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PAWAN PARMESHWAR CAPITAL PVT LTD

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RISK MANAGEMENT AND SURVEILLANCE POLICY

(Trading, Settlement, Operational, Market, Credit, Liquidity and Surveillance Risk Framework)

Document Control

Policy Name	Risk Management and Surveillance Policy
Version	2.0
Effective Date	16-10-2025
Approved By	Board of Directors, Pawan Parmeshwar Capital Pvt Ltd
Owner	Risk Management Officer (designated by the Board) and Compliance Officer (Mr. Rajkumar Pandey)
Review Frequency	Annual
Supersedes	Risk Management and Surveillance Policy adopted under proprietorship name

1. Preamble and Objective

Pawan Parmeshwar Capital Pvt Ltd (the "Company") is a SEBI-registered stock broker, Trading Member of NSE and BSE. As an intermediary acting on behalf of clients in the securities market, the Company is exposed to several categories of risk — credit risk from clients, market risk from price movements, operational risk in trade lifecycle, settlement risk, liquidity risk, regulatory and reputational risk, and risks arising from possible misuse of the trading platform for market abuse.

This Risk Management and Surveillance Policy establishes the Company's framework for the identification, measurement, monitoring, mitigation and reporting of these risks, and incorporates the surveillance obligations of the Company as a market intermediary under SEBI's framework, the SEBI (Stock Brokers) Regulations, 1992, the SEBI Master Circular for Stock Brokers dated June 17, 2025, the SEBI Master Circular on Surveillance dated September 23, 2024, and the regulations and circulars issued by NSE, BSE, NSCCL and ICCL from time to time.

2. Scope and Applicability

This Policy applies to:

- All clients of the Company and all trades placed by or on behalf of clients;
- All proprietary positions and trades of the Company;
- All Covered Persons — Directors, Risk Officer, Compliance Officer, dealers, sales personnel, operations, settlement, risk and IT personnel;
- All segments in which the Company is active (Equity Cash, Equity Derivatives, Currency Derivatives, Debt and any other segment in which the Company may be admitted).

3. Regulatory References

- SEBI (Stock Brokers) Regulations, 1992 — Schedule II Code of Conduct; Chapter IVA (Reg 18E to 18I) inserted by Notification SEBI/LAD-NRO/GN/2024/186 dated June 27, 2024 — Institutional mechanism for prevention of fraud / market abuse;
- SEBI Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/96 dated July 4, 2024 — implementing the Institutional Mechanism under Chapter IVA;
- SEBI Master Circular for Stock Brokers SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/90 dated June 17, 2025 — particularly the chapters on real-time monitoring of client margins, segregation of client and broker funds and securities, early warning mechanism (Chapter 17), QSB designation (Chapter 18) and risk management;
- SEBI Master Circular on Surveillance of Securities Market SEBI/HO/ISD/ISD-PoD-2/P/CIR/2024/126 dated September 23, 2024 — surveillance obligations of intermediaries;
- SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (as last amended on June 28, 2024) — Regulation 4 (prohibition of various manipulative and unfair trade practices, including front-running at Reg 4(2)(q));
- NSE / BSE Trading Member Regulations, Bye-Laws and Circulars (including circulars on Risk Reduction Mode, Margin requirements, Net-worth, T+1 / T+0 settlement, intra-day monitoring);
- NSCCL / ICCL Bye-Laws and Risk Management Framework;
- SEBI Cybersecurity and Cyber Resilience Framework SEBI/HO/ITD/ITD_VAPT/P/CIR/2024/113 dated August 20, 2024 — cyber risk.

No regulation having effect outside India is incorporated by reference into this Policy.

4. Risk Governance

4.1 Board of Directors

The Board of Directors:

- Approves this Policy and reviews it at least annually;
- Establishes the Company's risk appetite — maximum exposure, position limits, concentration limits, single-client exposure limits, segment-wise limits;
- Reviews risk reports placed by the Risk Officer / Compliance Officer at every Board meeting;
- Approves any deviation from established risk limits.

