

Risk Management System (RMS) Policy

Obsidian Investment Private Limited

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Version	1.0
Approved by	Compliance Officer
SEBI registration no.	INZ000330031
NSE member code	90476
Segment	NSE Capital Market (Cash / Equity)

1. Purpose

This Risk Management System (“**RMS**”) Policy sets out the broad principles followed by Obsidian Investment Private Limited (“**Obsidian**”, “**the Company**”, “**we**”) for managing trading, order, settlement, market, operational and client-default risks in respect of transactions executed for clients on the NSE Capital Market (cash / equity) segment.

The objectives of this policy are to:

1. ensure that client trading takes place only within approved limits and controls;
2. monitor client-wise orders, exposure, positions and settlement obligations;
3. protect client assets and ensure that client funds and securities are used only as permitted by applicable law;
4. comply with applicable SEBI, NSE, NSE Clearing Limited (“**NCL**”) and depository requirements; and
5. allow timely risk-reduction action where required.

2. Applicability

This policy applies to all clients permitted to trade through Obsidian in the NSE Capital Market segment.

Obsidian provides broking services only to institutional and eligible non-individual clients (for example, mutual funds / asset management companies and other eligible non-individual / institutional categories) approved under its onboarding policy. Obsidian does not onboard individual / retail clients. Client eligibility, segment activation and product access are subject to KYC, due diligence, client agreements, exchange requirements, custodian / clearing arrangements, and internal risk approval.

This policy is to be read with the client account-opening documents, Rights and Obligations, Risk Disclosure Document, Guidance Note, tariff sheet, voluntary authorisations, product terms, exchange circulars and any client-specific limit or settlement arrangement.

If there is any inconsistency, applicable SEBI / NSE / NCL / depository rules, regulations, bye-laws, circulars and notices will prevail.

3. Client onboarding and activation controls

Trading will be enabled only after the client has completed all applicable onboarding requirements, including:

1. KYC / KRA verification and client due diligence;
2. valid PAN and other statutory identifiers, as applicable;
3. execution / acknowledgement of mandatory account-opening documents;
4. Unique Client Code (“UCC”) creation and exchange activation;
5. approved bank and demat account mapping;
6. custodian / CP-code setup and confirmation arrangements;
7. segment-wise trading preference and internal risk approval; and
8. any additional documents required for institutional clients (mutual fund / AMC, FPI, AIF, PMS, insurance, bank, body corporate or other eligible categories).

Obsidian may refuse onboarding, restrict access, suspend trading, deactivate a segment, or close a relationship where required by law, risk policy, sanctions / AML concerns, adverse regulatory action, insufficient documentation or internal risk assessment.

4. Dealing model and order access

Clients route orders through Obsidian’s dealing / RMS desk. Obsidian does not currently offer Direct Market Access (DMA), client API / FIX connectivity, client-side algorithmic trading or client trading terminals (CTCL) for the Capital Market segment. Any such facility would be offered only after the applicable exchange / SEBI approvals and client-level RMS controls are in place, and on separately disclosed terms.

5. Proprietary trading disclosure

Obsidian undertakes proprietary trading (trading on its own account) in addition to executing client orders. Proprietary trading is conducted in compliance with applicable SEBI and NSE requirements, including disclosure of proprietary (“Pro”) trading to clients as prescribed. Client orders are handled independently of proprietary trading, and client funds and securities are never used for Obsidian’s proprietary obligations.

6. Risk governance and limits

Client limits and controls are approved and modified only by authorised personnel as per internal authority levels. The RMS and compliance functions are responsible for monitoring adherence to approved limits, exchange limits and settlement obligations.

Obsidian may review client limits at onboarding, periodically, and on event triggers such as volatility, adverse market movement, regulatory action, custodian rejection / non-confirmation, settlement delay, concentration risk, change in client profile, unusual order flow, or credit / risk concerns.

RMS may reduce, suspend or withdraw limits at any time without prior notice where it considers such action necessary for risk containment or regulatory compliance.

