_<Date>.csv (Segment\_ID = Either 'CM', 'FO', 'CD' or 'CO')

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File Format:

Sr. No.	Column Name	Column Description
1.	Trade date	In format DDMMYYYY
2.	Symbol/Contract Details (FO)	Symbol would include Symbol (for CM) / Contract Details (for FO, CD and CO) i.e Symbol+Expirydate+OptionType+StrikePrice. Example: "NIFTY30JUN2022CE15000"
3.	Type	Buy / sell
4.	Trade number	Trade number as provided (Text)
5.	TM Code	TM Code as provided (Text)
6.	TM name	TM name as provided (Alphanumeric)
7.	Original Client name	Original Client name as provided (Alphanumeric)
8.	Original Client PAN	Original PAN as provided (10 digit Alphanumeric)
9.	Original Client code	Original Client code as provided (Alphanumeric)
10.	Modified Client name	Modified Client name as provided (Alphanumeric)
11.	Modified Client PAN	Modified PAN as provided (10 digit Alphanumeric)
12.	Modified Client code	Modified Client code as provided (Alphanumeric)
13.	Trade Quantity	Trade quantity as provided by TM (Numeric)
14.	Trade price (Rs.)	Trade price as provided by TM (Numeric)
15.	Trade value (Rs.)	Trade value as provided by TM (Numeric)
16.	Remarks (if any)	Free field with limit of 1000 words

### Notes:

1. NO PIPES should be present in any of the fields since the file format is "PIPE separated" (i.e. "|").
2. Remove trailing spaces of the field values in the data submitted.
3. All fields except field no. 16 of the aforementioned table are mandatory. Values such as '-/NULL/Blank' should be avoided.



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### **32. Penalty on Abnormal / Non-Genuine Transactions (NSE/INVG/46662 dated December 16, 2020)**

Exchange has issued circulars - NSE/INVG/39647 dated December 13, 2018, NSE/INVG/40175 dated February 07, 2019, NSE/INVG/43144 dated January 07, 2020, and NSE/INVG/43435 dated February 04, 2020, pertaining to Abnormal / Non-Genuine Transactions.

Trading Members are aware that in compliance of SEBI master circular no. SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2018/ 104 dated July 04, 2018 (clause 2.6), members are required to monitor transactions of their clients, excerpts of which are as follows –

- Intermediary to have understanding of their client's activity to identify deviations in transactions by regularly monitoring them.
- The intermediary shall pay special attention to all complex unusually large transactions / patterns which appear to have no economic purpose.
- The background including all documents/office records /memorandums/clarifications sought pertaining to such transactions and purpose thereof shall also be examined carefully and findings shall be recorded in writing.

In this regard, in order to assist trading members in identifying such type of transactions, certain indicative scenarios have been listed below which may need additional attention and examination by the trading member:

- Trading activity of client(s) concentrated in a specific security / contract which is / are not traded very frequently or trading with low volumes with client squaring up its position within a short span of time. Additionally, factors such as clients earning significant profit or incurring losses on account of such transactions, their consistent contribution to daily average volumes of security / contract may also be looked at.
- Fresh positions are being created in the contracts very close to their respective expiry or on the day of expiry.
- Large quantities being traded during last half an hour which account for significant percentage to total traded quantity without change in beneficial ownership.
- Securities / Contracts where the total traded volume of the client vis a vis the average daily traded volume in that security is significant.

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- Additional emphasis to be given to Securities / Contracts where surveillance actions such as Additional Surveillance Measure, Graded Surveillance Measure, Periodic call auction, Trade for Trade etc.

Trading Members may please note that these alerts and guidance note is indicative and not exhaustive and hence should exercise necessary caution and due diligence at all times.

In this regard, Trading Members are advised to refrain from entering into abnormal / non- genuine transactions executed by the market participants primarily with an objective of transferring profit / loss between the concerned entities or creation of artificial volume in securities/contracts.

The Exchange shall send necessary advice/caution letter to the Trading members and initiate appropriate disciplinary actions against the members concerned in case the activity is observed to be abnormal/non-genuine. Exchange shall levy a penalty of 100% of the traded value/ profit made/ loss incurred as a result of the trades on the trading members for both profit and loss making abnormal / non-genuine transactions after following the due process & providing necessary opportunity to the trading member for clarification in the matter.

The decision whether a trade or trades is / are abnormal / non-genuine would be of the Exchange which would be final and binding.

The Exchange may also consider taking appropriate disciplinary actions against the member concerned for multiple instances of such abnormal / non-genuine trades as per the Rules, Regulations and Byelaws of the Exchange.

Further, it is clarified that as per NSE circular no NSE/INVG/5911 dated March 10, 2005, members are advised to put in place appropriate internal systems and procedures at their end for checking such orders / transactions before transmitting to the trading system of the Exchange.

The provisions of this circular shall be applicable across all segments i.e., Cash Market, Currency Derivatives, Equity Derivatives and Commodity Derivatives.

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### **33. Client due diligence** **(NSE/INVG/55347 dated January 25, 2023)**

This is in continuation to the requirements of circulars SEBI/HO/MIRSD/DOP/CIR/P/2019/113 dated October 15, 2019,

- NSE/INVG/7102 dated January 25, 2006
- NSE/INVG/7307 dated March 24, 2006
- NSE/INVG/11798 dated December 22, 2008
- NSE/INVG/11928 dated January 22, 2009
- NSE/INVG/12996 dated September 02, 2009
- NSE/INVG/13784 dated December 30, 2009
- NSE/INVG/14117 dated February 17, 2010,
- NSE/INVG/14994 dated June 16, 2010,
- NSE/INVG/16703 dated January 05, 2011
- NSE/INVG/26173 dated March 13, 2014.

Attention of the Trading Members is drawn to the following extract from Rule 9(12)(i) of the Prevention of Money-Laundering (Maintenance of Records) Rules 2005.

“Rule 9 (12) (i) Every reporting entity shall exercise ongoing due diligence with respect to the business relationship with every client and closely examine the transactions in order to ensure that they are consistent with their knowledge of the client, his business and risk profile and where necessary, the source of funds.”

Trading Members are required to comply with the above-mentioned circulars. Trading Members are also Reporting Entities for the above provisions, and it has come to the notice of the Exchange that, pay-in/ pay-out obligations/ margin/ exposure for some clients are not consistent with the income level/ net worth uploaded by the Trading Member for such clients.

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Further, Trading Members have surveillance obligations under circular NSE/SURV/48818 dated July 01, 2021, which includes generation of alerts and taking appropriate actions with respect to above stated provisions. The above circular includes provisions of disciplinary actions for non-fulfilment of surveillance obligations of trading members.

Members are advised to take note of the above and ensure compliance.

