

National Stock Exchange of India Limited

Circular

Department: SURVEILLANCE	
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To All NSE Members

Sub: Reversal Trade Cancellation Mechanism (RTCM) in Equity & Equity Derivatives Segment (Five trading days horizon)

1. In order to enhance market integrity and safeguard interest of investors, Exchange has been introducing various pre-emptive controls. In line with the same, to restrain abnormal / non – genuine transactions / creation of artificial volume in securities / contracts, Exchange vide circular no. NSE/SURV/62493 dated June 18, 2024, NSE/SURV/65645 dated December 17, 2024, NSE/SURV/65736 dated December 23, 2024 and NSE/SURV/66070 dated January 10, 2025 had introduced “*Reversal Trade Cancellation Mechanism*” (RTCM) in Equity & Equity Derivatives Segment on an intraday basis to cancel trades which satisfy the conditions of a reversal transaction.
2. In addition to the above RTCM intraday mechanism, Exchange is introducing following RTCM mechanism in Equity & Equity Derivative Segment where reversal trades shall be monitored on rolling basis across previous five trading days and trades shall be cancelled when objective parameters are met.
3. In the additional new mechanism, Exchange shall monitor transactions across previous five trading days on rolling basis, between a pair of PANs (PAN will be replaced with CP Codes wherever applicable). As a new trade takes place between a pair of PANs, the quantity of the trade is aggregated across five trading days to either of the legs (First Leg or Second Leg) i.e. “First leg - where PAN “A” is the buyer and PAN “B” is the seller” or “Second leg - where PAN “A” is the seller and PAN “B” is the buyer”. At every trade instance after the above aggregation on five day rolling basis, wherever such aggregated quantity of two legs between PAN “A” and PAN “B” (i.e. first leg is where PAN “A” is the buyer and PAN “B” is the seller and second leg where PAN “B” is the buyer and PAN “A” is the seller) breach thresholds with respect to all the following parameters, the trade will be eligible for cancellation.
 - 3.1. Combined traded quantity of a pair of PANs for both legs to the extent of reversal on that day till that point in time, compared with market gross traded quantity in the respective scrips/contracts on that day till that point in time. “Reversal quantity” is the quantity which is bought and sold within the pair of PANs on rolling basis across previous 5 trading days (i.e. if

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aggregated 500 quantity is bought on any day/ or over multiple days starting from T-5th day to T day within the pair of PANs and aggregated 600 quantity is sold on any day or during the period T-5th day to T day within the same pair of PANs then “Reversal Quantity” will be 500 quantities.)

- 3.2. Reversal Ratio in the respective scrips/contracts, of the pair of PANs across 5 days on rolling basis (e.g. calculation of reversal ratio = if the first leg aggregated quantity across 5 days is x and the second leg aggregated quantity across 5 days is y then reversal ratio is $(x/y*100)\%$)
 - 3.3. Aggregated Square off difference of a pair of PANs across 5 days on rolling basis in a scrips/contract. (i.e. difference between “average sell price across 5 days” and “average buy price across 5 days” multiplied by “reversal quantity”)
 - 3.4. For every day in the five day horizon, Reversal quantity (both first and second leg) of a PAN till that point in time in the respective scrips/contracts compared with total quantity traded by each PAN in the pair of PANs in the respective scrips/contracts for that day till that point of time.
4. Client Code Modification during market hours resulting in reversal of trade, shall also be cancelled as a part of 5-Day RTCM mechanism.
 5. For identification of client ‘A’ and client ‘B’ as mentioned in the above paragraphs, the following logic will be used.
 - 5.1. In case of proprietary and client (Non-CP code), “PAN” would be used to identify the above clients.
 - 5.2. In case of CP code clients “CP code” would be used to identify the above clients.
 6. In case of eligible reversal trade as defined in Para 3 above in a scrips/contract in Equity & Equity Derivatives segment, the Exchange shall automatically cancel the trade on an intra-day basis. Upon such trade cancellations, trading members shall get below message on the respective trading terminals.
 - 6.1. *Trade CXL: < Trade details> Trade Cancelled by Exchange User Id (Dealer ID)*
 7. All trades (including the client code modification data) across 5 days on rolling basis shall be cumulated for the respective client on individual scrips/contract basis to validate the aforesaid four conditions.
 8. In this mechanism of 5-Day RTCM, trades pertaining to continuous normal market shall be eligible for cancellation. The 5-Day Reversal Trade Cancellation Mechanism checks shall be done from 10:30 a.m. (trades from 09:00 am to 10:30 am shall be accumulated) onwards until 3:00 p.m. (i.e. 5-Day RTCM shall not be applicable from 3:00 p.m. to close of trading hours).
 9. It may be noted that there shall be no change in the mechanism for shortlisting contracts/scrips on which the 5-Day RTCM in equity & equity derivatives shall be applicable. Accordingly, the same list of scrips/contracts as applicable for intraday RTCM as per Exchange circular

