

Annexure -II

Test Objectives for NISM-Series-X-A: Investment Adviser (Level 1) Certification Examination

Chapter 1: Introduction to Indian Financial Market

- 1.1. Discuss the macro-economic parameters of Indian Economy
- 1.2. Understand the Indian Financial Markets
 - 1.2.1. Know the key features of Indian Financial Markets
- 1.3. Describe the structure of Indian Financial Markets
 - 1.3.1. Banking System
 - 1.3.2. Securities Market
 - 1.3.3. Commodities Market
 - 1.3.4. Foreign Exchange Market
 - 1.3.5. Insurance Market
 - 1.3.6. Pension Market
- 1.4. Understand the role of the participants in the Indian Financial Markets
 - 1.4.1. Stock Exchanges
 - 1.4.2. Depositories and Depository Participants
 - 1.4.3. Custodians
 - 1.4.4. Stock Brokers and Sub-brokers
 - 1.4.5. Investment Banks
 - 1.4.6. Commercial Banks
 - 1.4.7. Insurance Companies
 - 1.4.8. Pension Funds
 - 1.4.9. Fund Managers (AMCs & Portfolio Managers)
 - 1.4.10. Investment Advisers
- 1.5. Know the role of various Regulators regulating Indian Financial Markets (In brief)
 - 1.5.1. Ministry of Finance
 - 1.5.2. Ministry of Corporate affairs
 - 1.5.3. Registrar of Companies
 - 1.5.4. Reserve Bank of India
 - 1.5.5. Securities and Exchange Board of India
 - 1.5.6. Insurance Regulatory and Development Authority
 - 1.5.7. Pension Fund Regulatory and Development Authority
 - 1.5.8. Forward Markets Commission

Chapter 2: Securities Market Segments

- 2.1. Describe the nature, functions and types of issues in Primary Markets
 - 2.1.1. Describe the functions of the Primary Markets
 - 2.1.2. Discuss the various types of Issues (Public Issue, Private Placement, Preferential Issue, QIP, Rights and Bonus Issue)

- 2.1.3. List the categories of Issuers in the Primary Markets
- 2.1.4. List the types of Investors in primary market issues
- 2.1.5. Discuss the various types of Public Issues of Equity Shares in India (IPO, FPO, OFS, SME Issues)
- 2.1.6. Know the Pricing process of Public Issues of shares
- 2.1.7. Know the regulatory norms of public issue of shares
- 2.1.8. Know the process of applying to a public issue
- 2.1.9. Discuss the Public Issue of Debt Securities in India
- 2.1.10. Describe Private Placement in Equity and Debt
- 2.2. Describe the role and function of Secondary Markets
 - 2.2.1. List the functions of Secondary Markets
 - 2.2.2. Describe the market structure and various participants in Secondary Markets
 - 2.2.3. Understand Market Information (Market Size, Reading Market Prices and Disclosures)
 - 2.2.4. Understanding the Risk Management Systems for secondary markets
- 2.3. Discuss the types of various Corporate Actions
 - 2.3.1. Rights Issue
 - 2.3.2. Bonus Issue
 - 2.3.3. Dividend
 - 2.3.4. Stock Split
 - 2.3.5. Share Buy-back
 - 2.3.6. Delisting of Shares
 - 2.3.7. Mergers & Acquisitions

Chapter 3: Mutual Funds

9 marks

- 3.1. Describe the meaning and features of a mutual fund
- 3.2. Describe key terms and concepts associated with mutual funds
 - 3.2.1. Investment Objectives
 - 3.2.2. Units
 - 3.2.3. Net Assets
 - 3.2.4. Net Asset Value
 - 3.2.5. Mark to Market
 - 3.2.6. Open-ended and Close-end Schemes
 - 3.2.7. Interval Funds
- 3.3. Know the regulatory framework for mutual funds
 - 3.3.1. Investor Service Standards
- 3.4. Define and describe the various types of mutual fund products
 - 3.4.1. Equity funds
 - 3.4.2. Debt funds
 - 3.4.3. Hybrid funds
 - 3.4.4. Other types of funds