**34. Caution towards dealing with unsolicited videos and messages circulated in social media  
(NSE/INVG/54165 dated October 21, 2022, NSE/INVG/54196 dated October 25, 2022 &  
NSE/INVG/55766 dated February 24, 2023)**

- 34.1** This is with reference to Exchange circular nos. NSE / INVG / 36333 dated November 17, 2017, NSE / INVG / 37765 dated May 15, 2018, NSE / INVG / 38284 dated July 10, 2018, NSE / INVG / 45431 dated August 20, 2020, NSE / INVG / 45517 dated August 30, 2020, NSE / INVG / 51771 dated March 25, 2022, NSE / INVG / 51794 dated March 28, 2022, and NSE / INVG / 54165 dated October 21, 2022, cautioning the market participants on unsolicited messages / videos / references being circulated by unregistered or unauthorised entities and advising Trading members to carry out necessary due diligence before releasing the pay-out to the clients.
- 34.2** The market participants are hereby advised / cautioned not to rely on such unsolicited messages / videos / references / investment advice circulated through bulk SMSs, websites and social media platforms like WhatsApp, Telegram, Instagram, YouTube etc., Further, Trading members are aware that list of securities in which unsolicited messages are being circulated is published from time to time on trading terminals, Exchange website under head - 'Investors Beware' and Member Portal - ENIT, inter-alia cautioning the market participants against stock recommendations and to do thorough analysis about the company before investing.
- 34.3** Trading Members are required to publish message on their front end including IBT, STWT, CTCL etc. at the time of order entry so that the person placing the order is aware of such surveillance

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action on the scrip before placing the order. The system changes at the Trading Members end were to be completed within 6 months from the date of the circular - NSE/INVG/54196 dated October 25, 2022.

- 34.4** In this regard, based on the discussions held in the recent meeting of SEBI with Stock Exchanges. It is clarified that the scope of this framework will include Stocks and Equity Derivatives contracts.

The details of the same is as under:

#### **34.4.1 Action applicable under 'For Information list'**

Based on the references received by the Exchange, pre-defined objective criterion and pursuant to necessary verification including seeking response from the concerned company, the Exchange shall publish the list of securities in the 'For Information' list to enable the members to conduct proper due diligence in case of unusual trading pattern by any client. In such cases the trading member shall have to carry out adequate monitoring, to check the selling concentration / trading pattern/dealing of their clients in such securities.

Additionally, the trading member shall also carry out due diligence and shall release the pay - out to their client only after carrying out further scrutiny as per Exchange Circular no. NSE / INVG / 36333 dated November 17, 2017, inter alia covering the following:

- 34.4.1.1** Scrutiny of KYC documents to compare income range declared and value of such transaction.
- 34.4.1.2** Whether the client is directly / indirectly connected to the company / promoters / directors of the company, etc.
- 34.4.1.3** Method of acquisition of shares by client - whether on-market / off-market / IPO / Preferential allotment; and

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**34.4.1.4** Whether source of funds and period of holding is not in line with the client's usual behaviour.

The trading member shall intimate his decision to withhold the pay-out to the client along with his rationale to the Stock Exchange within three days of withholding of pay-out. The intimation shall be sent on the email address - invg@nse.co.in.

#### **34.4.2 Action applicable for 'Current Watch list':**

Based on the references received and pre-defined objective criterion, the Exchange shall publish the list of securities in the 'Current Watchlist' from time to time. Once a security gets shortlisted in the Current Watchlist, the following shall be applicable:

**34.4.2.1** Exchange shall intimate the concerned Trading Members having significant selling concentration of clients in the securities and accordingly the Trading Member shall have to withhold the sale proceeds of the shortlisted clients.

**34.4.2.2** Such withholding of funds shall be applicable for the transactions executed for a period of past 7 trading days (on retrospective basis) from the date of entry in Current Watchlist. Such 7 trading days may also be prior to date of entry of securities into the 'For Information list'.

**34.4.2.3** Trading members shall ensure that the clients as identified in point no. 30.4.2.1 above, do not transact further in the securities.

**34.4.2.4** Sales Proceeds of securities shall be withheld in the form of funds which shall be transferred to separate designated account, irrespective of whether the client continues to trade with the said Trading Member or not.

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**34.4.2.5** Designated Account details:

- 34.4.2.5.1** Trading member shall open designated bank account with any scheduled commercial bank for the aforementioned purpose.
- 34.4.2.5.2** Trading member shall submit a confirmation to the Exchanges after transferring the requisite funds to the designated account.
- 34.4.2.5.3** Trading member shall submit duly certified letter from designated bank confirming the balance on a monthly basis.
- 34.4.2.5.4** Trading member shall not be allowed to withdraw funds out of the designated account until further directions.
- 34.4.2.5.5** Withholding of sale proceeds may be in form of cash or cash equivalents.
- 34.4.2.5.6** Compliance officer of the trading members on a monthly basis shall submit a compliance status w.r.t withholding of sales proceeds (i.e., funds withheld) on the email address - invg@nse.co.in.

**34.4.2.6** Funds withheld by the trading members shall be retained up to period of 1 year or till completion of examination whichever is earlier. Post elapse of such period as referred above, upon intimation by the Exchange the withheld funds shall be released by the trading members after providing necessary undertaking as guided by the Exchange.

**34.4.2.7** Trading member shall make all efforts to bring the funds back from clients else Trading member shall transfer his own funds to the extent of deficit to the designated bank.

**34.4.2.8** Any non-compliance in the matter shall be viewed seriously and may attract further action which may inter alia include additional action such

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as referring trading members for special inspection, levy of additional margins, other disciplinary actions as deemed fit.

- 34.5** Verification of unsolicited messages: Exchange shall be considering references of unsolicited messages / videos / other references that are received at designated email ids or mobile number along with other details as informed on the Exchange website under head 'Investors Beware'. Before updating the 'For Information / Current Watch list', the Exchange shall ascertain the veracity / genuineness of references so received and seek clarification from concerned companies as may be necessary.

The aforesaid measure is without prejudice to the rights of SEBI and Exchanges to take any further actions, in any manner, as may be warranted.

Members are advised to take note of the above and ensure compliance with aforementioned requirements, as may be applicable.

**34.6 Caution towards dealing with unsolicited videos and messages circulated in social media - Update.**

**34.6.1** Exchange has received multiple references where messages / videos are being circulated with recommendations to deal in certain scrips. Such recommendations are being circulated to investors by unregistered or unauthorised entities inducing them to deal in these stocks. The circulation of such posts is not only detrimental to the interest of the investors but also adversely affects the integrity of the securities market.