7. Margins, funds and securities

Clients are responsible for meeting all margin requirements prescribed by SEBI, NSE and NCL for the Capital Market segment — including VaR margin, Extreme Loss Margin, mark-to-market margin, delivery margin and any special / additional margin — as applicable to their trades.

Obsidian operates a pre-funded / delivery-based model for institutional clients and does **not** extend any Margin Trading Facility (MTF), client funding or intraday leverage. Clients trade against their own funds and securities and meet margin and settlement obligations through their custodian / clearing arrangements, including by way of early pay-in of funds and securities and timely custodial confirmation, in accordance with applicable exchange / NCL timelines.

Obsidian does not accept cash. Funds, where received, must come only from the client's registered bank account through permitted banking channels, and securities only from the client's mapped demat account through permitted mechanisms.

Obsidian does not retain client securities as collateral and does not operate a client-collateral pledge book for this segment. Obsidian does not accept client bank guarantees or fixed deposit receipts (FDRs) as collateral for the NSE Capital Market segment, unless expressly permitted under the then-applicable SEBI / NCL framework.

Any client funds or securities handled by Obsidian will be used only for the respective client's own obligations, and not for proprietary obligations or the obligations of any other client. Client assets will be recorded, reconciled, reported and (where applicable) upstreamed in accordance with applicable SEBI / NSE / NCL requirements.

8. Exposure and order controls

Client exposure and order limits may be set based on one or more of the following:

1. client category and applicable regulatory / institutional limits;
2. custodian / clearing confirmation arrangements;

3. client credit / risk assessment and internal approvals;
4. segment, security and settlement risk;
5. volatility, liquidity, impact cost and market depth;
6. concentration at client, group, sector or issuer level; and
7. internal RMS parameters.

Limits may include order quantity limits, order value limits, price-range checks, turnover limits, gross / net exposure limits and open-order limits.

The availability of a limit does not create a right to trade. Orders may be rejected even where a client is otherwise in good standing, including where RMS parameters, regulatory restrictions, market conditions or system controls do not permit the order.

9. Product and security restrictions

Obsidian may permit or restrict securities, order types and trading strategies at its discretion, subject to applicable regulations. RMS may restrict or block trading in:

1. illiquid securities or securities with abnormal price / volume behaviour;
2. securities under ASM / GSM / ESM, trade-for-trade, price-band or other surveillance measures;
3. securities affected by corporate actions, suspension, de-listing, regulatory directions or settlement risk;
4. securities where the client's funds / securities are insufficient or custodian confirmation is in doubt; and
5. any security where Obsidian considers risk to be elevated.

10. Custodian settlement

All institutional clients settle through a SEBI-registered custodian / clearing-participant (CP-code) arrangement. Trading and settlement are subject to the approved custodian / CP setup and applicable exchange / NCL timelines.

The client is responsible for ensuring timely custodian confirmation, pay-in, delivery and settlement. If a trade is rejected, unconfirmed, partially confirmed, delayed or otherwise not settled by the custodian within applicable timelines, Obsidian may treat the obligation as the client's obligation, and may restrict further trading, block limits, demand funds / securities, close out positions, and recover losses, penalties and charges from the client.

Custodian-settled treatment and any related regulatory exemptions apply only where the client is validly covered by the relevant SEBI / NSE / NCL provisions and the required process is followed.

11. Monitoring and RMS actions

RMS monitors client orders, trades, positions, pay-in / pay-out and settlement obligations during the trading day and at end of day. Monitoring may be automated, manual, or both.

Given the pre-funded, delivery-based and custodian-settled nature of client trading, RMS is focused primarily on order-level controls and pay-in / custodian-confirmation discipline rather than intraday mark-to-market or margin-utilisation square-off. Mark-to-market loss, margin-utilisation and intraday square-off triggers are therefore not ordinarily applicable to client trading under this model; however, Obsidian reserves the right to apply risk-reduction action in any risk event.

RMS may take one or more of the following actions, where warranted:

1. reject fresh orders;
2. cancel pending orders;
3. reduce or withdraw limits;
4. block particular securities;
5. require timely pay-in / custodian confirmation;
6. close out or square off positions in a settlement or custodian-default situation;
7. withhold payout to the extent permitted;
8. recover debit balances, losses, penalties, interest, charges and costs; and
9. suspend or close the client account, subject to applicable process.