4.2 Risk Management Committee / Risk Officer

Where the Company is designated a Qualified Stock Broker (QSB) by SEBI under Chapter 18 of the SEBI Master Circular for Stock Brokers, it shall constitute a Risk Management Committee per Regulation 18F of the SEBI (Stock Brokers) Regulations, 1992. Until QSB designation:

- The Board shall designate a Risk Officer (which may be a Director or a senior officer, separate from the dealing function);
- The Risk Officer shall report directly to the Board on risk matters;
- The Compliance Officer (Mr. Rajkumar Pandey) shall support the Risk Officer on regulatory and surveillance aspects.

4.3 Segregation of Duties

To prevent conflicts of interest and operational risk:

- The dealing function shall be operationally segregated from the settlement and operations function;
- The Compliance Officer and Risk Officer shall not be part of the dealing or marketing functions;
- The Internal Auditor shall be independent of all the foregoing functions.

5. Client Risk Management

5.1 Onboarding Risk Assessment

At the time of onboarding, every client shall be assessed for:

- KYC and AML / PMLA risk classification per the AML/PMLA Policy (Version 2.0);
- Financial profile — net worth, declared income, source of funds for trading capital;

- Trading experience and product suitability;
- Initial exposure limits to be granted, segment-wise.

5.2 Client Exposure Limits

- Each client shall be granted a defined Initial Margin / Exposure Limit by the Risk Officer at onboarding, based on the client's available margin in cash / approved securities / bank guarantee, the client's risk profile and the Company's overall risk appetite;
- Exposure limits shall be reviewed periodically (at least quarterly) and on any material change in client circumstances;
- Intra-day and overnight exposure limits shall be set, with overnight exposures generally more conservatively limited;
- Single-security concentration limits shall be set to prevent over-concentration of client portfolios in a single security.

5.3 Margin Collection and Monitoring

Per the SEBI Master Circular for Stock Brokers dated June 17, 2025 — particularly the chapter on real-time monitoring of client margins:

- Initial and applicable variation margin shall be collected from every client upfront, in cash or in approved collateral, before order placement;
- Real-time monitoring of margin adequacy shall be performed by the Risk Officer / Risk Management System;
- Margin shortfall shall trigger immediate action — margin call, square-off of position, or risk-reduction mode trading, in accordance with the Exchange / Clearing Corporation guidelines;
- Penalties for short-collection / non-collection of margin (NSCCL / ICCL framework) shall be promptly recovered from the relevant client per the Company's tariff and rights agreement.

5.4 Segregation of Client and Broker Funds and Securities

Per the SEBI framework and the SEBI Master Circular for Stock Brokers dated June 17, 2025:

- Client funds shall be maintained in designated client bank accounts ("Client Account"), separately identified from the Company's proprietary bank accounts;
- Client securities shall be held in designated client demat accounts (Client Margin / Pool accounts) and shall not be intermingled with proprietary securities;

- Daily and weekly upload of client funds and securities balances to the Stock Exchanges (per the prescribed framework), to enable automated reconciliation and Early Warning detection;
- No client funds or client securities shall be used for proprietary trading, for the benefit of any other client, or as collateral for the Company's borrowings, except as specifically permitted by SEBI / Stock Exchanges.

5.5 Settlement and Pay-In / Pay-Out

- Pay-in obligations to the Clearing Corporation shall be met from designated Settlement Bank Accounts within the timelines prescribed by the Exchange / CC;
- Client pay-outs (funds and securities) shall be credited to the respective client accounts as soon as practicable and in any event within the timelines prescribed by SEBI;
- Reconciliation between trade execution data, Exchange / CC obligation files, and client ledgers shall be performed daily;
- Settlement of Running Account shall be performed in accordance with the Company's Settlement of Running Account Policy (when adopted), per the timelines prescribed by SEBI.

6. Market Risk

- The Company shall monitor its proprietary market risk by mark-to-market valuation of positions at end of each trading day, and intra-day where positions are material;
- Position limits for proprietary trading shall be set by the Board and monitored by the Risk Officer;
- Stop-loss and target levels shall be defined for proprietary positions;
- Where the Company holds illiquid securities in proprietary or client accounts, liquidation risk shall be specifically assessed.