**34.6.2** Exchange has issued various circulars cautioning market participants on unsolicited messages being circulated by unregistered or unauthorized entities via social media platforms like WhatsApp, Telegram, etc. and advising Trading members to carry out necessary due diligence before releasing the pay-out to the clients



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- 34.6.3** Based on the unusual price / volume variation and other factors as deemed fit by the Exchange such scrips may be shortlisted for surveillance action which may inter alia include reduction of price band, levy of additional margins, shifting the scrip in Trade for Trade segment, including the scrip in Periodic Call auction framework, etc.
- 34.6.4** Accordingly, based on the unusual price / volume variation / trading concentration and other factors such scrips may be shortlisted for surveillance action similar to GSM Stage IV which is as under:
- Trade for Trade with price band of 5% or lower as applicable  
and
  - Trading permitted once a week (Every Monday / 1<sup>st</sup> trading day of the week)  
and
  - ASD (100% of trade value) to be deposited by the Buyers with no upward movement.
- 34.6.5** It may be noted that the shortlisting of securities in above mechanism is purely on account of market surveillance, and it should not be construed as an adverse action against the concerned company.
- 34.6.6** Trading members are advised to monitor unusual trading pattern by any of their clients / group of clients having significant selling / trading / dealing concentration in relation to circulation of such videos / messages. Trading members are also required to educate their clients / investors by way of social media / SMS campaigns / mailers, etc. advising clients / investors to beware of unregistered Investment advisors, offering assured returns and seeking trading credentials.
- 34.6.7** Any non-compliance in the matter shall be viewed seriously and may attract further action which may inter alia include disciplinary action as deemed fit in terms of Rules, Byelaws and Regulations of the Exchange provided the facts and circumstances so demand.

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**34.6.8** The aforesaid measure is without prejudice to the rights of SEBI and Exchanges to take any further actions, in any manner, as may be warranted.

**34.6.9** Further, market participants are aware that Exchange has provided facility to share their information or evidence of systemic wrongdoing, potential frauds or unethical behaviour to the Exchange through the anonymous portal as per web page link given below:

(<https://www.nseindia.com/submit-tipoff>)

**34.6.10** The Exchange has also provided a facility to report unsolicited stock tip/recommendation on +91 8291833676 or on designated email id i.e., [feedbk\\_invg@nse.co.in](mailto:feedbk_invg@nse.co.in).

**34.6.11** Market participants are advised to use facility to report any such information anonymously and confidentially.

**34.6.12** Members are advised to exercise caution and take note of the above and ensure compliance with aforementioned requirements, as may be applicable from time to time.

**35. Measures to instil confidence in securities market – Brokers’ Institutional mechanism for prevention and detection of fraud or market abuse – update (NSE/INVG/65921 dated December 31, 2024)**

This has reference to SEBI circular (Reference no. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/96 dated July 04, 2024, titled ‘Measures to instil confidence in securities market – Brokers’ Institutional mechanism for prevention and detection of fraud or market abuse’ and NSE circular ‘NSE/SURV/62827’ dated 8 July 2024.

As required in the SEBI circular, a guidance note is placed at **Annexure - A** to:

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1. Recommend best practices to be adopted by the Trading Member for effective trade surveillance operations;
2. Describe some common types of market abuse practices and how to identify them; and
3. Provide an accountability matrix for different types of suspicious behaviour.

Members are advised to take note of the above and ensure compliance.

In case of any further queries, members are requested to email us at [dl-invsg-all@nse.co.in](mailto:dl-invsg-all@nse.co.in)

#### Annexure – A

##### Guidance Note

1. The objectives of this guidance note are to:
  - 1.1. Recommend best practices to be adopted by the Trading Members for effective trade surveillance operations;
  - 1.2. Describe some common types of market abuse practices and how to identify them;
  - 1.3. Provide an accountability matrix for different types of suspicious behaviour.
2. This guidance note is to be read in conjunction with the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (“PFUTP Regulations”) and SEBI (Prohibition of Insider Trading) Regulations, 2015 (“PIT Regulations”), and various circulars issued by SEBI and the Stock Exchanges from time to time, particularly with regard to trade surveillance, and is divided into following three parts:
  - 2.1. Indicative list of some of the most common market abuse practices along with factors to be considered when assessing such practices;
  - 2.2. Indicative list of entities who should be surveilled, controls for monitoring and consequences of potential fraud or market abuse;
  - 2.3. Accountability matrix.
3. The scenarios and factors identified in the guidance note are neither exhaustive nor definitive, and their monitoring and investigation processes should be tailored to be commensurate with the complexity of each case.

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4. Trading Members are strongly encouraged to adopt the best practices stated within this guidance note. SEBI/Exchanges will refer to the guidance note in future inspections to evaluate the Trading Members' trade surveillance programmes.

5. Implementation standard

This document lays out the implementation measures for carrying out surveillance of client behaviour through analysing the pattern of trading done by clients, detection of any unusual activity being done by such clients, reporting the same to stock exchanges and taking necessary measures to prevent any kind of fraudulent activity in the market in terms of the regulatory requirements prescribed by SEBI and Market Infrastructure Institutions (MIIs).

- 5.1 Board Approved Policy

The surveillance policy of the Trading member shall be approved by the apex body i.e. Board (in case of corporate trading member), Partners (in case of partnership firms) or Proprietor (in the case of sole proprietorship firm) as the case may be. This policy needs to be reviewed at least once in a year by the apex body to keep it in line with the market trends.

- 5.2 Resources for undertaking Surveillance monitoring and review activity

- 5.2.1 Human Resource:

- 5.2.1.1 Depending on the size, nature and complexity of its business, the Trading Member shall adequately staff the surveillance function.

- 5.2.1.2 "Principal Officer" shall have the same meaning as assigned to it under the Prevention of Money-Laundering (Maintenance of Records Rules), 2005.

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- 5.2.1.3** Mid and Senior level staff of the Trading Member (including the Principal Officer) handling KYC and Surveillance Activity shall mandatorily have the following NISM e-learning Certification:
- 5.2.1.3.1** Staff handling KYC - AML - KYC and Customer Due Diligence
  - 5.2.1.3.2** Staff handling Transaction Monitoring - AML - Transaction Monitoring and Suspicious Transaction Reporting.
  - 5.2.1.3.3** The Principal Officer - Certified Anti-Money Laundering Manager (CALM)
- 5.2.1.4** Existing mid and senior level employees handling the above activity shall complete the e-learning Certification within 1 year from the date of issuance of these guidelines.
- 5.2.1.5** The Trading Member shall have an ongoing employee training programme so that the members of the staff are adequately trained in AML/Surveillance obligations and apprising on the Trading Member's surveillance policy. Such training shall have specific focuses for frontline staff, back-office staff, compliance staff, risk management staff and staff dealing with new clients. The said training shall be conducted at least once in a year.

