

# National Stock Exchange of India

## Circular

Department: SURVEILLANCE	
Download Ref No: NSE/SURV/62493	Date: June 18, 2024
Circular Ref. No: 514/2024	

To All NSE Members

### Sub: Reversal Trade Cancellation Mechanism (RTCM)

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 executed with an objective of transferring profit / loss between entities or creation of artificial volume in securities / contracts, Exchange vide circular no. NSE/SURV/58192 dated August 31, 2023 had indicated to introduce “*Reversal Trade Cancellation Mechanism*” (RTCM) on an intraday basis to cancel trades which satisfy the conditions of a reversal transaction.

Exchange has finalized the following mechanism pertaining to RTCM. This is in replacement of the mechanism communicated in the above-mentioned circular.

Exchange will monitor transactions on an intraday 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 will get aggregated 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, 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 the following parameters, the trade will be eligible for cancellation

1. Combined traded quantity of a pair of PANs for both legs to the extent of reversal, compared with market gross traded quantity in the scrip on that day till that point in time. “Reversal quantity” is the quantity which is bought and sold within the pair of PANs (i.e. if 500 quantity is bought within the pair of PANs and 600 quantity is sold within the pair of PANs then “Reversal Quantity” will be 500 quantity.)

## National Stock Exchange of India

2. Reversal Ratio in the scrip, of the pair of PANs at that point in time (e.g. calculation of reversal ratio = if the first leg cumulative quantity is x and the second leg cumulative quantity is y then reversal ratio is  $(x/y \times 100)\%$ )
3. Square off difference of a pair of PANs at that point in time in a scrip (i.e. difference between “average sell price” and “average buy price” multiplied by “reversal quantity”)
4. Reversal quantity of a PAN till that point in time in the scrip compared with total quantity traded by each PAN in the pair of PANs in the scrip for that day till that point of time.

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.

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

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

In case of such reversal trade in a scrip in CM segment, the Exchange shall automatically cancel the trade on an intra-day basis. 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)*

All trades (including the client code modification data) shall be cumulated for the respective client on symbol/contract basis to validate the aforesaid four conditions. The *Reversal Trade Cancellation Mechanism* checks shall be done from 10:30 a.m. (trades from 09:15 am to 10:30 am shall be accumulated) onwards until 3:00 p.m. (half hour prior to market close – i.e. RTCM shall not be applicable from 3:00 p.m. to 3:30 p.m.).

The RTCM mechanism shall be made applicable for scrips which are relatively illiquid. The list of such scrips/contracts will be published on end of month and the list shall be valid for the subsequent month.

The list shall be available in the excel sheet named “CM\_RTCM\_mmmmyyyy.csv” at extranet path [/common/Surveillance/RTCM](#)

---

## National Stock Exchange of India

To begin with, the Reversal Trade Cancellation Mechanism (RTCM) shall be released in the CM Segment. The RTCM shall be subsequently implemented in other segments.

RTCM shall be made live from July 07, 2024. The date for implementation of the mechanism shall be intimated separately. Members are requested to take a note of the same.

Members may also note that from the date of issuance of this circular, the provisions of the earlier circular NSE/SURV/58192 dated August 31, 2023, shall stand rescinded.

In case of any further queries, members might write to us on [surveillance@nse.co.in](mailto:surveillance@nse.co.in).

**For National Stock Exchange of India Limited**

**Binoy Yohannan**  
**Associate Vice President**  
**Surveillance**