Illustrative triggers for RMS action include:

1. pay-in or delivery default;
2. custodian rejection / non-confirmation;
3. breach or likely breach of internal / exchange limits;
4. concentration or liquidity risk;
5. corporate action, surveillance measure or regulatory direction;
6. suspected unauthorised, erroneous, manipulative or abusive trading;
7. system, connectivity or operational risk; and
8. any other event that may expose the client, Obsidian, the exchange, NCL or the market to risk.

Pay-in and custodian-confirmation cut-offs apply as per applicable exchange / NCL timelines and as communicated to the client from time to time.

12. Close-out on settlement / custodian default

Where a position is not settled or confirmed by the custodian within applicable timelines, or where a settlement default arises, Obsidian may close out the relevant position. Obsidian may determine the sequence, timing, securities and manner of close-out at its discretion, having regard to risk reduction, market liquidity, settlement obligations and operational feasibility.

Obsidian is not obliged to wait for client instructions or to close out positions in a manner most favourable to the client. All losses, shortfalls, costs, penalties, auction differences, statutory charges and financial charges arising from close-out will be borne by the client. Any surplus, after adjustment of all client obligations, will be dealt with in accordance with applicable law and client instructions.

13. Settlement, pay-in and pay-out

Clients must meet funds and securities pay-in obligations as per exchange / NCL schedules and the timelines communicated by Obsidian, through their custodian / CP arrangement, including by early pay-in where applicable. Pay-in must be made from the client's registered bank / demat account only.

Pay-out will be processed subject to clear balances, open obligations, settlement cycles, custodian confirmation, banking / depository timelines and applicable risk checks. Client funds, where handled, will be maintained in designated client bank accounts, and clear credit balances will be upstreamed / handled in accordance with applicable SEBI / NCL requirements.

No inter-client adjustment of funds or securities will be made except as permitted by law.

14. Communication

RMS communications, confirmations, statements, contract notes, alerts and other communications may be sent through registered email, the dealing / RMS desk, recorded telephone lines, or any other mode permitted by law. Failure or delay in receiving a communication does not relieve the client of its obligations.

Clients must immediately report any discrepancy in statements, trades, positions or obligations within the timeline prescribed in the relevant document / circular or as communicated by Obsidian.

15. System, connectivity and contingency risks

Trading services may be affected by exchange systems, broker systems, client systems, connectivity, telecom, power, market-wide restrictions, cyber incidents, natural events or other operational disruptions.

Obsidian maintains business continuity and disaster recovery arrangements as required by applicable regulations. In case of disruption, Obsidian may use alternate processes, dealing-desk facilities, disaster-recovery systems or other contingency mechanisms prescribed by the exchanges from time to time. Obsidian does not guarantee uninterrupted access or execution, and clients remain responsible for monitoring their orders, trades, positions and obligations.

16. Charges, penalties and recoveries

The client will be liable for brokerage, statutory levies, exchange / NCL / depository charges, penalties, auction / close-out amounts, interest, taxes and all other charges arising from trades, settlement, default or close-out, as applicable and as disclosed in the tariff sheet or client agreement.

Any penalty levied on Obsidian due to a client-attributable settlement default, delayed pay-in, limit breach, regulatory breach or other client action / inaction may be recovered from the client to the extent permitted by law.

17. Policy review and amendments

Obsidian may amend this RMS Policy from time to time based on regulatory changes, exchange / NCL circulars, market conditions, operational requirements or internal risk assessment. The updated policy will be made available on the website.

This policy will be reviewed at least annually and whenever there is a material change in applicable regulations, products, technology, clearing / settlement arrangements or risk framework.

18. Contact

RMS desk	admin@obsidiancapital.in
Compliance Officer	Karna Agrawal — karna@obsidiancapital.in · +91 98245 02148
Grievance redressal / escalation	admin@obsidiancapital.in

This policy is considered and approved by Board of Obsidian Investment Private Limited.