

National Stock Exchange of India

Circular

Department: SURVEILLANCE	
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To All NSE Members

Sub: Trade for Trade framework for SME Segment

This is in reference to Exchange Circular no. NSE/SURV/33844 dated December 19, 2016.

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 pre-emptive surveillance measures from time to time.

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

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

The TFT framework for SME stocks would be made available w.e.f. October 03, 2023. In case of any further queries, you may write to us at surveillance@nse.co.in.

For National Stock Exchange of India Limited

Binoy Yohannan
Associate Vice President
Surveillance

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Annexure

Trade for Trade (TFT) Framework for SME

The process of identifying the stocks moving to Trade for Trade segment shall be on a fortnightly basis and stocks moving to/from Trade to Trade shall be on a quarterly basis.

I. Criteria for TFT Fortnightly Review:

1. 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 (*i.e., end date of relevant fortnightly review period*).

AND

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

AND

3. Market Capitalisation less than or equal to Rs. 100 crores as on relevant date (*i.e. end date of relevant fortnightly review period*).

(# If Nifty 50/ S&P BSE SENSEX P/E on the relevant date (i.e. end date of relevant fortnightly review period) is in the range of 15-20, then the upper limit will be 30. If S&P BSE SENSEX/ Nifty 50 P/E >20 or <15 then the difference rounded off to nearest number will be added to or subtracted from 30).

Exceptions for the TFT Fortnightly Review

- Securities with Dynamic Price Bands.
- Newly listed Stocks (IPO) and the Stocks 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 immediate following fortnightly Trade for Trade review for shifting it back to Trade for Trade.

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II. Criteria for TFT Quarterly:

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 (*i.e. end date of relevant quarterly review period*).

AND

Price Variation greater than or equal to 25% plus Nifty 500/ S&P BSE 500 Index variation in the last 2 fortnights; subject to a minimum of 10%

AND

Volatility greater than three times Nifty 50/ S&P BSE SENSEX volatility over a period of 6 fortnights. Volatility is computed as standard deviation of log normal close to close returns.

(# If Nifty 50/ S&P BSE SENSEX P/E on the relevant date (i.e end date of relevant quarterly review period) is in the range of 15-20, then the upper limit will be 30. If If S&P BSE SENSEX/ Nifty 50 P/E >20 or <15 then the difference rounded off to nearest number will be added to or subtracted from 30).

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 (*i.e. end date of relevant quarterly review period*)

AND

Price Variation greater than or equal to 50% plus Nifty 500/ S&P BSE 500 Index variation in the last 2 Fortnights

AND

Volatility greater than three times Nifty 50/S&P BSE SENSEX volatility over a period of 6 Fortnights. Volatility is computed as standard deviation of log normal close to close returns.

(# If NIFTY 50/ S&P BSE SENSEX P/E on the relevant date (i.e. end date of relevant quarterly review period) is in the range of 15-20, then the upper limit will be 30. If If S&P BSE SENSEX/ Nifty 50 P/E >20 or <15 then the difference rounded off to nearest number will be added to or subtracted from 30).

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Criteria C

Market capitalisation of less than 100 crores.

AND

Average daily volume variation for 2 Fortnights over previous 2 Fortnights greater than 200% + Average volume variation of Nifty 500/ S&P BSE 500 Index constituents, 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% (Concentration excluding market makers shall be considered)

AND

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

Criteria D

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

Dropping Criteria for the TFT Quarterly Review

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

Market Capitalisation is greater than Rs. 250 crores as on relevant date (*i.e end date of relevant quarterly review period*).

AND

Institutional Holding is more than 20%

OR

Stocks 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 for the TFT Quarterly Review

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

Stocks with Dynamic Price Bands.

OR

Newly listed Stocks (IPO) and the Stocks 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

Stocks 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.

III. Action on the shortlisted stocks

No change is proposed from existing framework followed for mainboard securities. The scrips in Trade for Trade segment are made available for trading under BE / Trade for Trade series. The settlement of scrips available in this segment is done on a trade for trade basis and no netting off is allowed with a maximum Price Band of 5% and applicable margin of 100%.

IV. Exit Criteria

The Stocks that are in Trade for trade shall move out of the framework in the Quarterly review if they do not meet any shortlisting criteria.