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Small Active UCCs <2,000 as on 31-Mar of the previous year	Medium Active UCCs between 2,000 and 50,000 as on 31-Mar of the previous year	Large Active UCCs >50,000 as on 31-Mar of the previous year (Other than QSBs)	Huge Qualified Stock Brokers (QSBs)
<ul style="list-style-type: none"> <li>Any of the Principal Officer (PO) / Designated Director (DD) / Compliance Officer (CO) can additionally handle the Surveillance Activities.</li> </ul>	<ul style="list-style-type: none"> <li>Set up a separate Surveillance Department / Team</li> <li>Any of the Principal Officer (PO) / Designated Director (DD) / Compliance Officer (CO) can additionally handle the Surveillance Activities.</li> <li>All mid and senior level Surveillance Team members should have mandatory / relevant certification from NISM.</li> </ul>	<ul style="list-style-type: none"> <li>Set up a separate Surveillance Department / Team</li> <li>Appoint any of the Principal Officer (PO) / Designated Director (DD) / Compliance Officer (CO) as Chief Surveillance Officer (CSO)</li> <li>The surveillance Team should be adequately staffed / resourced.</li> <li>All mid and senior level Surveillance Team members should have mandatory / relevant certification from NISM.</li> </ul>	<ul style="list-style-type: none"> <li>Set up a separate Surveillance Department / Team</li> <li>Appoint a Chief Surveillance Officer (CSO) whose job is only Surveillance (can be PO / DD / CO)</li> <li>The surveillance Team should be adequately staffed / resourced.</li> <li>All mid and senior level Surveillance Team members should have mandatory / relevant certification from NISM.</li> </ul>

### 5.3 Systems for alert generation:

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- 5.3.1** Considering the requirement that the Trading Member need to ensure that they have adequate surveillance systems in place, the following is to be ensured depending on the size of their clientele business:

Sr. No.	Number of active UCCs with Trading member	Automated System Driven (In-house or Vendor based) Alert Generation System
1.	2,000 and above	Mandatory
2.	<2000*	Optional. They may have manual process of generating the alerts.

*\* At the end of each Calendar Year, the Trading Member shall evaluate whether they have crossed the given threshold, then within next 1 year, they shall implement Automated System.*

- 5.3.2** The Trading Members shall customize its surveillance systems and internal controls in a manner that is commensurate with the complexity of the transactions being undertaken by it and its business activities.
- 5.3.3** Exchanges should empanel vendors for surveillance software similar to back-office software in order to ensure that the solutions used by members cover the requirements prescribed by MII (since such a system is mandatory for brokers with more than 2K clients as per proposed guidelines).

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Summary:

Small Active UCCs <2,000 as on 31-Mar of the previous year	Medium Active UCCs between 2,000 and 50,000 as on 31-Mar of the previous year	Large Active UCCs >50,000 as on 31-Mar of the previous year (Other than QSBs)	Huge Qualified Stock Brokers (QSBs)
<ul style="list-style-type: none"> <li>Can have a manual process for alert generation</li> </ul>	<ul style="list-style-type: none"> <li>Mandated to have an alert generation system (in house or vendor based)</li> </ul>	<ul style="list-style-type: none"> <li>Mandated to have an alert generation system (in house or vendor based)</li> </ul>	Mandated to have an alert generation system (in house or vendor based)

### 5.4 Client Screening and Due Diligence

- 5.4.1** The Trading Member shall strictly adhere to the KYC guideline as prescribed by SEBI, Exchanges, KRA and CKYC.
- 5.4.2** They shall not allow any client to trade unless they have complied with the KYC Guidelines.
- 5.4.3** The Trading Member shall follow SEBI Master circular on AML on client screening and due diligence.



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### 5.4.4 Summary:

Small Active UCCs <2,000 as on 31-Mar of the previous year	Medium Active UCCs between 2,000 and 50,000 as on 31-Mar of the previous year	Large Active UCCs >50,000 as on 31-Mar of the previous year (Other than QSBs)	Huge Qualified Stock Brokers (QSBs)
<ul style="list-style-type: none"> <li>Adherence to Know Your Client (KYC) Norms</li> <li>Compliance with KYC Registration Agency (KRA)</li> <li>Adherence to SEBI Master Circular w.r.t Anti-Money Laundering (AML)</li> <li>Compliance with Prevention of Money Laundering Act (PMLA) requirements</li> </ul>	<ul style="list-style-type: none"> <li>Adherence to Know Your Client (KYC) Norms</li> <li>Compliance with KYC Registration Agency (KRA)</li> <li>Adherence to SEBI Master Circular w.r.t Anti-Money Laundering (AML)</li> <li>Compliance with Prevention of Money Laundering Act (PMLA) requirements</li> </ul>	<ul style="list-style-type: none"> <li>Adherence to Know Your Client (KYC) Norms</li> <li>Compliance with KYC Registration Agency (KRA)</li> <li>Adherence to SEBI Master Circular w.r.t Anti-Money Laundering (AML)</li> <li>Compliance with Prevention of Money Laundering Act (PMLA) requirements</li> </ul>	<ul style="list-style-type: none"> <li>Adherence to Know Your Client (KYC) Norms</li> <li>Compliance with KYC Registration Agency (KRA)</li> <li>Adherence to SEBI Master Circular w.r.t Anti-Money Laundering (AML)</li> <li>Compliance with Prevention of Money Laundering Act (PMLA) requirements</li> </ul>

### 5.5 Type of Alerts to be generated and/or reviewed

**5.5.1** The Trading Members shall generate transactional alerts based on the criteria/red flag indicators provided by the Exchanges from time to time, carry out review of the same and take the necessary action, wherever required.

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- 5.5.2** The indicative themes on which Trading Members may formulate their own alerts are as under. The trading member also needs to analyse patterns and trends with respect to different themes.
- 5.5.3** The indicative themes applicable to ALL Trading Members.
- 5.5.3.1** Client / group of clients, as identified by the trading member, accounting for a significant percentage of the total trading activity in a scrip / contract as compared to the market.
  - 5.5.3.2** Client / group of clients with new account or clients dealing after a significant time gap, as identified by the trading member, accounting for significant value / percentage of total trading activity in a scrip / contract as compared to the market.
  - 5.5.3.3** Client / group of clients dealing frequently in small quantities/minimum market lot in a scrip / contract.
  - 5.5.3.4** Disproportionate trading activity vs reported income / Net worth.
  - 5.5.3.5** Frequent changes in KYC submitted by clients.
  - 5.5.3.6** Based on an announcement by a listed company, identify Client / group of clients, having possible direct / indirect connection with a listed company, who have undertaken any suspicious trading activity prior to price sensitive announcement by said listed company.
  - 5.5.3.7** Client / group of clients having significant selling concentration, in the scrips, forming part of 'For Information list' or 'Current Watch list'. For more details, kindly refer Exchange circular no. NSE/INVG/45517 dated August 30, 2020.
  - 5.5.3.8** Consistency in profit / loss at client / group of clients' levels, rationale for such trading activities. In addition, trading members may also refer details given in Exchange circular no. NSE/INVG/2019/40175 dated February 07, 2019.
  - 5.5.3.9** Significant trading activity in scrips by client who has pledged the shares of same scrip.
  - 5.5.3.10** In case of concerns of trading activity of a client or a group of clients in a scrip, monitoring whether the orders are being placed by respective clients

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or their authorized representatives and monitoring client's address as per KYC vis a vis the dealing office address.

**5.5.3.11** Trading activities of accounts of relatives\* of entity to identify any sort of synchronized / coordinated trading.

