Trading Control on IPO and Re-listed Scrips

In an another step towards Investor Protection and to curb unusual high market volatility and price movements on the first day of trading of IPO scrip and Re-listed Scrip, SEBI has vide its two circulars dated January 20th, 2012 introduced the Call Auction session of one hour for these scrips along with further introduction of Price Bands and trading in TFT Segments.

The key provisions of the Circulars are as following:

1. Introduction of Call Auction Mechanism to IPO and Re-listed Scrips:

a. The session will be of 60 minutes duration from 9.00 am to 10.00 am bifurcated as following:

First 45 Minutes	• Order Entry • Order Modification • Order Cancellation
Next 10 Minutes	• Order Matching • Trade Confirmation
Remaining 5 Minutes	• Buffer period to facilitate transition from pre open session to normal trading session
Session to close randomly during 44th and 45th minute which will be system driven.	

b. Trading during the pre-open session shall be as following:

	In IPO Scrips	**In Re-listed Scrips**
Price Band	No Band	No Band
Market Orders	Not accepted	Not accepted
Un Matched Orders	All outstanding to be moved to normal trading at limit price	All outstanding orders to be moved to normal trading- • If Equilibrium Price (EP)*****discovered @ limit price. • If EP not discovered, all orders to be cancelled and scrip to continue to trade in Call Auction until price determined.
Risk Management	**Issue size upto Rs. 250 Cr. -** Margins to be checked and blocked for 100% of order value at order level itself. **issue size more than Rs. 250 Cr. –**as applicable to normal cash market	Margins to be checked and blocked for 100% of order value at order level itself.

***** *Equilibrium price is the price at which maximum volume is executable*

2. Normal trading Session for both IPO and Re-listed scrips on first day to commence only after conclusion of call auction session on BSE and NSE.

3. Introduction of Price Bands in normal trading session:

SEBI has further introduced Price Bands in normal trading session on IPO and Re-list scrips for first day of trading as following:

	IPO		**Re-listed scrip**
	issue size upto Rs. 250 Cr.	**issue size more than Rs. 250 Cr.**	
Equilibrium price (EP) discovered	5% of EP	20% of EP	5% of EP
EP not discovered	5% of Issue Price	20% of Issue Price	scrip to continue to trade until discovery

4. Trading in TFT Segment

In addition to above, making provisions more stringent, additional requirement of trading in TFT segment in also provided for as following:

In case of IPO issue size upto Rs. 250 Cr.	Trading in TFT segment for first 10 days.
In case of IPO issue size above Rs. 250 Cr	N.A.
In case of Re-listed	Trading in TFT segment for first 10 days with applicable price band.