



**CIRCULAR**

**SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/85**

**June 20, 2024**

**To**

**All Recognized Stock Exchanges**

Dear Sir/Madam,

**Subject: Modification in duration for Call Auction in pre-open session for Initial Public Offer (IPO) and Relisted scrips**

1. Paragraph 17.2 of Chapter 1 of SEBI Master Circular No. SEBI/HO/MRD2/POD-2/CIR/P/2023/171 dated October 16, 2023 for 'Stock Exchanges and Clearing Corporations' prescribed framework for call auction in pre-open session for Initial Public Offer (IPO) and relisted scrips.
2. It was observed that during the call auction in pre-open session for certain IPO and relisted scrips, orders were placed at higher price in large volumes and significant portion of such orders were cancelled just before the closure of call auction session. This may have created false demand and supply and possibly manipulating the price of the scrips to the detriment of common investors.
3. In order to curb the misuse of the call auction session, based on the report of Working Group of Stock Exchanges and recommendations of Secondary Market Advisory Committee of SEBI, it has been decided to modify the current provisions related to call auction session for IPO & relisted scrips and introduce additional surveillance measures at stock exchanges.
4. Accordingly, paragraph 17.2.1 of the aforesaid Master Circular has been modified as under:

“17.2.1 Duration of Session

17.2.1.1. *The session shall be for a duration of 60 minutes i.e. from 9:00 a.m. to 10:00 a.m., out of which 45 minutes shall be allowed for order entry, order modification and order cancellation, 10 minutes for order matching and trade confirmation and the remaining 5 minutes shall be the buffer period to facilitate the transition from pre-open session to the normal trading session.*

17.2.1.2. *The session shall close randomly during last ten minutes of order entry i.e. anytime between 35<sup>th</sup> and 45<sup>th</sup> minute of the order entry window. Such random closure shall be system driven.”*

5. In order to enhance the surveillance mechanism at stock exchanges for pre-open call auction session for IPO and relisted scrips, it has been decided that stock exchanges shall have the following additional surveillance mechanisms:

5.1. Stock exchanges shall have adequate surveillance mechanisms for pre-open call auction session for IPO or relisted scrips to avoid any kind of manipulation.

5.2. In addition to the surveillance mechanisms, the stock exchanges shall generate alerts based on the following indicative parameters:

- i. cancelled quantity for a particular client exceeds 5% of total cancelled quantity across the market during the pre-open session.
- ii. value of cancelled quantity for a particular client exceeds 5% of total value of cancelled quantity across the market during the pre-open session.
- iii. cancelled quantity for a particular client exceeds 50% of total quantity placed by that client during the pre-open session.
- iv. value of cancelled quantity for a particular client exceeds 50% of total value of quantity placed by that client during the pre-open session.
- v. Modification of prices significantly away from previously placed order(s).
- vi. Stock exchanges can have additional parameters for generating alerts.

- 5.3. For the alerts generated based on the above parameters, stock exchanges shall provide a report to SEBI by End of Day (EOD). Further, based on analysis, stock exchanges shall seek explanation from the clients for the cancellations or modifications done by them during the pre-open session.
6. Further, to enhance transparency in pre-open call auction session, details of number and quantity of cancelled orders shall also be displayed on the website of stock exchange and terminals of Trading Members on a real time basis for investors to take informed decision on the pricing of such stocks.
7. The modified guidelines on pre-open call auction session for IPO and relisted scrips as mentioned at paragraph 17.2 of Master Circular dated October 16, 2023 for “Stock Exchanges and Clearing Corporations” are placed at **Annexure-A**.
8. **Applicability**: The provisions of this circular shall be applicable from **90<sup>th</sup>** day of issuance of the circular.
9. Stock Exchanges are advised to:
  - 9.1. take necessary steps and put in place necessary systems for implementation of the above.
  - 9.2. make necessary amendments to the relevant bye-laws, rules and regulations, wherever required, for implementation of the above; and
  - 9.3. bring the provisions of this circular to the notice of the market participants (including investors) and disseminate the same on their website.
10. This circular is issued in exercise of the powers conferred under section 11(1) of the Securities and Exchange Board of India Act 1992 read with regulation 51 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

11. This circular is available on SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in) at “Legal Framework - Circulars.”

