

National Stock Exchange of India

Circular

Department: SURVEILLANCE	
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To All NSE Members

Sub: Reversal Trade Cancellation Mechanism

Exchange has observed that market abuse practices in the nature of reversal trades is being carried out for certain contracts/ scrips in violation of Exchange circular NSE/INVG/46662 dated December 16, 2020. Exchange plans to introduce “*Reversal Trade Cancellation Mechanism*” (RTCM) on an intraday basis to cancel the trades which form part of reversal/second leg (definition of second leg is in the below para).

A set of trades would be identified as Reversal transaction, if the first leg of transactions (one trade or multiple trade) between client ‘A’ and client ‘B’ (where ‘A’ is buyer and ‘B’ is seller) in a particular scrip or contract is followed by second leg of transactions (one trade or multiple trade) between client ‘B’ and client ‘A’ (where ‘B’ is buyer and ‘A’ is seller) in the same scrip or contract.

Pursuant to introduction of RTCM, post execution of the first leg (whether single trade or multiple trade in a scrip) between client ‘A’ and client ‘B’ (where ‘A’ is buyer and ‘B’ is seller), even a single trade (irrespective of quantity of first leg or reversal leg) where client ‘B’ is buyer and client ‘A’ is seller in the same scrip on the same day shall be cancelled automatically by the Exchange.

Client code modification during market hours resulting in reversal of trade, shall also be cancelled as a part of RTCM mechanism.

RTCM mechanism shall be applicable to continuous normal market and block deal session.

For identification of clients ‘A’ and client ‘B’ as mentioned in the above paragraphs, the following logic will be used.

1. In case of proprietary and client (Non-CP code), “PAN” would be used to identify the above clients.

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2. In case of CP code clients (excluding CP code “INST”), “CP code” would be used to identify the above clients.

Summary of the above logic of identification is as per below table:

Buyer/Seller	Counterparty Buyer/Seller	Validation at
PRO/Client (Non-CP code)	PRO/Client (Non-CP code)	PAN level
CP code client (excluding CP code “INST”)	CP code client (excluding CP code “INST”)	CP code level
CP code client (excluding CP code “INST”)	PRO/Client (Non-CP code)	CP code + PAN level

In case of such reversal trade in a scrip in CM segment, the Exchange shall automatically cancel the second leg of the trade immediately. Upon such trade cancellations, trading member shall get below message on the respective trading terminals.

Trade CXL: < Trade details> Trade Cancelled by Exchange User Id (Dealer ID)

To begin with, the Reversal Trade Cancellation Mechanism (RTCM) shall be released in the CM Segment and made applicable for scrips which are not constituent of Nifty 500 Index. The Exchange shall review the applicability of scrips w.r.t RTCM at a later stage.

The RTCM shall be subsequently implemented in other segments.

The date for implementation of the mechanism shall be intimated separately. Members are requested to take a note of the same.

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 01, 2021, with respect to transactions mentioned in circular NSE/INVG/46662 dated December 16, 2020.

Members are requested to note that the abovementioned changes shall be available for testing in mock being conducted on September 02, 2023

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

For National Stock Exchange of India Limited

Binoy Yohannan
Associate Vice President
Surveillance