

Annexure II

NISM – Series - X – A – Investment Adviser (Level 1) Certification Examination

Test Objectives

Unit 1: Introduction to Indian Financial Market

- 1.1. Understand the overview of Indian Economy
- 1.2. Understand the Indian Financial Markets
 - 1.2. Key features of Indian Financial Markets
- 1.3. Describe the structure of Financial Markets in India
 - 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. Securities 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. Asset Management Company and & Portfolio Managers
 - 1.4.10. Investment Advisors and distributors
- 1.5. Understand the role of Regulators of Financial Markets
 - 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 of India
 - 1.5.7. Pension Fund Regulatory and Development Authority
 - 1.5.8. Self-Regulatory Organizations (SRO)

Unit 2: Securities Market Segments

- 2.1. Understand the nature and definition of Primary Markets
 - 2.1.1. Functions of the Primary Markets
 - 2.1.2. Various Types of Issues
 - 2.1.3. Categories of Issuers
 - 2.1.4. Types of Investors
 - 2.1.5. Various types of Public Issues of Equity Shares
 - 2.1.6. Pricing process of Public Issues of shares
 - 2.1.7. Regulatory Norms of Public Issue of Shares
 - 2.1.8. Process of Applying to a Public Issue
 - 2.1.9. Public Issue of Debt Securities
 - 2.1.10. Private Placements in Equity and Debt
- 2.2. Describe the role and function of Secondary Markets
 - 2.2.1. Functions of Secondary Markets
 - 2.2.2. Market Structure and Participants
 - 2.2.3. Market Information
 - 2.2.4. Risk Management Systems in the secondary markets
- 2.3. Discuss about the 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

Unit 3: Mutual Funds

- 3.1. Understand the meaning and different features of Mutual Funds
- 3.2. Describe the Concepts and Terms Related to 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. Understand the Regulatory Framework of Mutual Funds
 - 3.3.1. Investor Service Standards

- 3.4. Explain the Mutual Fund Products
 - 3.4.1. Equity funds
 - 3.4.2. Debt funds
 - 3.4.3. Hybrid funds
 - 3.4.4. Solution Oriented Schemes
 - 3.4.5. Other Types of Funds
- 3.5. Know about the Taxation of Mutual Fund Products
- 3.6. Discuss Mutual Funds Investment Options
- 3.7. Explain 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 of Mutual Fund units
 - 3.7.5. Additional Purchase in a Mutual fund
 - 3.7.6. Minimum Investment Amount
 - 3.7.7. Payment Instrument for Mutual Fund Purchases
 - 3.7.8. Investment Modes
 - 3.7.9. Redemptions from a Mutual Fund
 - 3.7.10. Maintenance of Investor Folio - 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. Investment by Minors
 - 3.7.16. Power of Attorney
 - 3.7.17. Transmission
 - 3.7.18. Statement of accounts
- 3.8. Understand about Systematic Transactions
 - 3.8.1. Systematic Investment Plan
 - 3.8.2. Systematic Withdrawal Plan
 - 3.8.3. Systematic Transfer Plan
 - 3.8.4. Switch
- 3.9. Explain the benefits of Investing in Mutual Funds

Unit 4: Investment Products

- 4.1. Explain about the concept of Equity
 - 4.1.1. Direct Investment
 - 4.1.2. Portfolio Management Services

- 4.1.3. Equity Mutual Funds
- 4.2. Explain about Fixed Income Instruments
 - 4.2.1. Government Securities
 - 4.2.2. Sovereign Gold Bond Scheme, 2015
 - 4.2.3. Inflation Index Bonds
 - 4.2.4. Small savings instruments
 - 4.2.5. Corporate Bonds
 - 4.2.6. Infrastructure Bonds
 - 4.2.7. Bank Deposits
- 4.3. Define and describe different Alternate Investments
 - 4.3.1. Derivatives and Structured Products
 - 4.3.2. Real estate/Infrastructure Investments
 - 4.3.3. Gold
 - 4.3.4. Commodities
 - 4.3.5. SEBI (Alternative Investment Funds) Regulations, 2012
 - 4.3.6. International Investments
 - 4.3.7. Art and Collectibles

Unit 5: Managing Investment Risk

- 5.1. Define Risk
- 5.2. Understand 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. Standard Deviation and Variance
 - 5.3.2. Beta
 - 5.3.3. Covariance and Correlation

Unit 6: Measuring Investment Returns

- 6.1. Understand the Concept of Return
- 6.2. Define and understand the different Return Concepts

- 6.2.1. Absolute Return
- 6.2.2. Annualized Returns
- 6.2.3. Total Returns
- 6.3. Understand 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 Rate of Return
- 6.5. Compute Tax adjusted return
- 6.6. Compute Risk-adjusted Returns
 - 6.6.1. Sharpe Ratio
 - 6.6.2. Sortino Ratio
 - 6.6.3. Treynor Ratio
 - 6.6.4. Alpha

