



Important Notice

National Securities Clearing Corporation

A#: 7850
P&S# 7420
DATE: JUNE 3, 2014
TO: ALL PARTICIPANTS
ATTENTION: MANAGING PARTNER/OFFICER; P&S MANAGER, CASHIER;
OPERATIONS MANAGER; MANAGER, DATA PROCESSING MANAGER,
IT MANAGER
FROM: PRODUCT MANAGEMENT
SUBJECT: NSCC TRADE CAPTURE REVERSAL PROCESSING

This Important Notice will provide NSCC Members with guidance on the use of a reversal request, which may be submitted to NSCC in order to correct or update a transaction sent in error to NSCC.

While reversals should not be frequently used, they are a critical component to the submission process. In order to avoid erroneous submission of a reversal that may compound errors, Members should have clear and written procedures governing their submission of reversals, and should calibrate their systems to correctly submit reversals. For example, share quantity and contract value should be treated carefully when submitting the reversal and new trade. Typically, the reversal should contain the same share quantity and value as the original trade.

NSCC Treatment of Reversals

The reversal/correction indicator is an optional field on NSCC trade capture input formats, and all submissions are treated as new transactions in the Universal Trade Capture (UTC) application. As such, NSCC does not perform additional validation, relate the transaction to the original submission, or create an opposite transaction based on the submission of the reversal/correction field.

Universal Trade Capture Process

UTC Tag 487	Reversal / Correction Indicator	“2”=Replace should be used for trade corrections “4”=Reverse should be used for trade cancelations
----------------	------------------------------------	-------------------------------------------------------------------------------------------------------------

For the reversal/correction field (tag 487), a value of “4” indicates the transaction is a reversal of a previous trade while a value of “2” indicates a replacement/correction. A reversal (“4”) should be submitted to cancel an erroneous submission and a replacement (“2”) should be submitted on the correct transaction.

Example 1:

Original Transaction (“0”)

Transaction #1: 1000 share purchase is executed, but due to a submission error, only 900 shares are submitted to NSCC.

Reversal (“4”)

Transaction #2: 900 share purchase, with opposite party information, is submitted to cancel the incorrectly submitted trade, using the reversal (“4”) indicator. Once the reversal is sent to NSCC, the net position for the two trades should be flat.

Replacement (“2”)

Transaction #3: 1000 share submission using the replacement (“2”) value is submitted to facilitate the transaction as originally intended. Although, a new trade (“0”) value could be submitted for 1000 shares, instead of the replacement (“2”) submission, this new trade submission would not inform parties that the transaction relates to a corrected trade.

Fields to be Used in the Reversal Process

Data	Original Submitted Field	Switches with this Field
Clearing number*	448=##, 452=04	448=##,452=18
Executing Broker**	448=##, 452=01	448=##,452=37
Introducing Broker	448=##, 452=06	448=##,452=17
Badge ID	448=##, 452=11	448=##,452=12
House Client Indicator	Tag 581 of buy side	Tag 581 of sell side
Order Capacity	Tag 528 of buy side	Tag 528 of sell side
Liquidity Indicator	Tag 825 of buy side	Tag 825 of sell side
Order ID	Tag 37 of buy side	Tag 37 of sell side
Client Order ID	Tag 11 of buy side	Tag 11 of sell side
Account ID	Tag 1 of buy side	Tag 1 of sell side
Market Control Number	Tag 198 of buy side	Tag 198 of sell side
Execution ID	Tag 66 of buy side	Tag 66 of sell side

*Required field

**Required field if validation is turned on in trading relationship management system.

Notes on the Reversal Submission Fields:

- 1) UTC tag 526 should include the tag 66 value originally submitted. This will allow a new tag 66 to include any normally submitted value.
- 2) The submitted by indicator (448=##, 452=36) should always point to the entity sending the transaction to NSCC. A value of “1” means the buyer submitted and a value of “2” means the seller submitted.
- 3) NSCC requires a new UTC sequence number for reversals and will reject any duplicate number in this field.

Legacy Correspondent Clearing Process (Datatrak #03701)

Datatrak Position 191	Reversal / Correction Indicator	Space = Normal R = Reversal
-----------------------	------------------------------------	--------------------------------

In Legacy Correspondent Clearing transactions, for the reversal/correction field (position 191), a value of “R” indicates the transaction is a reversal of a previous trade. A reversal (“R”) should be submitted to cancel an erroneous submission, and space “ ” should be submitted on the correct transaction.

Example 2:

Original Transaction (“ ”)

Transaction #1: 1000 share purchase is executed, but due to a submission error, only 900 shares are submitted to NSCC.

Reversal (“R”)

Transaction #2: 900 share purchase, with opposite party information, is submitted to cancel the incorrectly submitted trade, using the reversal (“R”) indicator. Once the reversal is sent to NSCC, the net position for the two trades should be flat.

New Transaction (“ ”)

Transaction #3: 1000 share submission using the new transaction (“ ”) value is submitted to facilitate the transaction as originally intended.

Fields to Reverse

Data	Original Submitted Field	Switches with this Field
Participant Number*	Position 21-24	Position 31-34
Entering Broker**	Position 162-165	Position 166-169
Submitted Buy/Sell Indicator	Position 111, Point to submitting firm’s clearing number	Position 111, Point to submitting firm’s clearing number

*Required field

**Required field if validation is turned on in trading relationship management system.

Questions

If you have questions about a reversal, please contact NSCC's Enterprise Service Center at 1.888.382.2721, option 5, then option 1. For questions related to this notice please contact your Relationship Manager or the undersigned.

Tim Garrett

Product Management, Equities Clearance