PP Capital
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PAWAN PARMESHWAR CAPITAL PVT LTD

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Member: NSE Code: 00188 | **BSE Code: 0550**

Pre-Funded Instrument Policy

Version 2.0

Policy Title	Pre-Funded Instrument Policy
Version	2.0
Date of Approval	16-10-2025
Effective Date	16-10-2025
Owner	Compliance Department
Approving Authority	Board of Directors of Pawan Parmeshwar Capital Pvt Ltd
Next Review Date	Annually, or earlier upon regulatory change
Replaces	Pre-Funded Instrument Policy (legacy version, in force prior to this revision)

1. Introduction and Purpose

Pawan Parmeshwar Capital Pvt Ltd ("the Company") is a Stock Broker registered with the Securities and Exchange Board of India ("SEBI") and a Trading Member of the National Stock Exchange of India Ltd (NSE Code 00188) and BSE Limited (BSE Code 0550).

The acceptance of pre-funded instruments such as demand drafts (DDs), pay orders (POs), banker's cheques and similar instruments from clients in lieu of payments from the client's own bank account is regulated by SEBI to ensure that the trail of funds remains transparent and to prevent the use of stock broking accounts for money laundering.

This policy is framed for compliance with:

- SEBI Circular No. SEBI/MRD/SE/Cir-33/2003 dated August 27, 2003.
- SEBI Circular No. CIR/MIRSD/03/2011 dated June 9, 2011.

- The relevant provisions of the SEBI Master Circular for Stock Brokers SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/90 dated June 17, 2025.
- The Prevention of Money Laundering Act, 2002 and rules thereunder, together with the SEBI AML Master Circular SEBI/HO/MIRSD/MIRSDSECFATF/P/CIR/2024/78 dated June 6, 2024.
- Bye-laws and circulars of NSE and BSE.

2. Scope and Applicability

This policy applies to all pay-in receipts from clients in the form of pre-funded instruments, irrespective of segment or value. It applies to the accounts, finance, KYC, dealing and compliance functions of the Company, and to all employees involved in receipt, deposit, recording or verification of such instruments.

3. Definitions

4. Regulatory Framework

- SEBI Circular No. SEBI/MRD/SE/Cir-33/2003 dated August 27, 2003 on prevention of fraudulent acts.
- SEBI Circular No. CIR/MIRSD/03/2011 dated June 9, 2011 on "Acceptance of Third Party Cheques / Demand Drafts / Pay Orders, etc. by Stock Brokers from their Clients".
- SEBI Master Circular for Stock Brokers SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/90 dated June 17, 2025.
- Prevention of Money Laundering Act, 2002 and the Prevention of Money-laundering (Maintenance of Records) Rules, 2005 (as amended).
- SEBI AML Master Circular SEBI/HO/MIRSD/MIRSDSECFATF/P/CIR/2024/78 dated June 6, 2024.
- Bye-laws, Rules, Regulations and Circulars of NSE and BSE.

5. General Principle: Pay-In Should Come From Client's Own Bank Account

As a general rule, all pay-in receipts from a client to the Company shall come only from a bank account that is registered with the Company as a designated bank account of the client and that stands in the name of the client. Third-party payments shall not be accepted.

Pre-funded instruments are, by their nature, not drawn on a client's own current or savings account. They therefore require additional due diligence to ensure that the underlying purchaser of the instrument is the client himself and that the funds originate from the client's own bank account.

6. Acceptance Criteria for Pre-Funded Instruments

6.1 Pre-Funded Instruments of Aggregate Value Up to Rs. 50,000

Pre-funded instruments aggregating Rs. 50,000 (Rupees Fifty Thousand only) per day per client may be accepted without obtaining additional documentation, provided that:

- The instrument is drawn in favour of "Pawan Parmeshwar Capital Pvt Ltd" (or the registered client-funds account name of the Company).
- The reverse of the instrument bears the name and UCC of the client.
- The client confirms in writing or by registered email that the instrument has been purchased by the client himself from the Issuing Bank.

6.2 Pre-Funded Instruments Aggregating More Than Rs. 50,000

Pre-funded instruments aggregating more than Rs. 50,000 in a single day from a single client may be accepted ONLY upon the Company obtaining evidence that the instrument has been issued by debiting the client's own bank account. The Company shall obtain ONE of the following as evidence, in original or as a clear copy duly authenticated by the client:

- Certificate from the Issuing Bank on its letterhead, signed by an authorised signatory, certifying the name of the account holder whose account has been debited and the account number, against issuance of the pre-funded instrument.
- Acknowledgement or receipt issued by the Issuing Bank at the time of issuance of the instrument, mentioning the name of the account holder and the account number debited.
- Certified copy of the requisition slip / passbook entry / bank statement of the client, showing the debit to the client's account corresponding to the issuance of the instrument.
- Authentication of the client's bank account debit on the reverse of the pre-funded instrument by the Issuing Bank.