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no. NSE/SURV/62493 dated June 18, 2024 and NSE/SURV/65645 dated December 17, 2024 can be referred by trading members for the 5-Day RTCM.

10. It may be noted in 5-day RTCM trades shall be cancelled only w.r.t scrip/contracts available in the aforesaid file for respective segments.
11. The Mechanism for Shortlisting the contracts for Equity Derivatives Segment is reiterated as under:
 - 11.1. Contracts with Monthly Expiry
 - 11.1.1. All Equity Monthly Expiry contracts (Equity Stock Futures & Options + Equity Index Futures & Options) for which expiry day is more than 40 calendar days away from next trading day.
 - 11.1.2. For Equity Monthly Stock Options contracts with expiry less than equal to 40 calendar days to expiry – all strikes 10% away from underlying price.
 - 11.1.3. For Equity Monthly Index Options contract with expiry less than equal to 40 calendar days to expiry – all strikes 5% away from underlying price.
 - 11.2. Contracts with Weekly Expiry
 - 11.2.1. All Weekly Expiry Index Options contracts for which expiry day is more than 15 calendar days away from next trading day.
 - 11.2.2. For Weekly Index Options contract with expiry less than equal to 15 calendar days to expiry – all strikes 5% away from underlying price.
12. The aforesaid list shall be made available daily in the file “FO_RTCM_DDMMYYYY.csv” at extranet path /faocommon/Surveillance/RTCM. Hence trades shall be cancelled only w.r.t contracts available in the aforesaid file.
13. The Mechanism for Shortlisting the contracts for Equity Segment is reiterated as under:
 - 13.1. RTCM shall be applicable on all scrips w.r.t series (i.e. EQ, BE, BZ, SM, ST & SZ) excluding the following securities:
 - 13.1.1. Approved securities list published by NSE Clearing Ltd
 - 13.1.2. Constituents of Nifty 500 index
 - 13.1.3. ETF's
14. The symbols on which the 5-day RTCM mechanism will be applicable shall be provided in the file “CM_RTCM_mmmmyyyy.csv” on monthly basis. Hence trades shall be cancelled only w.r.t scrips available in the aforesaid file. The file/list shall be available at extranet path /common/Surveillance/RTCM.
15. The implementation date of the 5-day RTCM mechanism shall be intimated separately. Members are requested to take note of the same.
16. Please note that RTCM is a facility provided by Exchange (including mechanism provided vide circular NSE/SURV/62493 dated June 18, 2024 and NSE/SURV/65645 dated December 17, 2024) to help

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prevent incidence of reversal trades between two PANs if certain thresholds are breached. However, the facility of RTCM does not absolve the Trading Members of their obligation to adhere to the provisions of circular NSE/INVG/46662 dated December 16, 2020.

17. Irrespective of the above RTCM mechanism, Trading Members are advised to continue to monitor and take necessary steps under the obligations set out in circular NSE/SURV/48818 dated July 1, 2021, with respect to transactions mentioned in circular NSE/INVG/46662 dated December 16, 2020.

In case of any further queries, members might write to us on surveillance@nse.co.in.

For National Stock Exchange of India Limited
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