- 3.5. Discuss the taxation of Mutual Fund Products
 - 3.5.1. Tax on Dividend
 - 3.5.2. Tax on Capital Gains
- 3.6. Discuss the investment options in mutual funds
- 3.7. Describe the processes associated with investing in mutual funds
 - 3.7.1. Permanent Account Number
 - 3.7.2. Know Your Customer
 - 3.7.3. In Person Verification
 - 3.7.4. Fresh Purchases: NFO and Continuous offer
 - 3.7.5. Additional Purchase
 - 3.7.6. Minimum Investment Options
 - 3.7.7. Payment Instrument for Mutual Fund Purchases
 - 3.7.8. Investment Modes
 - 3.7.9. Redemptions
 - 3.7.10. Maintenance of Investor Polio - Non-financial transactions
 - 3.7.11. Personal Information
 - 3.7.12. Joint Holding
 - 3.7.13. Bank Account
 - 3.7.14. Nomination
 - 3.7.15. Change in Investment of Minors
 - 3.7.16. Power of Attorney
 - 3.7.17. Transmission
 - 3.7.18. Statement of accounts
- 3.8. Understand how systematic transactions are conducted and their uses
 - 3.8.1. Systematic Investment Plan
 - 3.8.2. Systematic Withdrawal Plan
 - 3.8.3. Systematic Transfer Plan
 - 3.8.4. Switches
- 3.9. List the benefits of investing with mutual funds

Chapter 4: Investment Products

12 marks

- 4.1. List and describe the various types of small savings instruments
 - 4.1.1. Public Provident Fund
 - 4.1.2. National Saving Certificate
 - 4.1.3. Senior Citizen Saving Scheme
 - 4.1.4. Post Office Schemes and Deposits
- 4.2 List and describe the various types of fixed income / debt instruments
 - 4.4.1. Benefits and risks of investing in equity shares
 - 4.4.2. Know the various market indicators
 - 4.4.3. Define and describe fundamental analysis and E1C framework

- 4.4.4. Understand the key valuation measures PE, PBV and dividend yield
- 4.4.5. Know the basics of technical analysis
- 4.3 Define and describe the various types of alternate investments
 - 4.3.1. Derivatives and Structured Products
 - 4.3.2. Real estate
 - 4.3.3. Gold
 - 4.3.4. Commodities
 - 4.3.5. Private Equity and Venture Capital
 - 4.3.6. International Investments
 - 4.3.7. Art and collectibles
- 4.4 Direct equity as an investment option
 - 4.4.1. Benefits and risks of investing in equity shares
 - 4.4.2. Know the various market indicators
 - 4.4.3. Define and describe fundamental analysis and EIC framework
 - 4.4.4. Understand the key valuation measures – PE, PBV and dividend yield
 - 4.4.5. Know the basic of technical analysis

Chapter 5: Managing Investment Risk

7 marks

- 5.1. Define Risk
- 5.2. Know the Common Types of Risk
 - 5.2.1. Inflation risk
 - 5.2.2. Default risk
 - 5.2.3. Liquidity risk
 - 5.2.4. Reinvestment risk
 - 5.2.5. Business risk
 - 5.2.6. Exchange rate risk
 - 5.2.7. Interest rate risk
 - 5.2.8. Market Risk
 - 5.2.9. Systematic and Unsystematic risk
- 5.3. Understand how to measure risk
 - 5.3.1. Computing Standard Deviation and Variance

Chapter 6: Measuring Investment Returns

7 marks

- 6.1. Understanding the concept of return
- 6.2. Define and understand how to apply the following return concepts:
 - 6.2.1. Absolute Return
 - 6.2.2. Annualized Returns
 - 6.2.3. Total Returns
- 6.3. Understand and apply the concept of compounding
 - 6.3.1. Compound Return

- 6.3.2. Time Value of Money
- 6.3.3. Annuities
- 6.3.4. Compounded Annual Growth Rate
- 6.3.5. Internal Rate of Return
- 6.3.6. Net Present Value
- 6.3.7. Holding Period Return
- 6.4. Compute Real rate of return vs. nominal return
- 6.5. Compute Tax adjusted return
- 6.6. Compute Risk-adjusted Returns

Chapter 7: Concept of Financial Planning

4 marks

- 7.1. Understand what constitutes financial planning
- 7.2. Know the need for financial advisory services
- 7.3. Understand the scope of financial advisory services
- 7.4. Understand the business model for the delivery of financial advice to client
- 7.5. Understand assets, liabilities and net worth
- 7.6. Understand the preparation of budget
- 7.7. Describe the financial planning delivery process
 - 7.7.1. Define the Client-Planner Relationship
 - 7.7.2. Understand the client's financial situation
 - 7.7.3. Identifying the client needs and financial goals
 - 7.7.4. Understand the factors that determine the individual's investment risk profile
 - 7.7.5. Know how to align investment strategy and products to client's situation
 - 7.7.6. Understand the importance of monitoring & reviewing periodically