Yours faithfully,

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**“17.2 Call Auction in Pre-open session for Initial Public Offer (IPO) and Relisted scrips**

**17.2.1 Duration of Session**

17.2.1.1 *The session shall be for a duration of 60 minutes i.e. from 9:00 a.m. to 10:00 a.m., out of which 45 minutes shall be allowed for order entry, order modification and order cancellation, 10 minutes for order matching and trade confirmation and the remaining 5 minutes shall be the buffer period to facilitate the transition from pre-open session to the normal trading session.*

17.2.1.2 *The session shall close randomly during last ten minute of order entry i.e. anytime between 35<sup>th</sup> and 45<sup>th</sup> minute of the order entry window. Such random closure shall be system driven.*

**17.2.2 Eligible Scrips**

17.2.2.1 IPO scrips on the first day of trading

17.2.2.1.1 *Price Bands: There shall be no price bands in the pre-open session.*

17.2.2.1.2 *Market Orders: Market orders shall not be accepted in pre-open session.*

17.2.2.1.3 *Matched Orders: For matched orders, the provisions mentioned at paragraph 17.1.9 shall be applied.*

17.2.2.1.4 *Un-matched orders: All outstanding orders will be moved to the normal trading session at their Limit price.*

17.2.2.2 Re-listed Scrips

17.2.2.2.1 *Price Bands: There shall be no price bands for re-listed scrips during pre-open session.*

- 17.2.2.2.2 *Market Orders: Market orders shall not be accepted in pre-open session.*
- 17.2.2.2.3 *Matched Orders: For matched orders the provisions mentioned at paragraph 17.1.9 shall be applied.*
- 17.2.2.2.4 *Un-matched orders:*
- 17.2.2.2.4.1 *In case equilibrium price is discovered, all outstanding orders shall be moved to the normal trading session at their limit price.*
- 17.2.2.2.4.1 *In case equilibrium price is not discovered, all orders shall be cancelled and the scrip shall continue to trade in call auction mechanism until price is determined.*

**17.2.3 Risk Management:** *For IPO scrips with an issue size greater than INR 250 crores the risk management provisions mentioned at 17.1.13 and 17.1.14 shall be applied for pre-open session.*

*For IPO scrips with issue size up to INR 250 crores and Re-listed scrips it is advised that margins shall be checked and blocked for 100% of the order value at the order level itself before considering the order eligible for inclusion in pre-open session.*

**17.2.4** *The date of commencement of pre-open session for all eligible scrips shall be uniform across stock exchanges.*

**17.2.5 Surveillance Mechanisms:**

**17.2.5.1** *Stock exchanges shall have adequate surveillance mechanisms for pre-open call auction session for IPO or relisted scrips to avoid any kind of manipulation.*

**17.2.5.2** *In addition to the surveillance mechanisms, the stock exchanges shall generate alerts based on the following indicative parameters:*

- a. *cancelled quantity for a particular client exceeds 5% of total cancelled quantity across the market during the pre-open session.*

- b. *value of cancelled quantity for a particular client exceeds 5% of total value of cancelled quantity across the market during the pre-open session.*
- c. *cancelled quantity for a particular client exceeds 50% of total quantity placed by that client during the pre-open session.*
- d. *value of cancelled quantity for a particular client exceeds 50% of total value of quantity placed by that client during the pre-open session.*
- e. *Modification of prices significantly away from previously placed order(s).*
- f. *Stock exchanges can have additional parameters for generating alerts.*

**17.2.5.3** *For the alerts generated based on the above parameters, stock exchanges shall provide a report to SEBI by End of Day (EOD). Further, based on analysis, stock exchanges shall seek explanation from the clients for the cancellations or modifications done by them during the pre-open session.*

**17.2.6** *To enhance transparency in pre-open call auction session, details of number and quantity of cancelled orders shall also be displayed on the website of stock exchange and terminals of Trading Members on a real time basis for investors to take informed decision on the pricing of such stocks.”*