Unit 7: Concept of Financial Planning

- 7.1. Understand the Concept of Financial Planning
- 7.2. Understand the need for Financial Advisory Services
- 7.3. Understand the Scope of Financial Planning Services
 - 7.3.1 Personal financial analysis
 - 7.3.2 Debt counselling
 - 7.3.3 Insurance Planning
 - 7.3.4 Investment Planning and asset allocation
 - 7.3.5 Tax planning
 - 7.3.6 Retirement Planning
 - 7.3.7 Estate Planning
- 7.4. Understand the Financial Advisory and Execution
- 7.5. Understand the Concept of Assets, Liabilities and Net worth
- 7.6. Know about Preparation of Budget
- 7.7. Describe the Financial Planning Delivery Process
 - 7.7.1. Client-Planner Relationship
 - 7.7.2. Client's Financial Situation
 - 7.7.3. Client Needs and Financial Goals
 - 7.7.4. Concept of Risk Profiling
 - 7.7.5. Portfolio Construction

7.7.6. Reviewing & Rebalancing

Unit 8: Asset Allocation and Investment Strategies

- 8.1. Understand different Asset Classes
 - 8.1.1. Definition of Asset Class
 - 8.1.2. Board asset classes
 - 8.1.3. Asset allocation
- 8.2. Explain about Portfolio construction
 - 8.2.1. Asset Allocation linked to Financial Goals
 - 8.2.2. Asset Allocation linked to Life Cycle Stages
 - 8.2.3. Portfolio Objectives and Constraints
- 8.3. Explain Practical Asset Allocation and Rebalancing Strategies
 - 8.3.1. Strategic Asset Allocation
 - 8.3.2. Tactical Asset Allocation
 - 8.3.3. Dynamic Asset Allocation
 - 8.3.4. Concept of Model Portfolios
- 8.4. Explain the Need for Portfolio Monitoring and Re-balancing

Unit 9: Insurance Planning

- 9.1. Understand the Need for Insurance
- 9.2. Understand the requirements of an Insurable Risk
- 9.3. Understand the Role of Insurance in Personal Finance
- 9.4. Explain the various Steps Involved in Insurance Planning
- 9.5. Know about the Insurance Products
- 9.6. Discuss about the Life Insurance Products
 - 9.6.1. Elements of Life Insurance Products
 - 9.6.2. Types of Life Insurance Products
 - 9.6.3. Variable Insurance Products
 - 9.6.4. Unit Linked Insurance Products
- 9.7. Understand the concept of Non-Life Insurance
 - 9.7.1. 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
 - 9.8.1. Income Replacement Method
 - 9.8.2. Need based approach

Unit 10: Retirement Planning

- 10.1. Understand Retirement Planning Process
- 10.2. Learn to Estimate Retirement Corpus
 - 10.2.1. Income replacement method
 - 10.2.2. Expense Protection Method
- 10.3. Understand the process of determining Retirement Corpus
- 10.4. Explain Retirement Products
 - 10.4.1. Mandatory Retirement Benefit Schemes
 - 10.4.2. Voluntary Retirement Schemes
 - 10.4.3. Drawing on the Corpus: Investment Products for the Distribution Stage

Unit 11: Tax and Estate Planning

- 11.1. Understand Income Tax Principles
 - 11.1.1. Heads of income
 - 11.1.2. Types of assesses – resident, non-resident and HUF
 - 11.1.3. Types of Benefits
 - 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. Taxation of Dividends
 - 11.2.2. Taxation of Interest Income
 - 11.2.3. Taxation of Capital Gains
 - 11.2.4. Set off and Carry Forward of Losses
 - 11.2.5. Securities Transaction Tax
- 11.3. Explain Estate Planning
 - 11.3.1. What constitutes estate?
 - 11.3.2. Consequences of dying intestate
 - 11.3.3. Elements of Estate Planning
 - 11.3.4. Tools for estate planning - before death and after death
 - 11.3.5. Concept of Wills
 - 11.3.6. Concept of Gifts, Joint Holding and Nomination
 - 11.3.7. Family Settlement and Trusts
 - 11.3.8. Powers of Attorney and Mutation

Unit 12: Regulatory Environment and Ethical Issues

- 12.1. Understand different provisions under SEBI (Investment Advisers) Regulation, 2013
 - 12.1.1. Definition and Requirement to Register
 - 12.1.2. Exemption from Registration

- 12.1.3. Qualification & Certification Requirements and Capital Requirement
- 12.1.4. Obligations and Responsibilities of Investment Advisers
- 12.1.5. Code of Conduct for Investment Adviser
- 12.2. Discuss important aspects of Prevention of Money Laundering Act, 2002
- 12.3. Explain the SEBI Guidelines on Anti - Money Laundering
- 12.4. Understand the code of conduct and Ethics provided under SEBI Intermediaries Regulations, 2008
- 12.5. Discuss Ethical Issues in Providing Financial Advice