

## **Annexure –II**

### **NISM-Series-V-C: Mutual Fund Distributors (Level 2) Certification Examination**

#### **Test Objectives**

##### **Unit 1: Mutual Fund structures**

1.1 Know the structure and working of funds such as:

- 1.1.1 Fund of funds
- 1.1.2 Exchange Traded Funds
- 1.1.3 REMF and REIT
- 1.1.4 Venture Capital Funds
- 1.1.5 Angel Funds
- 1.1.6 Private Equity Funds
- 1.1.7 International funds

##### **Unit 2: Legal and Regulatory Environment of Mutual Funds**

- 2.1 Understand the investment norms for mutual funds
- 2.2 Know the regulatory framework for REMF and REIT
- 2.3 Explain SEBI norms for mutual funds' investment in derivatives
- 2.4 Describe SEBI norms with respect to change in controlling interest of an AMC
- 2.5 Discuss the process for making changes to the mutual fund's fundamental attributes, consolidation of schemes, etc.

##### **Unit 3: Fund Distribution and Sales Practices**

- 3.1 Understand the working of newer channels of MF distribution such as internet and mobile technologies
- 3.2 Understand mutual fund transactions through stock exchanges mechanism

##### **Unit 4: Investment and Risk Management**

- 4.1 Differentiate between Fundamental Analysis and Technical Analysis and understand how these are applied in investment management
- 4.2 Detail the basics of Quantitative Analysis in investment decision making
- 4.3 Understand key concepts pertaining to the management of debt investments
- 4.4 Understand and analyse the basics of managing exposure to markets through derivatives such as Forwards, Futures, Options and Swaps
- 4.5 Discuss how derivatives can be used for the purpose of portfolio rebalancing and replicating an index

## **Unit 5: Valuation of Schemes**

5.1 Understand and analyse how investments are valued in schemes

5.1.1 Equities

5.1.2 Debt

5.1.3 Gold

5.1.4 Real Estate

5.1.5 NPA Provisioning

## **Unit 6: Accounting**

6.1 Understand how the net asset value (NAV) of a scheme is calculated and the various accounting requirements that have a bearing on NAV

6.2 Discusses how unit-holder's transactions are accounted in the scheme

6.3 Know the concept of distributable reserves

6.5 Know the unique aspects of accounting related to real estate mutual fund schemes

## **Unit 7: Taxation**

7.1 Analyse the impact of various tax provisions on mutual funds and investors in mutual fund schemes

7.1.1 Dividend Distribution Tax

7.1.2 Taxability of dividends and capital gains

7.1.3 Securities Transactions Tax

7.1.4 Setting off gains and losses and carry forward of losses under Income Tax Act

7.1.5 Dividend stripping and Bonus stripping

## **Unit 8: Investor Services**

8.1 Describe the processes underlying investment in new fund offers, open end funds, closed end funds and ETFs

8.2 Briefly outline the concepts of nomination and pledge

## **Unit 9: Scheme Evaluation**

9.1 Calculate return on investment

9.1.1 Simple, annualized, compounded returns, CAGR and XIRR

9.1.2 Applicability of different returns to evaluate different types of funds

9.2 Understand risks in fund Investing: Standard Deviation and Beta

9.3 Understand Benchmarks and their role in scheme evaluation

9.4 Analyse the fund managers' performance using Sharpe Ratio, Sortino Ratio, Treynor Ratio, Jensen's Alpha, Appraisal Ratio, Eugene Fama and M2

9.5 Understand the limitations of quantitative evaluation

## **Unit 10: Asset Classes and Alternate Investment Products**

10.1 Know historical perspective on Returns and Risk in Equity, Debt and Gold

10.2 Discuss a few alternative investment products available to the investors such as:

10.2.1 Capital protection oriented schemes

10.2.2 Structured products and equity linked debentures

10.3 Know basic details about portfolio management services and hedge funds

## **Unit 11: Cases in Financial Planning**

11.1 Discuss practical aspects of financial planning including risk profiling, cashflow planning, asset allocation, suggesting investment products and mutual fund schemes to investors and helping investors build their portfolio

## **Unit 12: Ethics and Investor Protection**

12.1 Discuss various forms of mis-selling of mutual funds and Systemic safeguards for their prevention

12.2 Know the safeguards provided by the structure of mutual funds

12.3 Know the steps taken by the regulator to protect mutual fund investors against frauds