



**CIRCULAR**

CIR/MRD/DP/38 /2013

December 19, 2013

To  
All Stock Exchanges

Dear Sir/Madam,

**Sub: Rationalization of Periodic Call Auction for Illiquid Scrips.**

1. SEBI vide circular no CIR/MRD/DP/ 6/2013 dated February 14, 2013 issued guidelines for trading in the illiquid scrips through Periodic Call Auction session. After introduction of periodic call auction framework, representations have been received from market participants regarding the aforesaid circular. The issues raised by market participants were examined and deliberated in Secondary Market Advisory Committee (SMAC).
2. Based on recommendations of SMAC and feedback received from market participants and stock exchanges, it has been decided to rationalize the periodic call auction mechanism.
3. Accordingly, following conditions of aforesaid circular are modified as under:
  - 3.1. Para 2.2 shall be replaced by the following
    - a) For the purpose of this circular, a scrip which trades in the normal market and is not shifted to trade for trade settlement, shall be classified as illiquid on a stock exchange if the following conditions are met:
      - i. Average daily turnover of less than Rs.2 lakhs calculated for previous two quarters and
      - ii. The scrip is classified as illiquid at all exchanges where it is traded



- b) Of the scrips identified as per above criteria, scrips which satisfy any of the following conditions shall be excluded.
  - i. Scrips with average market capitalization more than Rs.10Cr.
  - ii. Scrips where company is paying dividend in at least two out of last three years.
  - iii. Scrips where company is profitable in at least 2 out of last 3 years, and not more than 20% of promoters shareholding is pledged in the latest quarter and book value is 3 times or more than the face value.

3.2. Para 2.4.1 shall be replaced by the following:

"The scrip has remained in periodic call auction for at least one quarter."

3.3. Para 2.6 shall be replaced by following:

"Number of auction sessions – Stock Exchange may determine the number of call auction session for illiquid stocks. However in order to have minimum trading sessions and uniform closing session, there shall be at least 2 sessions in a trading day with one uniform closing session across the exchanges."

3.4. Para 2.8 shall be replaced by following:

"Order Placement- The orders may remain valid throughout the trading day and un-matched orders remaining at the end of a call auction session may be moved into next call auction session."

4. All other conditions for trading in periodic call auction sessions contained in the circulars CIR/MRD/DP/21/2010 dated July 15, 2010, CIR/MRD/DP/32/2010 dated September 17, 2010 and CIR/MRD/DP/6/2013 dated February 14, 2013 remain unchanged.

5. Stock Exchanges are directed to:

4.1. take necessary steps and put in place necessary systems for implementation of this circular from the beginning of the next quarter.



- 4.2. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision;
- 4.3. 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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