7. Credit and Counterparty Risk

- Counterparty risk in respect of clients shall be controlled by the margin collection framework in Section 5.3;
- Counterparty risk in respect of the Clearing Corporation is mitigated by the central counterparty structure (NSCCL / ICCL);
- Counterparty risk in respect of vendor banks (Client Account banks, Settlement Account banks) shall be controlled by selection of scheduled commercial banks of sound standing;

- Counterparty risk in respect of other intermediaries (Depository Participant, Custodian, RTA) shall be controlled by selection of well-rated, reputed parties.

8. Liquidity Risk

- The Company shall maintain net-worth at all times above the minimum prescribed by SEBI / Exchange / Clearing Corporation for the segments in which the Company is active;
- Liquidity buffers shall be maintained for: (a) meeting Exchange / CC margin and pay-in obligations; (b) honouring client pay-outs on time; (c) operational expenses;
- The Risk Officer shall report liquidity position to the Board at every Board meeting and immediately on any material adverse development.

9. Operational Risk

- Operational risk arising from process failures, system failures, human error or external events shall be identified, recorded and reported in the operational risk register maintained by the Risk Officer;
- Material operational incidents shall be inquired into and corrective actions implemented;
- Operational risk shall be reduced through: (a) documented standard operating procedures; (b) maker-checker controls; (c) periodic process review; (d) business continuity planning;
- The Internal Auditor shall include operational risk in the scope of internal audit.

10. Surveillance

10.1 Surveillance Obligations

Per the SEBI Master Circular on Surveillance of Securities Market dated September 23, 2024 and the Exchange surveillance circulars:

- The Company shall be vigilant in respect of trades placed by its clients and shall have systems to identify potentially abusive trading patterns;
- Particular attention shall be paid to: synchronised trades, circular trades, wash trades, pump-and-dump activity, marking the close, front-running, illiquid scrip trading concentrated in a small group of clients, mismatch between order patterns and the client's known profile;
- Alerts generated by the Exchange surveillance system shall be reviewed promptly by the Compliance Officer / Risk Officer;

- Alerts generated internally (Risk Management System, Order Management System) shall be similarly reviewed.

10.2 Disposition of Alerts

- Each alert shall be examined and the background documented in writing;
- Where an alert is closed as "benign" with explanation, the explanation shall be recorded;
- Where an alert indicates possible market abuse, the Compliance Officer shall: (a) request additional information from the client; (b) consider reporting the matter to the Exchange / SEBI; (c) consider whether the matter also constitutes a Suspicious Transaction Report under PMLA;
- All alert dispositions shall be retained for the periods required by the SEBI / Exchange framework.

10.3 Reporting to Exchanges

- Periodic reports to Exchanges in formats and timelines prescribed (including the Quarterly Compliance Report, Half-Yearly Internal Audit Report and other prescribed filings) shall be filed by the Compliance Officer / Risk Officer;
- Any material adverse event or apparent market abuse shall be intimated to the Exchange in the manner and within the timelines prescribed.

11. Cyber and Information Security Risk

Per the SEBI Cybersecurity and Cyber Resilience Framework (CSCRF) dated August 20, 2024 and the clarifications dated April 30, 2025:

- The Company shall maintain cyber-security controls in accordance with its categorisation under the CSCRF;
- Periodic VAPT (Vulnerability Assessment and Penetration Testing) shall be conducted at the frequency applicable to the Company's category;
- Cyber incidents shall be reported to SEBI / Exchanges within prescribed timelines;
- Detailed mobile-device controls are set out in the Mobile Phone Usage Policy (Version 1.0).

12. Business Continuity and Disaster Recovery

- The Company shall maintain a Business Continuity Plan with documented procedures for continuing operations during disruptions;

- Per the SEBI CSCRF, critical operations shall be capable of being resumed within Recovery Time Objective (RTO) and Recovery Point Objective (RPO) as specified for the Company's category;
- Periodic BCP testing shall be conducted and the results recorded.