In the absence of such evidence, the Company shall not credit the pre-funded instrument to the client's account and shall return the instrument to the client with a written explanation, retaining a copy of the returned instrument and the related correspondence for records.

7. Operational Procedure on Receipt of a Pre-Funded Instrument

On receipt of any pre-funded instrument from a client (whether tendered at the office of the Company or by post or courier), the following procedure shall be followed:

- Step 1 — Logging: The instrument shall be entered in the Pre-Funded Instruments Register substantially in the form set out in Annexure A, on the date of receipt, with full particulars.
- Step 2 — Threshold check: The value of the instrument shall be added to all other pre-funded instruments received from the same client on the same day. If the aggregate exceeds Rs. 50,000, the additional-evidence requirement in Section 6.2 shall be applied.
- Step 3 — Documentation verification: Where additional evidence is required, the same shall be obtained and verified before the instrument is deposited.
- Step 4 — Endorsement on instrument: The reverse of the instrument shall be endorsed with the client's name, UCC and contact number.
- Step 5 — Deposit: The instrument shall be deposited into the appropriate Client Funds bank account of the Company on the same working day or, if received late, on the next working day.
- Step 6 — Credit to client ledger: Subject to actual realisation, the client's ledger shall be credited with the instrument value on the date of clearance.
- Step 7 — Filing of records: The supporting documents (Issuing Bank certificate or other evidence, where applicable, copy of the instrument, deposit slip, and clearance confirmation) shall be filed in the client's documentation file and indexed against the Register entry.

8. Reporting Under PMLA / AML Framework

Cash transactions are NOT permitted for pay-in or pay-out under the Company's banking arrangements. The Company does not accept cash from clients in any form.

Pre-funded instruments, while not cash, may be used as a vehicle for layering of unlawful funds. Accordingly:

- All pre-funded instruments accepted shall be subject to the additional due diligence prescribed in this policy and shall be scrutinised by the Compliance / Principal Officer under the AML/PMLA Policy v2.0 as part of the routine client transaction monitoring.
- Any pattern of receipt of pre-funded instruments (e.g., repeated splitting of payments below the Rs. 50,000 threshold, instruments drawn from multiple Issuing Banks or branches on the same day, instruments with anomalous endorsements) shall be escalated to the Principal Officer as a suspicious activity indicator and treated under the

AML/PMLA Policy v2.0 for assessment, internal reporting, and (where appropriate) reporting to the Financial Intelligence Unit-India (FIU-IND).

- Where a pre-funded instrument is received and the Company is unable to determine the underlying purchaser within a reasonable period, the transaction shall be treated as an unidentified payment and refunded by the same route after compliance scrutiny.

Cross-reference: AML/PMLA Policy v2.0; PEP Policy v2.0; Risk Management and Surveillance Policy v2.0.

9. Special Cases

9.1 Pre-Funded Instruments from Corporate, Institutional and Non-Individual Clients

Where the client is a corporate, institutional or other non-individual client, pre-funded instruments shall be accepted only if it is established that the instrument has been issued by debiting a bank account in the name of the client (and not in the name of any director, officer, related party, custodian, or other third party). The same evidentiary requirements set out in Section 6.2 shall apply.

9.2 First-Time Pay-In by a New Client

Where the first ever pay-in by a new client is by way of a pre-funded instrument, the Compliance Officer shall apply enhanced scrutiny including (i) verification of the client's KYC, registered bank account and signature; (ii) confirmation of the Issuing Bank's authenticity; and (iii) review against the AML/PMLA Policy v2.0 customer-acceptance criteria.

9.3 Pre-Funded Instruments Received by Post or Courier

Pre-funded instruments received by post or courier shall be opened only in the presence of an authorised employee of the Accounts function, recorded immediately in the Register, and processed in accordance with this policy. A confirmation of receipt shall be sent to the client by registered email.

10. Refusal and Return of Instruments

The Company may, at its discretion, refuse to accept any pre-funded instrument and shall do so in the following circumstances:

- Where the threshold-based evidentiary requirement under Section 6.2 is not satisfied.
- Where the instrument is not drawn in favour of the Company or its Client Funds account.
- Where the instrument does not bear the client's name and UCC on the reverse.

- Where the Company has reasonable grounds to suspect that the instrument has been obtained otherwise than from the client's own bank account.
- Where acceptance would be inconsistent with the AML/PMLA Policy v2.0, the customer-acceptance policy, or any restriction imposed on the client's account.

Refused instruments shall be returned to the client with a written explanation, and the refusal shall be recorded in the Register with the reason.

