

National Stock Exchange of India

Circular

Department: SURVEILLANCE	
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To All NSE Members

Sub: Reversal Trade Cancellation Mechanism (RTCM) in Equity Derivatives Segment

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 had introduced “*Reversal Trade Cancellation Mechanism*” (RTCM) in CM Segment on an intraday basis to cancel trades which satisfy the conditions of a reversal transaction.

Exchange has finalized the following mechanism pertaining to RTCM in Equity Derivatives Segment.

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 an individual contract level. At every trade instance after the above aggregation at individual contract level, 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.

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 quantities.)

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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 $(x/y*100)\%$)
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 (both first and second leg) 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 “CP code” would be used to identify the above clients.

In case of such reversal trade in a contract in Equity Derivatives 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 individual 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.).

It may be noted that RTCM will be applicable on certain contracts specified by the Exchange. Such list of contracts will be published at the end of the day and the list shall be valid for the subsequent trade day. Such list shall be available in the excel sheet named “FO_RTCM_DDMMMYYYY.csv” at extranet path [/faocommon/Surveillance/RTCM](#). This file will be refreshed daily. The list of contracts will include the following:

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1. Contracts with Monthly Expiry

- a. All Monthly Expiry Futures & Options contracts (Stock & Indices) for which expiry day is more than 40 calendar days away from next trading day.
- b. For Monthly Stock Futures & Options contracts with expiry date less than 40 calendar days to expiry – all strikes 10% away from underlying price.
- c. For Monthly Index Futures & Options contract with expiry date less than 40 calendar days to expiry – all strikes 5% away from underlying price.

2. Contracts with Weekly Expiry

- a. All Weekly Expiry Index Futures & Options contracts for which expiry day is more than 15 calendar days away from next trading day.
- b. For Index contract with weekly expiry with expiry less than 15 calendar days to expiry – all strikes 5% away from underlying price.

RTCM in Equity Derivatives Segment shall be made live from January 13, 2025.

Members are requested to take a note of the same.

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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