Chapter 8: Asset Allocation and Investment Strategies

5 marks

- 8.1. Asset classes
 - 8.1.1. Define the term 'asset class'
 - 8.1.2. List the various types of asset classes and describe them in terms of their risk and return
 - 8.1.3. Define the term 'asset allocation'
- 8.2. Portfolio construction
 - 8.2.1. Discuss how asset allocation is linked to financial goals
 - 8.2.2. Discuss how asset allocation may be carried out based on life cycle stages
 - 8.2.3. Understand how portfolio objectives and constraints are used to decide asset Allocation
- 8.3. Practical asset allocation and Rebalancing Strategies
 - 8.3.1. Describe and illustrate Strategic asset allocation
 - 8.3.2. Describe and illustrate Tactical asset allocation
 - 8.3.3. Describe and illustrate Dynamic asset allocation

8.3.4. Describe how model portfolios are constructed using asset class features, investor objectives and constraints.

8.4. Explain the need for portfolio monitoring and re-balancing

Chapter 9: insurance Planning

10 marks

9.1. Understand the need for insurance in personal finance

9.2. List the requirements for a risk to be insurable

9.3. Understand the role of insurance in personal finance.

9.4. Discuss the various steps involved in Insurance Planning

9.5. Discuss the types of Insurance Products

9.6. Discuss about the Life Insurance Products

9.6.1. Discuss the elements of Life Insurance Products

9.6.2. Discuss about the types of Life Insurance Products

9.6.3. Discuss about the Variable Insurance Products

9.6.4. Discuss about the Unit Linked Insurance Products

9.7. Discuss about the Non-Life Insurance Products

9.7.1. Discuss the elements of Non-Life Insurance Products

9.7.2. Discuss about the types of Non-Life Insurance Products

9.8. Explain life insurance needs analysis (Human life approach, Needs approach)

9.8.1. Discuss the Income Replacement Method

9.8.2. Discuss about the Need based approach

Chapter 10: Retirement Planning

10 marks

10.1. Understand the retirement planning process

10.2. Understand and estimate retirement corpus

10.2.1. Income replacement method

10.2.2. Expense protection method

10.3. Determining the retirement corpus

10.4. Describe retirement products and their features

10.4.1. Mandatory retirement schemes (PF, gratuity)

10.4.2. Voluntary retirement schemes (NPS, PPF, Pension plans of mutual funds and insurance companies)

10.4.3. Other avenues for creation of retirement corpus (Annuities, MIS, MIP, SCSS, reverse mortgage)

Chapter 11: Tax and Estate Planning

10 marks

11.1. Understand Income tax principles

11.1.1. Heads of income

11.1.2. Exemptions and deductions

11.1.3. Types of assesses — resident, non-resident and HUF

- 11.1.4. Rates of taxation
- 11.1.5. Obligations for filing and reporting under the Income tax act
- 11.2. Understand Tax aspects of Investment products
 - 11.2.1. Types of tax benefits
 - 11.2.2. Taxation of dividends
 - 11.2.3. Taxation of interest income
 - 11.2.4. Taxation of capital gains, Indexation
 - 11.2.5. Set off and carry forward of losses
- 11.3. Discuss Wealth Tax Act and its implication for clients
- 11.4. Describe Estate Planning
 - 11.4.1. What constitutes estate?
 - 11.4.2. Consequences of dying intestate (Basic legal framework)
 - 11.4.3. Elements of Estate Planning
 - 11.4.4. Tools for estate planning - before death, after death
 - 11.4.5. Wills (Parties, probate, registration)
 - 11.4.6. Gifts, Joint Holding and Nomination
 - 11.4.7. Family Settlement and Trusts
 - 11.4.8. Powers of attorney, mutation

Chapter 12: Regulatory Environment and Ethical Issues

8 marks

- 12.1. Describe the provisions of the SEBI (Investment Advisers) Regulations, 2013
 - 12.1.1. Definition and requirement to register
 - 12.1.2. Exemptions
 - 12.1.3. Qualification and Certification requirements, Capital adequacy
 - 12.1.4. Obligations and responsibilities of investment advisers
 - 12.1.5. Code of Conduct for Investment Adviser
- 12.2. Describe overall framework of the regulatory system
- 12.3. Explain roles of regulators in detail: MoF, MCA, SEBI, RBI, IRDA, PFRDA
- 12.4. Discuss the role of Self regulatory organizations
- 12.5. Discuss the provisions of PMLA, 2002
- 12.6. Detail codes of conduct by SEBI, AMFI, etc
- 12.7. Discuss ethical issues in providing financial advice
- 12.8. Describe investor complaint redressal mechanism