13. Early Warning Mechanism

Per Chapter 17 of the SEBI Master Circular for Stock Brokers dated June 17, 2025:

- The Company shall co-operate with the Early Warning Mechanism established by Exchanges, Depositories and Clearing Corporations for detecting diversion of client securities at an early stage;
- The Company shall promptly respond to any Early Warning signal or query raised by an Exchange / Depository / CC;
- Internal Early Warning indicators (significant reduction in net worth, significant losses, delays in reporting, unusual movement in client funds / securities) shall be monitored by the Risk Officer.

14. Internal Risk Reporting

- Daily — Margin adequacy report, client exposure report, large-position report, alert report — to the Risk Officer;
- Weekly — Summary risk dashboard — to senior management;
- Monthly — Risk report covering all categories of risk, with key risk indicators — to the Board;
- Quarterly — Comprehensive risk review including review of risk limits, position limits, alert dispositions, regulatory observations — to the Board;
- Ad-hoc — Any material adverse event — to the Board immediately.

15. Cross-Policy References

- Insider Trading Code (Version 2.0) — market-abuse prohibition framework specific to insider trading;
- Employee Trading Restriction Policy (Version 2.0) — front-running prohibition and PAD framework;
- Conflicts of Interest Policy (Version 2.1) — broader conflicts framework;
- Mobile Phone Usage Policy (Version 1.0) — cyber-related controls for mobile devices;
- AML/PMLA Policy (Version 2.0) — STR framework and ongoing monitoring overlap;

- Internal Control Policy — broader internal control framework;
- Registers & Records Manual — record-keeping;
- Order Acceptance Policy and SORM Policy — operational overlap on surveillance.

16. Policy Review and Effective Date

- This Policy shall be reviewed at least once every financial year by the Risk Officer / Compliance Officer and placed before the Board for re-approval;
- Earlier review shall be triggered by any material amendment to SEBI / Exchange / CC frameworks or any inspection / audit observation;
- This Policy shall come into effect from the date of its approval by the Board of Directors.

Annexure A — Risk Limits Schedule (Board-Approved)

To be approved by the Board and reviewed at least annually. Risk Officer to maintain current version and notify all relevant Covered Persons.

S. No.	Risk Limit	Amount / Threshold	Effective Date
1.	Minimum Net Worth (segment-wise)		
2.	Maximum Single-Client Exposure		
3.	Maximum Single-Security Concentration (House)		
4.	Maximum Proprietary Open Position (segment-wise)		
5.	Intra-day vs Overnight Multiplier		
6.	Margin shortfall escalation threshold		
7.	Liquidity Buffer (minimum)		

Annexure B — Surveillance Alert Disposition Format

To be completed by the Compliance Officer / Risk Officer for every surveillance alert (Exchange or internal).

Alert ID / Date / Source	
Client(s) involved (Name / UCC / PAN)	
Security and segment	
Pattern flagged	
Inquiry steps taken	
Client explanation received	
Disposition (Closed-benign / Closed-action / Escalated to Exchange / SEBI / STR to FIU-IND)	
Reasons for disposition	
Date of disposition	
Signature of Compliance Officer / Risk Officer	

Annexure C — Monthly Risk Dashboard (Sample)

Submitted by Risk Officer to the Board at each Board meeting.

Key Risk Indicator	Status / Comments
Net Worth vs Minimum Requirement	
Aggregate Client Margin Adequacy	
Largest Client Exposure	
Proprietary Open Position (segment-wise)	
Margin Penalty Levied in the Month	
Surveillance Alerts Generated / Closed / Escalated	
STRs Filed in the Month	
Cyber Incidents	
Liquidity Position	
Material Adverse Events	

Board Approval

This Risk Management & Surveillance Policy (Version 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:

- Risk Officer designated by the Board: Bhumit Choudhary
- Compliance Officer: Mr. Rajkumar Pandey
- Risk Limits Schedule (Annexure A): to be approved by separate Board resolution
- Frequency of review: annual

For PAWAN PARMESHWAR CAPITAL PVT. LTD.

Director / Authorised Signatory

PAWAN PARMESHWAR CAPITAL PVT. LTD.
MUMBAI

Director / Authorised Signatory

Name: Pawankumar Choudhary

Designation: Director

Date: 16-10-2025

Place: Mumbai