**5.5.4** The indicative themes additionally applicable to Trading Members who have facility of internet-based trading.

**5.5.4.1** Surveillance / monitoring of IP addresses of clients (including identification of multiple client codes trading from the same location)

**5.5.4.2** The Trading Members are also required to review and take the necessary action on the transactional alerts provided by the Exchanges.

**5.5.4.3** Alerts as specified above to be monitored by the Trading Member on a monthly/daily basis.

The Trading Member shall review and recalibrate, wherever required, the threshold set at least once in a year to ensure adequacy of the same.

**5.5.5** Enhanced Obligations and Responsibilities on Qualified Stock Brokers (QSBs) - Comprehensive Operating Guidelines (Refer NSE Circular - NSE /INSP/56927 dated June 01, 2023)

**5.5.5.1** QSBs shall over and above transaction alerts as provided by Exchanges monitor the following alerts on a monthly basis:

**5.5.5.1.1** Clients having significantly higher Pay-in obligation compared to Income declared or Net Worth uploaded in the UCC system of the Exchange.

**5.5.5.1.2** Unrelated clients having common Mobile Numbers or Email Ids.

**5.5.5.1.3** Unrelated clients having used common devices for trading. (Using device identifiers data)

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- 5.5.5.1.4** Monitor client activity specifically in deep OTM contracts where clients are incurring losses.
- 5.5.5.1.5** Regular campaigns with respect to password sharing.
- 5.5.5.1.6** Repeated delivery default by a client wherein a default on delivery obligations takes place 3 times or more during a six-month period on a rolling basis.

**5.5.5.2** Further, QSBs shall monitor the following alerts on daily basis:

- 5.5.5.2.1** Close monitoring to client onboarding process including factors like clients on-boarded from same location, after on-boarding either no trading or trading with very less trades and trade value.
- 5.5.5.2.2** Regular interaction with retail clients trading only in options from a product suitability perspective.
- 5.5.5.2.3** Orders/trades resulting into artificial boost in the price of a stock. Patterns such as Pump and Dump and vice versa.
- 5.5.5.2.4** Client placing large orders and cancelling such orders without intention to execute a trade and creating a false impression of artificial demand in the scrips.
- 5.5.5.2.5** Order spoofing client activity.
- 5.5.5.2.6** Client/Related client's concentration in scrip to Exchange volumes.
- 5.5.5.2.7** Circular trading/Reversal pattern
- 5.5.5.2.8** Maintenance of client watchlist based on historical market manipulations observed at TM end. Monitoring of such clients.
- 5.5.5.2.9** Front Running by Dealers/Clients to large trades of TM.
- 5.5.5.2.10** Compliance of Surveillance Obligation circular - NSE/SURV/48818. Monitoring of themes enumerated by Exchange in point 2.
- 5.5.5.2.11** Pro-actively identifying manipulative/error trades/fat finger by placing adequate preventive/detective controls.
- 5.5.5.2.12** Monitoring of trading activity of clients in Long dated option contracts.

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- 5.5.5.2.13** Effective monitoring of trading activity of clients in stocks forming part of Surveillance actions (ASM, GSM, unsolicited messages framework).
- 5.5.5.2.14** Effective monitoring of other market abuse practices covered under SEBI (FUTP) regulations and SEBI (PIT) regulations.
- 5.5.5.2.15** Linked clients being on the same side i.e., Long or Short and cumulatively controlling substantial proportion of the market open interest in a particular commodity/ contract.

**5.5.5.3** Any of the Principal Officer (PO) / Designated Director (DD) / Compliance Officer (CO) / Chief Surveillance Officer (CSO), as applicable will decide the thresholds along with documented rationale.

**5.5.5.4** The review report of thresholds to be submitted to the apex body at least once a year.

**5.5.6** Factors to be taken into account for generating alerts:

Alert #	Short description of the alert (based on alerts listed by exchanges in their circulars from time to time)	Factors to be taken into account for generating alerts *
1	Client / related group of clients has large share of traded volume in a particular security in cash segment	1. Volume as % of daily exchange volume 2. Volume as % of the last 30 days exchange average volume (for QSBs only)
2	Client / related group of clients has a large share of traded volume in contracts of a particular underlying	1. Volume as % of daily exchange volume 2. Volume as % of the last 30 days exchange average volume (for QSBs only)

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Alert #	Short description of the alert (based on alerts listed by exchanges in their circulars from time to time)	Factors to be taken into account for generating alerts *
3	Client / related group of clients dealing in illiquid shares near the price bands in small quantities	Frequency of such trades
4	Margin obligations disproportionate to declared income / Networth (peak of the month)	If more than max (x times n/w or y times income)
5	Net funds pay-in/ pay-out during a period (one month) disproportionate to declared income/ Networth	If more than max (x times n/w or y times income)
6	Frequent changes in any element of KYC (for mule accounts)	Frequency of such changes of same element
7	Client / related group of clients having significant selling concentration, in the scrips, forming part of 'For Information list' or 'Current Watch list'(SMS)	Value of such sales
8	Clients making net profit/ losses over a period which is a significant amount as compared to their income/ Networth in cash segment beyond a particular threshold	If more than max (x times n/w or y times income)
9	Order placed by multiple unrelated clients from the same IP/ device in case of internet-based trading clients	If more than x clients
10	Repeated failure to deliver securities for pay-in obligations leading to auction/ close out in illiquid items (for	If more than x times in a month

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Alert #	Short description of the alert (based on alerts listed by exchanges in their circulars from time to time)	Factors to be taken into account for generating alerts *
	reasons other than shortage of payout received in previous settlement)	
11	Multiple unrelated clients (more than X) being onboarded online from the same device (for QSBs only) (other than permitted e.g. whitelisted employees/ Authorised Persons (APs)	If more than x clients
12	Circular trading/Reversal pattern at same TM above a threshold over a period of 1 month	Where profit loss is more than x
13	Front Running by Dealers/Clients to large trades of the Trading Member	Repeated trades by dealer in same security and before order of more than x crores done in the firm
14	Substantial proportion of the market open interest in a particular commodity / contract	If more than x%

*\* Thresholds to be determined by brokers as per their business size.*

Every Internal / Exchange alert should be reviewed periodically by the Trading Members at least every 30 days till such time the alert is open.

### 5.6 Obligation of Trading Members and its Employees, Internal Controls

**5.6.1** The Trading Members shall have adequate systems in place to ensure that its proprietary accounts are used only for the purpose of carrying out proprietary trades and that its operations are in accordance with the requirements as may be specified by the Board or the stock exchanges from time to time.

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<ul style="list-style-type: none"> <li>All proprietary operations to be reviewed by Principal Officer (PO) / Designated Director (DD) / Compliance Officer (CO) / Chief Surveillance Officer (CSO), as applicable and report submitted to its apex body at least once a year.</li> </ul>	<ul style="list-style-type: none"> <li>All proprietary operations to be reviewed by Principal Officer (PO) / Designated Director (DD) / Compliance Officer (CO) / Chief Surveillance Officer (CSO), as applicable and report submitted to its apex body at least once a year.</li> </ul>	<ul style="list-style-type: none"> <li>All proprietary operations to be reviewed by Principal Officer (PO) / Designated Director (DD) / Compliance Officer (CO) / Chief Surveillance Officer (CSO), as applicable and report submitted to its apex body at least once a year along with recommendatory internal auditor report on this topic.</li> </ul>	<ul style="list-style-type: none"> <li>All proprietary operations to be reviewed by Principal Officer (PO) / Designated Director (DD) / Compliance Officer (CO) / Chief Surveillance Officer (CSO), as applicable and report submitted to its apex body at least once a year along with recommendatory internal auditor report on this topic.</li> </ul>

### 5.6.2 The Trading Members shall ensure that

- 5.6.2.1** Its trading terminals are operated / accessed only through employees of trading member, partner / proprietor / director(s), registered authorised persons (AP) or employee of authorised persons and
- 5.6.2.2** Only at locations approved by the Stock Exchanges and
- 5.6.2.3** That such terminals shall not be used by its clients in any form or manner.



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Small Active UCCs <2,000 as on 31-Mar of the previous year	Medium Active UCCs between 2,000 and 50,000 as on 31-Mar of the previous year	Large Active UCCs >50,000 as on 31-Mar of the previous year (Other than QSBs)	Huge Qualified Stock Brokers (QSBs)
<ul style="list-style-type: none"> <li>▪ Exercise Caution during allotment of trading terminals and upload details to the Market Infrastructure Institutions (MIIs)</li> <li>▪ Maintain attendance sheet or webcam / CCTV etc.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Exercise Caution during allotment of trading terminals and upload details to the Market Infrastructure Institutions (MIIs)</li> <li>▪ Maintain attendance sheet or webcam / CCTV etc.</li> <li>▪ Recommendatory surprise visits / random inspections</li> </ul>	<ul style="list-style-type: none"> <li>▪ Exercise Caution during allotment of trading terminals and upload details to the Market Infrastructure Institutions (MIIs)</li> <li>▪ Maintain attendance sheet or webcam / CCTV etc.</li> <li>▪ Mandatory surprise visits / random inspections</li> </ul>	<ul style="list-style-type: none"> <li>▪ Exercise Caution during allotment of trading terminals and upload details to the Market Infrastructure Institutions (MIIs)</li> <li>▪ Maintain attendance sheet or webcam / CCTV etc.</li> <li>▪ Mandatory surprise visits / random inspections</li> </ul>

**5.6.3** The Trading Members shall establish and maintain documented processes and systems to detect potential mule accounts or suspicious activity.

**5.6.4** Any employee of the Trading Members, upon having knowledge of any fraud, market abuse or suspicious activity shall forthwith inform the same to the senior management.

**5.6.4.1** Every year, broker to send appropriate communication to all the employees on this reminding the above obligations. This requirement shall be recommendatory in case of Small TMs and mandatory in case of Medium TM, Large TM and QSBs.

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#### **5.7** Escalation and reporting mechanisms.

**5.7.1** The apex body i.e. Audit Committee or the Board of Directors or persons of other equivalent or analogous rank of the Trading Members, shall review the compliance with the provisions of the framework under this Chapter of these regulations not less than once in a quarter and shall verify the adequacy and efficiency of the systems for internal control and reporting by analysing the relevant data.

Quarterly MIS is required to be submitted to the apex body on a quarterly basis.

**5.7.2** The Trading Members shall on the detection of any suspicious activity, inform the same along with the details to the stock exchanges, as soon as reasonably possible, but in any case, not later than forty-eight hours from such detection, in such manner as may be specified by the Board or the Stock exchanges from time to time.

Trading Members are required to inform the details of suspicious activity via email or Member Surveillance Dashboard (MSD) within 48 hours of the detection of suspicious activity.

**5.7.3** The Trading Members shall submit a summary analysis and action taken report on instances of suspicious activity, fraud and market abuse or a 'nil report' where no such instances were detected, on a half-yearly basis to the stock exchanges.

All Exchanges are required to give a facility for submission of the summary analysis on Exchange Member portal / Member Surveillance Dashboard (MSD).

**5.7.4** Any deviation in adherence to internal controls, risk management policy, surveillance policy, policy for onboarding of clients along with the proposed corrective actions for such

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deviation shall be placed before the appropriate Committee, Board of Directors or such other equivalent or analogous bodies of the Trading Members at regular intervals and such deviations shall also form a part of the report to be submitted by the Trading Members to the stock exchanges in terms of sub-regulation (3) of this regulation.

Principal Officer (PO) / Designated Director (DD) / Compliance Officer (CO) / Chief Surveillance Officer (CSO), as applicable are required to submit a deviation report to its apex body and Stock Exchanges.

- 5.7.5** The Trading Members shall obtain guidance from the stock exchanges on any suspicious activity which were identified by it, but the violation of the provisions of any applicable law in respect of such activity could not be ascertained due to the limited information available with the Trading Members.

Trading Members shall communicate to the Exchange with respect to any suspicious activity in a manner provided in NSE Circular NSE/SURV/44477 dated May 27, 2020.

#### **6.** Guidance on factors to be assessed while reviewing the alerts

Some of the factors which should be considered when assessing suspicious trading activities for potential fraud or market abuse are listed below:

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Type of activity	Factors to be assessed (indicative)
<b>Creation of misleading appearance of trading:</b> Trading of a security that occurs at specified prices, volumes and time in a manner agreed upon by the market participants in an attempt to match each other's trades. It may involve a group of clients and/or 'Authorised Persons' acting in concert. Such trading behaviour has the effect of creating a false or misleading appearance of active trading in the security.	<ul style="list-style-type: none"> <li>Potential connections and relations between clients, based on KYC</li> <li>Frequency of occurrence and quantity of matched trades that suggest pre-arranged, wash, or circular trading</li> <li>Market impact, trades of disproportionate volumes</li> <li>Time proximity of order entries</li> <li>Thresholds to be determined by brokers as per their business size.</li> </ul>
<b>Price manipulation:</b> Trades that have the effect of artificially raising or lowering the market price of a security may create a false market. Such trades which cause significant price movements warrant greater scrutiny on the Trading Members's part.	<ul style="list-style-type: none"> <li>Unusual price movements</li> <li>Timing of trades near sensitive periods, such as end of month, quarter, before announcements</li> <li>Timing of orders concentrated within a short time which causes price movement</li> <li>Trades causing significant price movements</li> <li>Thresholds to be determined by brokers as per their business size.</li> </ul>
<b>Front Running:</b> Trade practice undertaken by a person in possession (directly or indirectly) of non-public information regarding a substantial impending transaction. Normally, this would apply to a person who trades while being privy to a Big Client Order.	<ul style="list-style-type: none"> <li>Time proximity of front running order and big client's order</li> <li>Same or better price of front running order</li> <li>Frequency and repeated patterns of occurrence</li> <li>Abnormal profit pattern</li> </ul>
<b>Insider Trading:</b> Trading in securities that are listed or proposed to be listed on a	<ul style="list-style-type: none"> <li>Client trading around a material announcement</li> <li>Abnormal trading pattern</li> </ul>

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Type of activity	Factors to be assessed (indicative)
Stock Exchange when in possession of unpublished price sensitive information.	<ul style="list-style-type: none"> <li>Abnormal profit pattern</li> <li>Change in trading behaviour of clients and / or huge gains around a material announcement</li> <li>Client's connections with the listed company as available from data with Trading Members.</li> </ul>
<b>Unauthorised Trading:</b> Occurs when a Trading Members or an 'Authorised Person' trades in a client's account taking instructions on orders from a third party (including the 'Authorised Person' himself) with or without the client's prior authorisation empowering the third party to trade on his behalf. This is done to hide the true identity of the person operating the account.	<ul style="list-style-type: none"> <li>'Authorised Person' with unusual or high volume of error account activities.</li> <li>Same mobile number tagged to different client accounts.</li> <li>Brokers shall exercise due diligence in case of same mobile number tagged to different client accounts.</li> <li>Unusually high number of trading accounts opened / managed under the same person.</li> <li>Unusually high number of clients executing trades from the same device.</li> </ul>
Mule Accounts	<ul style="list-style-type: none"> <li>Payin obligation / Margin obligation which is disproportionate to reported income / Networth.</li> <li>Brokers shall exercise due diligence in case Pay in obligation / Margin obligation is found to be disproportionate to reported income / Net worth.</li> <li>Same mobile number / email id tagged to different client accounts.</li> </ul>

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Type of activity	Factors to be assessed (indicative)
	<ul style="list-style-type: none"> <li>Potential connections and relations between clients, based on KYC.</li> </ul>
<p>Pump and dump of securities: A manipulative scheme in which a person or group of persons tries to increase the price of a security using fake information. They do this by using social media and online forums to create a sense of excitement in a security or spread false news about the company's prospects. They then sell (or 'dump') their securities and take a profit, and other security holders suffer as the security price falls.</p>	<ul style="list-style-type: none"> <li>A marked increase in anomalous price moves in the market</li> <li>Elevated trading activity in small cap/penny scrips</li> <li>Organised social media campaigns with regard to certain securities (Differing views in the working group, obligation and level of tracking of social media</li> <li>MIIs and brokers shall have organised social media campaigns with regard to certain securities.</li> <li>Aggressive purchasing by one or several accounts to have a significant impact on price and encourage other traders to participate in the buying activity. This activity further impacts the price of the underlying security.</li> </ul>
<p>Order Spoofing: A person submits a large (non-bonafide orders) but not marketable limit order that raises the bid price of a security (or depresses the offer price of a security in case of a large sell order) and/or greatly increases the quoted size at or around the current best bid price (best offer price in case of non-bonafide sell order).</p> <p>The large order causes market participants to match or better the price of the order. The</p>	<ul style="list-style-type: none"> <li>Frequent cancellation or cancellation of large number of orders.</li> <li>Placement of large orders above or below the prevailing price.</li> </ul>

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Type of activity	Factors to be assessed (indicative)
person then cancels the large order and enters (virtually at the same time or just before the cancellation of the large non-bonafide orders), a sell order (buy order in case of non-bonafide large sell order) that matches the buy order of other investors at a higher price (sell order of other investors at a lower price).	
Acting in Concert in a particular Commodity Derivatives for the purpose of circumventing the position limit	<p>Additional Relationships / Criteria to ascertain whether persons are acting in concert:</p> <ul style="list-style-type: none"> <li>a) (i) Relatives / Immediate Relatives for individual as defined in Companies Act (ii) Promoters of the company as provided in Annual return filed under the Companies Act (iii) Co-parceners of HUF (iv) Clients having same/ similar postal address, e-mail address, bank accounts, website domain name or contact numbers</li> <li>b) Linked clients being on the same side i.e. Long or Short and cumulatively controlling substantial proportion of the market open interest in a particular commodity/ contract,</li> <li>c) Orders being placed at or around the same time at relatively near prices by group of clients,</li> <li>d) Such clients take substantial position in a commodity.</li> </ul>

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7. Indicative list of entities who should be surveilled, controls for monitoring, and consequences of potential fraud or market abuse covered are as follows:

Entity being surveilled	Controls for Monitoring	Consequences of potential fraud or market abuse
Client / relatives of client	Trade Surveillance alerts to trace matched trade with the same Trading Member volume creation, activity in penny scrip, trading around unusual price movements, frequent cancellation or cancellation of large number of orders etc.	<ul style="list-style-type: none"> <li>• Creation of misleading appearing of trading</li> <li>• Front running</li> <li>• Unauthorised trading</li> <li>• Insider trading</li> <li>• Order Spoofing</li> <li>• Price Manipulation</li> <li>• Disproportionate trading activity vis-à-vis reported income/net worth</li> <li>• Sudden surge in dormant account</li> <li>• Sudden surge in client trading activity</li> <li>• Activity in SMS stocks</li> <li>• Client concentration in particular scrip</li> </ul>
	As per the Surveillance Policy of the Trading members Pre-trade controls like blocking of scrips based on surveillance assessment/illiquid contracts, additional margins in volatile scrips/contracts, trade execution range, etc. either at client level or at the scrip level.	
	Monitoring for disproportionate trading activity vis-à-vis reported income/net worth, sudden surge in Dormant account / client trading activity / activity in SMS stocks / Client concentration in particular scrip etc. As a preventive measure	



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Entity being surveilled	Controls for Monitoring	Consequences of potential fraud or market abuse
	Trading Member may consider implementing online alerts / nudges.	
	IP address / Device Identification of multiple client codes trading from the same location / device.	<ul style="list-style-type: none"> <li>• Mule accounts that attempt to conceal malpractices.</li> </ul>
	Monitoring of Trading activity with the declared income / Networth.	<ul style="list-style-type: none"> <li>• Disproportionate trading activity vis-à-vis reported income/net worth</li> <li>• Brokers shall exercise due diligence in case Pay in obligation / Margin obligation is found to be disproportionate to reported income / Net worth.</li> </ul>
	Calling and verifying clients on sample basis based on Trading Members's internally defined scenarios.	<ul style="list-style-type: none"> <li>• Unauthorised trading or mis-selling</li> </ul>
	Email alert on old contact details on change in email id of retail clients.	<ul style="list-style-type: none"> <li>• Fraudulent contact details updation</li> <li>• Fraudulent Account opening</li> </ul>
	Internal alert for same name and DOB with Multiple PAN at the time of Account opening.	
	Internal Alert for same bank account mapped to multiple clients, controls during account opening to scrub against existing bank details, In-person verification.	<ul style="list-style-type: none"> <li>• Monitoring for frequent changes in KYC details / account opening details</li> </ul>

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Entity being surveilled	Controls for Monitoring	Consequences of potential fraud or market abuse
	Same email/phone number mapped to multiple non-family accounts Unusual trading pattern.	<ul style="list-style-type: none"> <li>• Mule accounts</li> </ul>
Employees	Listening to dealer calls (voice surveillance)	<ul style="list-style-type: none"> <li>• Unauthorized trading</li> <li>• Password Sharing</li> <li>• Front running</li> <li>• Insider Trading</li> <li>• Fraud</li> <li>• Data misuse</li> </ul>
	Email surveillance, coverage to be based on internal policy of Trading Members.	
	Surprise visit of dealing rooms	
	Access to trading floor should be access controlled and subject to approvals by designated approvers and needs to be implemented across all the brokers.	
	IP analysis to track internal IPs for self-trading client. For eg IBT clients trading using IP of the TM.	
	Restriction on mobile and smart watch or any other device capable of communication both incoming and outgoing in dealing room and needs to be implemented across all the brokers.	
	Having suitable internet access policies to restrict social networking sites on office network except for legitimate official purposes and to protect data upload on third party websites.	

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Entity being surveilled	Controls for Monitoring	Consequences of potential fraud or market abuse
	Insider Trading policy - Verification of trade with pre-approval, periodic training of employees.	
	Code of Conduct for Dealers / Front running Policy	
	Reporting of employee misconduct/frauds to senior management/committee.	
	Access to drives/folders having Unpublished Price Sensitive Information (UPSI) restricted to relevant employees only.	
	Access control mechanism by giving access to client data on a need-to-know basis.	
	Background screening checks at the time of hiring.	
	Whistle blower policy to report any fraudulent activity.	• Internal fraud or wrongdoing
	Monitoring email sent outside organisation for senior employees	• Data protection or any wrongdoing
Authorised Persons	Surprise visit at Authorised Person's office posing as a client	<ul style="list-style-type: none"> <li>• Unauthorized trading</li> <li>• Fraudulent trading activity</li> <li>• Offering assured returns</li> <li>• Unauthorized use of terminal</li> <li>• Opening mule accounts</li> </ul>
	Social media monitoring to check if Authorised Persons are misusing Trading Members's logo or promising any assured return	
	'Authorised Person' level pattern of trading, deviations from normal pattern	

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Entity being surveilled	Controls for Monitoring	Consequences of potential fraud or market abuse
	Recorded call verification on sample basis	
	Scrip level analysis of 'Authorised Person' to check if the 'Authorised Person' is concentrating in any particular scrip	
	'Authorised Person' screening against negative databases	
	Calls to clients mapped to 'Authorised Person's on sample basis	
CEO / MD / KMPs	Whistle blower policy to report any fraudulent activity.	Internal or market fraud or wrongdoing
	Monitoring email sent outside organisation for senior employees	Data protection or any wrongdoing
Promoters	Whistle blower policy to report any fraudulent activity.	Internal or market fraud or wrongdoing

### 8. Reporting of status of the alerts generated by the Trading Member or received from the Exchanges:

#### 8.1 To the Board of Directors or any Board appointed Committee

A quarterly MIS shall be put up to the Board (in case of corporate trading member), Partners (in case of partnership firms) or Proprietor (in case of sole proprietorship firm) in the following format:

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Type of Alert	At the beginning of the quarter	Received / Generated during the quarter	Closed during the quarter	Pending at end of the quarter	No. of Exception Case observed

Reasons for pendency shall be discussed and appropriate action taken. The Board (in case of corporate trading member), Partners (in case of partnership firms) or Proprietor (in case of sole proprietorship firm) shall be apprised of reasons for pendency and any exception noticed during the disposition of alerts (if any).

### 8.2 To the Exchanges

Trading Members are required to upload the status of the alerts on a quarterly basis to the Exchange within 15 days from end of the quarter.

Trading members who do not have anything to report, need to submit 'NIL Report' within 15 days from end of the quarter.

### 8.3 Trading members shall put in place adequate mechanisms to ensure that the information on the alerts generated, and/or their transactions are under scrutiny, should be not passed on to the investors unless it is explicitly stated by Exchange or SEBI.

## 9. Accountability matrix

In addition to the above, the Trading Members shall have an accountability grid for different types of suspicious behaviour. A model accountability grid is as under:

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Who is being surveilled	Responsibility of trade surveillance on
CEO/Executive Director(s)/Senior Management / Key Managerial Personnel	Board of Directors in case of or Audit Committee
Promoters	Board of Directors or Audit Committee
Employees	Senior Management /Key Managerial Personnel, Designated Director* and CEO
Clients	Official heading the trade surveillance function under supervision of senior management, Compliance Officer of the Trading Members and Designated Director* and CEO
Authorised Persons	Official heading the trade surveillance function under supervision of senior management, Compliance Officer of the stock ` broker and Designated Director* and CEO

*\*“Designated Director” shall have the same meaning as assigned to it under the Prevention of Money-Laundering (Maintenance of Records Rules), 2005.*

### 10. Obligation of Designated Director / Partners / Proprietors and Internal Auditor of the Trading Member:

**10.1** Designated Directors / Partners / Proprietor would be responsible for all surveillance activities carried out by the Trading member.

**10.2** Internal auditor of trading member shall review the surveillance policy, its implementation, effectiveness and review the alerts generated during the period of audit. Internal auditor shall record the observations with respect to the same in their report.

### 11. Conflict of Interest

In case of Trading Member who are having more than 2000 active UCC shall identify surveillance department as critical and physically protected to allow only authorised access. The Trading

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Member to adopt Chinese Wall policies and procedures to prevent unauthorized exchange of information between critical and non-critical departments.

- 12.** Whistle Blower Policy shall define, inter alia,
- 12.1.** Formation of the Whistle Blower Committee which should be consisting of at least two senior members.
  - 12.2.** Appointment of Whistle Blower Redressal Head to be appointed who shall be responsible for reviewing the complaints and working under the guidance and instruction of Whistle Blower Committee.
  - 12.3.** Dedicated email Id to register/raise concern/complaint.
  - 12.4.** Approval of the Policy by the apex body i.e. Board (in case of corporate trading member), Partners (in case of partnership firms) or Proprietor (in case of sole proprietorship firm) and conduct annual review of the same.
  - 12.5.** The policy should establish procedures to ensure adequate protection of the whistle blowers viz. not disclosing the identity of the whistle blowers and ensuring normal treatment.
  - 12.6.** The complaints under this regulation against the Board of Directors including those against the Managing Director, Chief Executive Officer, key managerial personnel, Designated Directors or Promoter shall be addressed to the Audit Committee or other analogous body of the Trading Members and the complaints against other employees shall be addressed to the Compliance Officer and shall be a part of the Whistle Blower policy.
- 13.** Annual Policy Compliances

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In order to avoid a situation of member changing the policy ex-post facto, it is suggested that members must submit their policy (like RMS policy) to the Exchanges as part of annual compliances and same can be validated during inspection by the Exchanges. It will also act as a repository of best practices in the market which Exchanges can use to not only monitor the surveillance actions but also use the same to enrich the standards for best practices in the market.

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