

ESM (Enhanced Surveillance Measures) - Important Information for Investors

The **Enhanced Surveillance Measure (ESM)** framework is initiated by SEBI and exchanges to safeguard retail investors from excessive volatility and speculative trading in certain stocks. ESM is stricter than ASM and is applied to securities that meet **higher-risk criteria**.

What is ESM?

ESM is a proactive surveillance mechanism to **enhance market integrity** and protect retail investors from trading in stocks prone to manipulation, poor fundamentals, or erratic price movements.

These measures include **trading restrictions, margin tightening, reduced liquidity, and trade-to-trade settlement**.

ESM Stages Explained

Stage	Details
Stage I	Securities are identified based on criteria such as low market capitalization, weak financials, or abnormal price/volume movements.
Stage II	Additional surveillance measures are imposed, such as: <ul style="list-style-type: none">• 100% margin requirement• Trade-for-trade settlement• Trading once a week only (usually on Mondays)• Advance deposit requirement (ASD) from buyers Ongoing Monitoring Securities are continuously reviewed. Based on improvement or deterioration in performance, measures may be upgraded, downgraded, or withdrawn .

Common Restrictions under ESM Stage II

- **Trade-for-Trade Basis:** No intraday trades or speculative activity allowed.
- **100% ASD:** Buyers must deposit 100% of trade value upfront.
- **Once a Week Trading:** Trading permitted only on the first trading day of the week.

- **No Upward Movement:** The stock may be restricted from upward price movement to prevent manipulation.

Key Differences: ASM vs ESM

Feature	ASM	ESM
Applicability	Short-term volatility or unusual trading patterns	Severe financial weakness or high-risk trading
Margin Requirement	Up to 100%	100%
Trade Restrictions	Based on surveillance stage	More stringent: Trade-for-Trade, Weekly Trading
Goal	Control speculation	Protect retail investors & ensure transparency

Summary

Aspect	Details
Purpose	Prevent speculative trading & protect investors
Trigger Factors	Weak fundamentals, high volatility, abnormal trades
Stage I	Identification of risky stocks
Stage II	100% ASD, trade-for-trade, weekly trading
Monitoring	Continuous review by exchanges
Risk Level	Higher than ASM
Investor Advice	Exercise extreme caution

Investor Advisory:

Stocks under ESM are often highly volatile, illiquid, or fundamentally weak. These securities are not suitable for short-term or speculative trading.

Always check current ESM listings before placing orders. For assistance, contact your dealer or customer care.