11. Records and Retention

The Company shall maintain the following records in respect of pre-funded instruments:

- Pre-Funded Instruments Register substantially in the form of Annexure A, capturing details of every pre-funded instrument received, accepted, refused or returned.
- Copies of all pre-funded instruments accepted, with reverse endorsements.
- Bank certificates, receipts, requisition slips or other evidentiary documents obtained under Section 6.2.
- Deposit slips and clearance confirmations.
- Correspondence with clients in respect of refused or returned instruments.

All records shall be retained for not less than 8 (eight) years from the date of receipt or the date of the relevant transaction, in accordance with the Registers and Records Manual v1.0 and the SEBI AML Master Circular.

12. Roles and Responsibilities

- Board of Directors: Approves this policy and any subsequent amendments; receives reporting on patterns of pre-funded instrument receipts as part of the annual compliance review.
- Compliance Officer / Principal Officer (Mr. Rajkumar Pandey): Owns this policy; reviews exception cases; coordinates with the AML/PMLA Policy v2.0 in respect of suspicious patterns; reports to the Board.
- Accounts / Finance Function: Receives, records, deposits and reconciles pre-funded instruments; maintains the Register; obtains and verifies evidentiary documents under Section 6.2; coordinates with the Compliance Officer on exceptions.
- KYC and Client-On boarding Function: Verifies registered bank accounts of clients; updates the KYC file on receipt of any new bank account information.
- Dealers and Relationship Managers: Refrain from encouraging clients to use pre-funded instruments in lieu of regular bank transfers; refer any client query on pre-funded instruments to the Accounts function.

- All employees: Comply with the prohibition on acceptance of cash; report any attempted cash tender or pre-funded instrument from a source other than the client to the Compliance Officer.

13. Reporting and Review

The Compliance Officer shall present to the Board:

- A quarterly summary of pre-funded instruments accepted, including aggregate value, number of clients, and any exceptions or refusals.
- Any pattern identified under the AML/PMLA Policy v2.0 in respect of pre-funded instruments and the action taken.
- Any communication received from SEBI, FIU-IND or the Exchanges in respect of pre-funded instruments and the response.

This policy shall be reviewed annually and amended in response to changes in the SEBI, AML or Exchange framework relating to pre-funded instruments.

Annexure A — Pre-Funded Instruments Register Template

To be maintained by the Accounts function. Format may be implemented in electronic or physical form.

Field	Particulars
Serial Number	
Date of Receipt	
Mode of Receipt (Counter / Post / Courier)	
UCC of Client	
Client Name	
Instrument Type (DD / PO / Banker's Cheque)	
Instrument Number	
Instrument Date	
Issuing Bank and Branch	
Amount (Rs.)	
Aggregate from Client on the Date (Rs.)	
Above Threshold? (Y/N)	
Type of Evidence Obtained (where applicable)	
Evidence Verified by (Name)	
Action (Accepted / Refused / Returned)	
Reason for Refusal (if any)	
Date of Deposit in Client Funds A/c	
Date of Clearance	
Date of Credit to Client Ledger	
AML Suspicion Flag (Y/N) and Action	
Remarks	

Board Approval

This Pre-Funded Instrument Policy (2.0) has been reviewed and approved by the Board of Directors of Pawan Parmeshwar Capital Pvt Ltd at its meeting held on 16-10-2025.

The Board has also recorded, on the same date, the following:

- The Board notes that this policy aligns the Company with SEBI Circular No. SEBI/MRD/SE/Cir-33/2003 dated August 27, 2003 and SEBI Circular No. CIR/MIRSD/03/2011 dated June 9, 2011, and integrates with the AML/PMLA Policy v2.0 in respect of suspicious patterns of pre-funded instrument receipts.
- The Board confirms Mr. Bhumit Choudhary as the policy owner and the Principal Officer under the AML/PMLA framework responsible for escalation of any suspicious pattern.
- The Board ratifies the Rs. 50,000 per client per day threshold for additional due diligence and authorises the Compliance Officer to lower the threshold (but not raise it) for higher-risk client categories.
- The Board records that the Company does not accept cash from clients in any form under any circumstances.
- Cross-references to related policies (AML/PMLA Policy v2.0, PEP Policy v2.0, Risk Management and Surveillance Policy v2.0, Inactive/Dormant Accounts Policy v2.0, Registers and Records Manual v1.0) are noted.

For PAWAN PARMESHWAR CAPITAL PVT. LTD.

P K Choudhary

~~Director / Authorised Signatory~~

PAWAN PARMESHWAR CAPITAL PVT. LTD. MUMBAI

Director / Authorised Signatory

Name: Pawankumar Choudhary

Designation: Director

Date: 16-10-2025

Place: Mumbai