



**CIRCULAR**

CIR/MRD/DP/ 6/2013

February 14, 2013

To

All Stock Exchanges

Dear Sir/Madam,

**Sub: Introduction of Periodic Call Auction for Illiquid Scrips and Extension of Pre-open Session to all Scrips.**

1. SEBI vide circular no CIR/MRD/DP/21/2010 dated July 15, 2010 introduced Call Auction in Pre-open session on pilot basis at NSE and BSE for scrips forming part of Nifty and Sensex. Vide circular CIR/MRD/DP/ 01/2012 dated January 20, 2012, the framework of call auction was extended to IPO scrips and re-listed scrips. The issue of extending call auction mechanism in pre-open session to all scrips was deliberated in Secondary Market Advisory Committee (SMAC). SMAC also made recommendation on introduction of trading through periodic call auction mechanism for illiquid scrips in the equity market. Accordingly, it has been decided to implement following:

- 1.1. Introduce trading through periodic call auction for illiquid scrips in equity market
- 1.2. Extend the pre-open session to all other scrips in the equity market

2. Periodic Call Auction for Illiquid scrips

- 2.1. Trading in illiquid scrips in the equity market shall be conducted only through periodic call auction sessions.
- 2.2. Criteria for illiquidity – For the purpose of this circular, a scrip, whether trading in normal market or trade for trade settlement, shall be classified as illiquid on a stock exchange if all the following conditions are met:
  - 2.2.1. The average daily trading volume of a scrip in a quarter is less than 10000;
  - 2.2.2. The average daily number of trades is less than 50 in a quarter;
  - 2.2.3. The scrip is classified as illiquid at all exchanges where it is traded.



- 2.3. Entry into periodic call auction mechanism – Stock exchanges shall identify illiquid scrips at the beginning of every quarter and move such scrips to periodic call auction mechanism.
- 2.4. Exit from periodic call auction mechanism – Stock exchanges shall move scrips from periodic call auction mechanism to normal trading session if the following criteria are met:
  - 2.4.1. The scrip has remained in periodic call auction for at least two quarters
  - 2.4.2. It is not classified as illiquid as per para 2.2
- 2.5. Notice to market – For entry and exit of scrips in the call auction mechanism, a notice of two trading days shall be given to the market.
- 2.6. Number of auction sessions – Periodic call auction sessions of one hour each shall be conducted throughout the trading hours with the first session starting at 9:30am.
- 2.7. Session duration - The call auction session duration shall be one hour, of which 45 minutes shall be allowed for order entry, order modification and order cancellation, 8 minutes shall be for order matching and trade confirmation and remaining 7 minutes shall be a buffer period for closing the current session and facilitating the transition to next session. The session shall close randomly during last one minute of order entry between the 44<sup>th</sup> & 45<sup>th</sup> minute. Such random closure shall be system driven.
- 2.8. Un-matched orders- All un-matched orders remaining at the end of a call auction session shall be purged.
- 2.9. Price band – A maximum price band of 20% shall be applicable on the scrips through the day. Exchanges may reduce the price bands uniformly based on surveillance related concerns.
- 2.10. If the Market wide Index Circuit Breaker gets triggered at any time during the periodic call auction session, the session shall be cancelled and all orders shall be purged. The periodic call auction session shall be resumed at the nearest half hour after the normal market resumes.



2.11. Penalty for certain trades - In the event where maximum of buy price entered by a client (on PAN basis) is equal to or higher than the minimum sell price entered by that client and if the same results into trades, a penalty shall be imposed on such trades. The penalty shall be calculated and charged by the exchange and collected from trading members on a daily basis. Trading members may recover such penalty from clients. The penalty so collected shall be deposited to Investor Protection Fund. Penalty for each such instance per session will be higher of the following:

a. 0.50% of the trade value for sale and 0.50% of trade value for the buy, resulting in 1% penalty for the client on PAN basis.

OR

b. 2500 /- for the buy trade and 2500 /- for the sell trade, resulting in penalty of 5000/- for the client on PAN Basis.

2.12. All other conditions for trading in periodic call auction sessions shall be as per the circulars CIR/MRD/DP/21/2010 dated July15, 2010, CIR/MRD/DP/27/2010 dated August 27, 2010 and CIR/MRD/DP/32/2010 September 17, 2010.

### 3. Pre-Open Call Auction Session

3.1. In partial modification of SEBI circular no CIR/MRD/DP/21/2010 dated July 15, 2010, pre-open call auction session shall be applicable to all exchanges with active trading and for all scrips that are not classified as illiquid as per para 2.2 above.

3.2. Price bands in pre-open session shall be as applicable in the normal market.

3.3. All orders shall be checked for margin sufficiency at order level for inclusion in pre-open session.

3.4. All other conditions for pre-open call auction session shall be as per circulars CIR/MRD/DP/21/2010 dated July15, 2010, CIR/MRD/DP/27/2010 dated August 27, 2010 and CIR/MRD/DP/32/2010 September 17, 2010.

4. The provisions of this circular shall be effective from April 01, 2013.



**भारतीय प्रतिभूति और विनिमय बोर्ड**  
**Securities and Exchange Board of India**

5. Stock Exchanges are directed to:

- 5.1. take necessary steps and put in place necessary systems for implementation of this circular;
- 5.2. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision;
- 5.3. bring the provisions of this circular to the notice of the member brokers of the stock exchange and also to disseminate the same on the website.

6. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

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