PP Capital
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PAWAN PARMESHWAR CAPITAL PVT LTD
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Member: NSE Code: 00188 | **BSE Code: 0550**

INTERNAL CONTROL POLICY

(Internal Control Framework for the Operations of a SEBI-Registered Stock Broker)

Document Control

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

1. Preamble and Objective

This Internal Control Policy establishes the framework of controls within which Pawan Parmeshwar Capital Pvt Ltd (the "Company") conducts its business as a SEBI-registered stock broker. The objective is to provide reasonable assurance regarding: (i) the reliability of financial reporting; (ii) compliance with applicable laws, regulations, exchange bye-laws and internal policies; (iii) the safeguarding of client and Company assets; (iv) the prevention and detection of fraud and market abuse; and (v) the orderly and efficient conduct of the Company's operations.

This Policy reflects the Institutional Mechanism requirement under Chapter IVA (Regulations 18E to 18I) of the SEBI (Stock Brokers) Regulations, 1992 (inserted by Notification SEBI/LAD-NRO/GN/2024/186 dated June 27, 2024 in force June 28, 2024) and the SEBI Master Circular for Stock Brokers SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/90 dated June 17, 2025.

2. Scope and Applicability

- All operational functions of the Company, including dealing, settlement, back-office, KYC / onboarding, accounts, treasury, risk, compliance, IT and audit;

- All Covered Persons of the Company;
- Outsourced activities (subject to the Outsourcing Policy);
- All segments and all categories of clients.

3. Regulatory References

- SEBI (Stock Brokers) Regulations, 1992 — Schedule II Code of Conduct; Chapter IVA (Reg 18E to 18I) on Institutional Mechanism for prevention of fraud / market abuse;
- SEBI Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/96 dated July 4, 2024 — Institutional Mechanism implementing framework;
- SEBI Master Circular for Stock Brokers SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/90 dated June 17, 2025 — particularly the chapters on segregation of client funds / securities, real-time monitoring of margin, system audits, internal audit (half-yearly), Early Warning Mechanism, QSB framework, and reporting / supervisory framework;
- SEBI Master Circular on KYC dated October 12, 2023;
- SEBI Master Circular on Surveillance dated September 23, 2024;
- SEBI AML Master Circular SEBI/HO/MIRSD/MIRSDSECFATF/P/CIR/2024/78 dated June 6, 2024;
- SEBI Cybersecurity and Cyber Resilience Framework SEBI/HO/ITD/ITD_VAPT/P/CIR/2024/113 dated August 20, 2024 (as clarified on April 30, 2025);
- SEBI Outsourcing Circular CIR/MIRSD/24/2011 dated December 15, 2011;
- SEBI (Prohibition of Insider Trading) Regulations, 2015 — Regulation 9A (Internal Control System);
- Companies Act, 2013 — Section 134(5) and Section 143(3) on internal financial controls.

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

4. Governance and Three-Lines-of-Defence

The Company operates a three-lines-of-defence framework, scaled to the size of a boutique institutional broker:

- First Line — Business Operations: dealers, sales, operations, settlement, IT — they own and manage day-to-day risks within the limits set by the Board;
- Second Line — Risk and Compliance: Compliance Officer, Principal Officer (PMLA), Risk Officer — they set the framework, monitor adherence and report to the Board;

- Third Line — Internal Audit: Internal Auditor (independent of the first two lines) — provides assurance to the Board on the design and operating effectiveness of internal controls.

5. Client Onboarding and KYC Controls

- Account opening shall be performed strictly per the Company's KYC Policy and the SEBI KYC Master Circular dated October 12, 2023;
- KYC documents shall be verified through KRA / CKYCR / CERSAI and IPV (In-Person Verification) performed as required;
- AML / PMLA risk classification per the AML/PMLA Policy (Version 2.0) and PEP screening per the PEP Policy (Version 2.0) shall be completed before account activation;
- FATCA / CRS self-certification shall be obtained and verified per Rules 114F to 114H of the Income-tax Rules, 1962;
- UAPA and WMD Act sanctions screening shall be completed;
- The Compliance Officer / authorised maker shall make the proposal; the Principal Officer / authorised checker shall approve before activation.

6. Order Acceptance, Execution and Documentation

Per the Company's Order Acceptance Policy, the Mobile Phone Usage Policy (Version 1.0) and the SEBI framework on order documentation:

- Client orders shall be accepted only through approved channels — written / signed instruction, authenticated email, Recorded Line (SEBI Circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/108 dated September 26, 2017), or the Company's approved electronic order platform;
- Orders shall not be accepted via WhatsApp, Telegram or other Messaging Applications, mobile call on a Personal Device, or social media;
- Order modifications and cancellations shall be similarly documented;
- Trade logs and order audit trail shall be preserved for the SEBI-prescribed periods.

