

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

Chapter 1: Introduction to Indian Financial Market

8 marks

- 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 DPs
 - 1.4.3. Custodians
 - 1.4.4. Stock 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 (MFs & Portfolio Managers)
 - 1.4.10. Financial Advisors
- 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. RBI
 - 1.5.5. SEBI
 - 1.5.6. IRDA
 - 1.5.7. PFRDA
 - 1.5.8. FMC

Chapter 2: Securities Market Segments

10 marks

- 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. List the categories of Issuers in the Primary Markets
- 2.1.3. Discuss the various types of Public Issues of Shares in India(IPO, FPO, OFS, SME Issues)
- 2.1.4. Discuss the Public Issue of Debt Securities in India
- 2.1.5. Know the Pricing process of Public Issues in India
- 2.1.6. Describe Private Placement in Equity and Debt
- 2.2. Describe the role 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
 - 2.3.3. Split
 - 2.3.4. Dividend
 - 2.3.5. Buy-back
 - 2.3.6. Delisting
 - 2.3.7. Mergers & Acquisitions

Chapter 3: Mutual Funds

9 marks

- 3.1. Describe the meaning and description of a mutual fund
 - 3.1.1. Basic features of a mutual fund
 - 3.1.2. Features of mutual fund products
- 3.2. Describe key terms and concepts associated with mutual funds
- 3.3. Understand how a mutual fund works
- 3.4. Know the regulatory framework for mutual funds
 - 3.4.1. Features of Mutual Fund Regulation
 - 3.4.2. Investor Service Standards
- 3.5. Define and describe the various types of mutual fund products
 - 3.5.1. Equity funds
 - 3.5.2. Debt funds
 - 3.5.3. Hybrid funds
 - 3.5.4. Other types of funds
- 3.6. Describe the processes associated with investing in mutual funds
 - 3.6.1. PAN and KYC process
 - 3.6.2. Purchases: NFO and Continuous offer
 - 3.6.3. Redemptions
 - 3.6.4. Non-financial transactions

- 3.6.5. Statement of accounts and demat form
- 3.7. Understand how systematic transactions are conducted and their uses
 - 3.7.1. Systematic Investment Plan
 - 3.7.2. Systematic Withdrawal Plan
 - 3.7.3. Systematic Transfer Plan
 - 3.7.4. Switches
- 3.8. List the costs and 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. