

FAQs – Graded Surveillance Measures (GSM) Version – 5.0

Q 1. What is the purpose behind introduction of GSM framework?

Answer –

Securities and Exchange Board of India (SEBI) and Exchanges in order to enhance market integrity and safeguard interest of investors, have been introducing various enhanced surveillance measures such as reduction in price band, periodic call auction and transfer of securities to Trade to Trade category from time to time.

Additionally, BSE under the able guidance from SEBI and in order to protect interest of investors, has introduced various pre-emptive, proactive surveillance measures from time to time which inter-alia include policy measures (like categorization of companies under X/XT sub-segment, periodic price bands), surveillance actions (like suspension of trading of companies due to surveillance concerns) and steps towards enhanced corporate governance (like the facility for companies for on-line filing of listing disclosures).

The main objective of these measures is to -

- Alert and advise investors to be extra cautious while dealing in these securities and
- Advise market participants to carry out necessary due diligence while dealing in these securities.

In continuation with the various measures already implemented including the ones mentioned above, SEBI and Exchanges, pursuant to discussions in joint surveillance meetings, have decided that along with the aforesaid measures there shall be Graded Surveillance Measures (GSM) on securities which witness an abnormal price rise not commensurate with financial health and fundamentals like Earnings, Book value, Fixed assets, Net worth, P/E multiple, etc.

Q 2. When will the GSM framework come into force?

Answer –

The GSM framework monitoring has come into force with effect from 14 March 2017.

The Exchange, in coordination with other Exchanges, has published notices on February 23, 2017 informing the market participants about introduction of GSM framework.

The URL to the notice issued in this regard is given below for ready reference-

<http://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20170223-44>

Q 3. What are the main aspects of GSM framework?

Answer –

As mentioned earlier and in Exchange Notice No. 20170223-44 dated 23 February 2017, the framework shall be applicable for companies that witness abnormal price rise that is not commensurate with financial health and fundamentals of the company which inter-alia includes factors like earning, book value, fixed assets, net worth, P/E multiple, etc.

The securities identified under GSM framework as per above shall be monitored and at an appropriate time subject to satisfaction of certain pre-defined objective criteria, shall attract graded surveillance measures.

Q 4. What are the various surveillance actions under GSM? And what do they signify?

Answer -

The underlying principle behind defining various stages under GSM framework is to alert the market participants that they need to be extra cautious and diligent while dealing in such securities as the need has been felt to place them under higher level of surveillance.

At present, there are 4 stages defined under GSM framework viz. From Stage I to Stage IV. Surveillance action has been defined for each stage. Once the security goes into a particular stage, it shall attract the corresponding surveillance action. The security shall be placed in a particular stage by the exchange based on monitoring of price movement and predefined objective criteria.

Stage wise Surveillance actions are listed below –

Stage	Surveillance Actions
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.

The securities shall move to various stages of GSM on a sequential basis i.e. a security shall move to Stage I first followed by Stage II and so on.

Q 5. Is GSM framework applicable only at BSE?

Answer –

GSM framework is applicable to stock exchanges where the shortlisted companies are traded. In other words, it will be imposed in a coordinated manner across the stock exchanges.

Q 6. Some of the securities which have been identified under GSM are already under various surveillance actions mentioned in the GSM framework. For example - in Trade For Trade (TT) settlement mode, trading permitted once a week. What does this mean?

Answer –

As stated before, GSM framework will work in addition to existing actions undertaken by the Exchange on the company's securities. In case the securities are already attracting any action(s) mentioned in any of the stages of GSM framework, then such action will continue to work in conjunction with appropriate action under GSM framework.

For example – as in earlier case, if the securities of a company are in TT settlement mode and if such a company qualifies for stage II then transactions in such company shall not only be in TT mode and in 5% price band but shall additionally be liable for Additional Surveillance Deposit (ASD) of 50% of trade value.

Q 7. How to know about details and on-going developments on GSM framework?

Answer –

To begin with, list of companies falling under GSM framework has been made available on Exchange website through market wide notices as mentioned earlier.

Further, a dedicated page has been created on BSE India Website for GSM for the benefit of market participants. The said page covers various details about GSM framework including the framework, notices issued, list of qualifying companies. The said page is accessible from various menu options on the website for easy access.

The URL of the GSM webpage is given below for ready reference-

http://www.bseindia.com/markets/equity/EQReports/graded_surveil_measure.aspx?expandable=6

Q 8. How to refer to GSM framework details at the time of trading?

Answer –

Trading Member can refer to BSE India website pages as mentioned above at the time of trading.

In addition, to help trading member users to easily refer to GSM framework and qualifying companies, a special navigation/icon has been created on the BSE Trading Terminal (BOLT Plus TWS).

Q 9. How to identify list of GSM companies and their corresponding stages on the trading terminal?

Answer –

BSE has carried out important systemic enhancements in the BSE Trading Terminal (BOLT Plus TWS) to provide information on GSM companies as below -

1. Enhancements in order entry functionality on BSE Trading Terminal (BOLT Plus TWS) to denote GSM status –

BSE has provided a facility on the order entry screen of the trading terminal to get an upfront intimation whenever a trader goes to place order in GSM securities. The trader will get a pop-up message to this effect indicating the GSM details as applicable. The purpose of this facility is to make trading members aware and help them take informed decision that the security wherein they wish to place an order has been identified as a GSM security and will attract additional surveillance actions.

2. Enhancements in Scrip master –

Suitable changes have been made in the security master reference data file provided by BSE on daily basis to the market participants (viz. scrip master) to provide GSM indicator/flag with the corresponding GSM Stages for the applicable securities. Trading Members using in-house or 3rd party front office trading systems can make use of this indicator/flag to provide GSM details on their trading applications.

Notice to this effect has been issued and link for the same is provided below for ready reference.

<http://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20170309-11>

Q 10. Will the identified securities remain under GSM permanently?

Answer –

A Quarterly review shall be carried out for moving securities in / out of GSM framework based on pre-defined criteria.

Q 11. Will an identified security under GSM remain in the same stage (say in Stage IV) permanently?

Answer -

A periodic Monthly review of GSM stages shall be carried out for securities. If qualified, the applicable security can be moved back from higher stage to lower stage in a sequential manner, say from Stage IV to Stage III.

Q 12. The Exchange can take graded surveillance measure on securities on short notice. In that case, how will the market participants be made aware about it?

Answer -

As mentioned earlier, the Exchange has already published various notices giving information to market participants on GSM framework, list of companies and their corresponding stages. Going forward as well, the Exchange shall continue to publish such notices. All surveillance actions shall be triggered based on certain criteria and shall be made effective, in a co-ordinated manner across the exchanges, with a very short notice issued after market hours typically one trading day before effective date.

Q 13. What will be the price bands of securities identified under GSM?

Answer-

The securities under GSM Framework shall attract price bands as per existing price band framework of the Exchange.

Q 14. Besides the actions stated in GSM framework, can there be any other regulatory action against the companies identified therein?

Answer –

As mentioned earlier, surveillance actions under GSM framework are without prejudice to the right of Exchanges and SEBI to take any other surveillance measures, in any manner, on case to case basis or holistically depending upon the situation and circumstances as may be warranted.

Q 15. When does the Additional Surveillance Deposit (ASD) become applicable?

Answer –

As mentioned in the GSM framework, ASD is applicable when securities of the company fall in Stage II of GSM framework and above.

Q 16. Who is required to pay Additional Surveillance Deposit (ASD)?

Answer –

The ASD is charged to the buyer of the transaction. It is not charged to the seller. The buyer shall be charged even if he enters into another sell transaction in the said security.

Q 17. Who is responsible to collect the ASD?

A. The Trading Member has to collect the ASD for all applicable transactions. This will include transactions done on own account as well as transactions done in client account including the institutional transactions.

Q 18. Is there any action against a Trading Member for default/shortfall in payment of ASD?

Answer –

Appropriate penal actions may be initiated against such Trading Member.

Q 19. Whether Additional Surveillance Deposit (ASD) to be payable upfront?

Answer -

The payment of ASD is on T+1 basis. The ASD shall be collected by ICCL (Clearing Corporation of BSE) as a part of its regular bank file processing.

Q 20. Can Additional Surveillance Deposit (ASD) be refunded if securities are sold off at a later or adjusted?

Answer –

ASD shall not be refunded or adjusted even if securities purchased are sold off at the later stage. ASD shall be retained for 1 Month.

Q 21. Can Additional Surveillance Deposit (ASD) be utilized towards further exposure in trading?

Answer –

ASD shall not be considered for giving further exposure. ASD shall be over and above the existing margins or deposits levied by the Exchanges on transactions in such GSM companies.

Q 22. Will there be any interest receivable on Additional Surveillance Deposit (ASD)?

Answer-

ASD shall be interest free i.e. no interest shall be paid on ASD for the time it is kept with the Exchange/Clearing Corporation.

Q 23. Additional Surveillance Deposit (ASD) shall be payable in which form?

Answer-

ASD shall be paid in form of cash only.

Q 24. How will the trading members be informed about ASD payable by them?

Answer-

A separate file providing the details of ASD as applicable and payable by the members shall be made available on daily basis at EOD. This file will be placed in the Extranet under the Transaction Folder in Equity Segment. The name of the file will be as under:-

“ASDddmmyy.N (Member Code)”.

Q 25. What will be the format / structure of ASD collection and release file to be sent to the Trading Members?

Answer-

BSE Ltd.		GSM ASD REPORT				PAGE NO : 1	
TRADING DATE - xx/xx/xxxx						CLG NO: NAME :	
* - Clientwise Trade date wise GSM ASD Total							
clientcd	Trade Date	ScripCd	ScripName	Qty	Value (Rs.)	GSM ASD Deposit (Rs.)	
xxxx	xx/xx/xxxx	xxxxx	xxxxxxxxxxxxxxxxxx	xxxx	xxxx.xx	*	xxxx.xx
GRAND TOTAL						xxxx.xx	

BSE Ltd.		GSM ASD RELEASE REPORT				PAGE NO : 1	
RELEASE DATE - xx/xx/xxxx						CLG NO: NAME :	
* - Clientwise Trade date wise GSM ASD RELEASE Total							
clientcd	Trade Date	ScripCd	ScripName	Qty	Value (Rs.)	GSM ASD RELEASE (Rs.)	
xxxx	xx/xx/xxxx	xxxxx	xxxxxxxxxxxxxxxxxx	xxxx	xxxx.xx	*	xxxx.xx
GRAND TOTAL						xxxx.xx	

Q 26. When will the ASD collected by the Exchange released to the Trading Members?

Answer-

ASD collected w.r.t. securities part of GSM Framework shall be retained for a period of 1 months (to be released on monthly basis on the 2nd calendar Monday of the 2nd month) or until the exit of the security in the review of the Graded Surveillance stages (i.e. Quarterly review), whichever is earlier.

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