7. Client Funds and Securities — Segregation

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

- Client funds shall be held in designated Client Bank Accounts, properly tagged and reported to the Exchanges as required;
- Client securities shall be held in designated Client Pool / Margin demat accounts and shall not be intermingled with proprietary securities;

- No client funds or client securities shall be used for proprietary trading or for the benefit of any other client;
- Daily and weekly upload of client balances to Exchanges shall be performed as per the prescribed framework, enabling automated reconciliation and Early Warning detection;
- Daily reconciliation between bank account, demat account, Exchange / CC obligation files and client ledgers shall be performed by the back-office team; discrepancies shall be escalated to the Compliance Officer the same day.

8. Settlement and Payment Controls

- Pay-in to the Clearing Corporation shall be from designated Settlement Bank Accounts and shall be remitted within Exchange / CC timelines;
- Client pay-outs shall be credited to clients within the SEBI-prescribed timelines (T+1 / as applicable);
- Payment authorities shall be subject to maker-checker — initiator and authoriser shall be different persons;
- Payments above a defined threshold (to be set by the Board) shall require a second-level authoriser.

9. Segregation of Duties

- Dealing function shall be segregated from settlement / back-office function;
- KYC / onboarding shall be segregated from sales;
- Compliance and Risk shall be independent of dealing and sales;
- Internal Audit shall be independent of all of the above;
- Where the small size of the Company makes complete segregation impractical for some functions, compensating controls (additional review, log-based monitoring, periodic audit) shall be implemented and documented.

10. PIT Internal Control System (Regulation 9A)

Per Regulation 9A of the SEBI (Prohibition of Insider Trading) Regulations, 2015 and the Company's Insider Trading Code (Version 2.0):

- The Chief Executive Officer / Managing Director (or, where the Company does not have one, the senior-most director in charge of day-to-day operations) shall ensure adequate and effective internal controls to prevent insider trading;
- All employees with access to UPSI are identified as Designated Persons;

- UPSI is identified and confidentiality is maintained;
- Communication / procurement of UPSI is restricted;
- Confidentiality agreements / notices are signed / served on UPSI recipients;
- The Structured Digital Database is maintained per Regulation 3(5);
- Periodic process review is conducted;
- The Equivalent Body (Board of Directors, excluding the MD/CEO, where one exists) reviews compliance with the PIT Regulations at least once each financial year and verifies that internal controls are adequate and operating effectively, per Regulation 9A(3) and Schedule C Clause 1.

11. Institutional Mechanism for Prevention of Fraud / Market Abuse (Chapter IVA)

Per Chapter IVA (Regulations 18E to 18I) of the SEBI (Stock Brokers) Regulations, 1992 inserted by Notification SEBI/LAD-NRO/GN/2024/186 dated June 27, 2024, and the SEBI Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2024/96 dated July 4, 2024:

- Reg 18E — System for surveillance of trading activities and internal control: this Policy, read with the Risk Management & Surveillance Policy, establishes the system;
- Reg 18F — Surveillance and Internal Control Systems: appropriate systems are maintained;
- Reg 18G — Obligation to monitor employee trading: the Employee Trading Restriction Policy (Version 2.0) operationalises this;
- Reg 18H — Escalation of suspected fraud / market abuse: any suspected fraud or market abuse detected shall be escalated to the Board / Equivalent Body and to the Exchanges / SEBI as required;
- Reg 18I — Whistleblower mechanism: the Whistleblower channel set out in the Conflicts of Interest Policy (Version 2.1) is the protected channel for raising concerns.

12. Information Technology Controls

- All trading systems shall be subject to periodic system audit per the SEBI Master Circular for Stock Brokers dated June 17, 2025;
- Auditors shall be drawn from the empanelled list of the Stock Exchanges and rotated as prescribed;
- The audit scope shall cover the Order Management System (OMS), Risk Management System (RMS), AI use (if any), cyber security and cloud infrastructure;

- Cyber security controls per the SEBI CSCRF dated August 20, 2024 (as clarified on April 30, 2025) shall be implemented at the Company's applicable categorisation level;
- Disaster recovery and business continuity shall be maintained at the RTO / RPO applicable to the Company.

