

**NATIONAL STOCK EXCHANGE OF INDIA LIMITED****DEPARTMENT : DEBT SEGMENT**

Download Ref No : NSE/DS/30742

Date : September 11, 2015

Circular Ref. No : 64 /2015

All Members,

**Trade Annulment**

NSE vide its circular no. NSE/DS/23355 dated May 07, 2013 has specified the facility for submission of trade cancellation requests. SEBI vide circular no. CIR/MRD/DP/15/2015 dated July 16, 2015 (intimated to members vide exchange circular no. NSE/DS/30272 dated July 17, 2015) has specified the Policy for annulment of trades undertaken on stock exchanges.

SEBI in its circular expressly advises that “to ensure finality of trades executed on trading platforms of the stock exchanges, to the extent possible, annulment of trades should be avoided by the stock exchanges.”

Therefore, the trade cancellation request procedure applicable for order matching platform as specified in the aforesaid Exchange circular dated May 07, 2013, is being modified in accordance with the provisions of SEBI circular no. CIR/MRD/DP/15/2015 dated July 16, 2015. Further the existing ‘Trade Cancellation Request’ shall be considered as ‘Trade Annulment Request’ for the purpose of SEBI circular.

In order to discourage frequent or frivolous annulment requests, the following revised procedure and guideline for submission and processing trade annulment requests shall be applicable:

**I. Submission of Trade Annulment Request:**

Trade annulment request can be placed only by the executing trading members (buyer /seller) who have executed the trade to be annulled.

1. Prior to initiating the trade annulment request, the trading member shall ensure and certify the following:
  - i. that the member had taken adequate precautions such as defining order quantity limit; order value limit ; user value limit ; branch value limit and all the risk management measures as provided by the Exchange from time to time.
  - ii. that the orders related to the trade(s) to be annulled were routed after filtering them as per the risk management principles of the member,
  - iii. that the orders were in compliance with the order placement limits applicable to the dealer, branch and member.

- iv. that the member has a process in place to ensure that the orders leading to the trade(s) to be annulled were covered by adequate margins, where applicable.
- v. that the orders were placed by a qualified dealer.

2. Mode of placing the annulment request:

- i. The trading system of the Exchange provides a facility to a member to initiate a trade annulment request in electronic form whereupon the member on the other side of the trade would receive the details of the trade annulment request anonymously.
- ii. The member has to file the annulment request electronically only on the trading system provided by the Exchange.
- iii. The Exchange shall electronically disseminate the request on trading system to all concerned counter party trading members to the trade(s) for which annulment is sought.
- iv. Considering the strict time lines, Exchange shall not accept any request in any form or any other mode other than the screen based electronic mechanism provided by the Exchange. However, Exchange may permit filing of request in any other mode in exceptional cases.
- v. Counterparty trading member who accepts the request has to respond on the trading system intimating their consent to annul the trade.
- vi. The Exchange may seek additional information from such members for further scrutiny, if found necessary.

II. Criteria & Processing of Trade Annulment Request:

The trade/s for which annulment is requested shall have to fulfill all the conditions listed below for the Exchange to be taken up for further processing;

- Trade(s) for which annulment requests are submitted should have been executed in the Order Matching Platform (Retail & Institutional) of Debt segment.
- Trade annulment requests should be placed only by the executing trading members (buyer /seller) who have executed the trade(s) to be annulled. Trade annulment requests placed by third parties viz. Clearing Member / trading member other than executing trading members, shall not be accepted for processing.
- Trade annulment requests should be submitted to the Exchange within 30 minutes of the execution of trade.
- A trade annulment request can only be made for an order of a minimum value of Rs 10 Crores.
- Minimum trade value of trade(s) originating from a single order for which annulment request is made should be Rs. 10 lakhs or above.
- The trade(s) in question are not within the price bands / operating range / trade execution range applicable at the time of trade.
- Trade(s) have not been executed with the same PAN number on both the buying and selling side.

Exchange shall require the trading members to submit additional information such as reason to request for trade annulment, whether similar trade annulment requests have been submitted simultaneously to other exchange etc. in electronic form. The procedure to submit additional information in electronic form shall be notified separately.

Trade Annulment requests fulfilling the conditions specified above shall be accepted for further processing and should satisfy the following additional criteria:

- Counterparty trading member should have provided acceptance to trade annulment in electronic form within 30 minutes after the market closure or within 30 minutes from time of trade annulment requests whichever is later. If the counterparty member does not intimate his consent within 30 minutes of market closure or within 30 minutes from time of trade annulment requests whichever is later, it will be deemed that the counterparty member does not consent to the request for annulment.
- The executing member and the member on the other side of the said trade for a trade annulment request is not the same.

The Exchange shall expeditiously, not later than start of next trading day, examine and decide upon accepted annulment requests. The Exchange shall intimate the requesting member about the acceptance / rejection of the annulment request.

Where a trading member has requested for annulment of trade(s) to more than one exchange, Exchange shall coordinate with the other exchanges to take appropriate inputs to decide upon the trade annulment request.

Member may note that any trade annulment if accepted will not result in re-computation of bhavcopy.

### III. Application fee for trade annulment request

A fee equal to 5% of the value of trade(s) for which annulment is requested, subject to minimum fee of Rs. 1 lakh and maximum fee of Rs. 10 lakhs shall be charged as Annulment Application fee for accepting the request. Such fee shall be debited from the Member's Exchange dues account or deducted from Members money available with the Exchange on the day of receipt of trade annulment request. The amount so collected as Annulment Application Request fees shall be credited to Investor Protection Fund (IPF) of the Exchange.

### IV. Dissemination of following information on Exchange website

Exchange shall disseminate the following details of trade annulment requests on its website [www.nseindia.com](http://www.nseindia.com):

- Details of receipt of trade annulment request.
- Details of decision on trade annulment request.

V. A mechanism for review of the decision of the Exchange on Trade annulment request shall be provided. For the purpose of review the trading members shall submit a request for review to the Exchange before the payout deadline for the trades. A detailed procedure for review mechanism shall be notified separately.

- VI. As prescribed in SEBI Circular para no. 4, in case there is more than 1 instance from the same trading member in the same segment in a calendar quarter, an additional amount equal to 1% of the value of trade(s), subject to minimum of Rs. 1 lakh shall be charged. This is being done to discourage frequent or frivolous requests and maintain the sanctity of the trades on the Exchange. This charge shall be non-reversible. This shall be in addition to the Annulment request application fee.
- VII. Members may note that pursuant to Byelaw 5 of chapter VII of the Byelaws, the Exchange may, to protect the interest of investors in securities market and for proper regulation of the securities market, suo motu annul trades at any time if the relevant authority is satisfied for reasons to be recorded in writing that such trade(s) is/are vitiated by fraud, material mistake, willful misrepresentation or market or price manipulation and the like.

**For and on behalf of  
National Stock Exchange of India Limited**

**Khushal Shah**  
Chief Manager

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