13. Books, Records and Reporting

Per Regulation 17 of the SEBI (Stock Brokers) Regulations, 1992 and the Companies Act, 2013:

- All books of account and records prescribed by SEBI shall be maintained for the prescribed periods (refer to the Company's Registers & Records Manual);
- Periodic reports to SEBI, Stock Exchanges, Clearing Corporations and Depositories shall be filed within prescribed timelines by the Compliance Officer;
- Annual Financial Statements shall be prepared and audited per the Companies Act, 2013.

14. Internal Audit

- Half-yearly internal audit shall be conducted by an independent qualified auditor (Chartered Accountant or Company Secretary in practice) per the SEBI framework for stock brokers;
- The audit scope shall include compliance with this Policy and all other policies of the Company, segregation of client funds / securities, settlement, KYC and AML, surveillance, PIT compliance, cyber security, books and records;
- Audit observations shall be placed before the Board for review and remediation;
- Status of remediation shall be tracked by the Compliance Officer and reported to the Board until closure.

15. Outsourcing

Activities outsourced by the Company shall be governed by the Company's Outsourcing Policy (separately adopted), which is based on the SEBI Circular CIR/MIRSD/24/2011 dated December 15, 2011. Core activities shall not be outsourced. Outsourced activities shall be subject to due diligence, contractual safeguards and ongoing monitoring; ultimate responsibility for the activity remains with the Company.

16. Reporting of Breaches

- Breaches of this Policy by Covered Persons shall be reported to the Compliance Officer;

- Material breaches shall be placed before the Board / Equivalent Body for action;
- Breaches that also constitute regulatory violations shall be reported to SEBI / Stock Exchanges as required;
- The Compliance Officer shall maintain a register of breaches under this Policy.

17. Cross-Policy References

- Insider Trading Code (Version 2.0) — PIT internal control framework;
- Employee Trading Restriction Policy (Version 2.0) — PAD framework;
- Conflicts of Interest Policy (Version 2.1) — broader conflicts framework and Whistleblower mechanism;
- Mobile Phone Usage Policy (Version 1.0) — mobile / messaging controls;
- AML/PMLA Policy (Version 2.0) and PEP Policy (Version 2.0);
- Risk Management and Surveillance Policy (Version 2.0);
- Outsourcing Policy;
- Order Acceptance Policy, SORM Policy, Unauthentic News Policy, Unexecuted Orders Policy, Pre-Funded Instrument Policy, Inactive / Dormant Accounts Policy;
- Registers & Records Manual.

18. Policy Review and Effective Date

- This Policy shall be reviewed at least once every financial year by the Compliance Officer and placed before the Board for re-approval;
- Earlier review shall be triggered by any material amendment to applicable 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 — Internal Control Map (Quick Reference)

Indicative mapping of key control areas to responsible Covered Persons. Owners and frequencies to be confirmed by the Compliance Officer.

Control Area	First-Line Owner	Second-Line Monitoring	Frequency
KYC and AML risk classification	KYC team	Principal Officer	Per onboarding + annual review
PEP screening	KYC team	Principal Officer	Per onboarding + quarterly re-screen
Order acceptance — recorded channel	Dealing desk	Compliance Officer	Continuous
Margin adequacy / Real-time monitoring	RMS / Operations	Risk Officer	Real-time / Daily
Client funds / securities segregation	Back-office	Compliance Officer	Daily / Weekly
Daily reconciliation	Back-office	Compliance Officer	Daily
SDD entry for UPSI	Research / Dealing	Compliance Officer	On every UPSI event
Surveillance alert disposition	-	Compliance / Risk Officer	Per alert
STR / CTR / NTR filing to FIU-IND	-	Principal Officer	Per prescribed timelines
Cyber controls per CSCRF	IT	Compliance Officer	Continuous + VAPT
Half-yearly Internal Audit	Internal Auditor	Board	Half-yearly
Annual PIT review by Equivalent Body	Compliance Officer	Board (ex MD/CEO)	Annual
Periodic regulatory filings	Compliance Officer	Board	As prescribed

Board Approval

This Internal Control 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:

- Compliance Officer: Mr. Rajkumar Pandey
- Internal Auditor: ______________________________ (Board to appoint by separate resolution; rotation per SEBI framework)
- Frequency of review: annual

For PAWAN PARMESHWAR CAPITAL PVT. LTD.

PK Choudhary

Director / Authorised Signatory

PAWAN PARMESHWAR CAPITAL PVT. LTD. MUMBAI

Director / Authorised Signatory

Name: Pawankumar Choudhary

Designation: Director

Date: 16-10-2025

Place: Mumbai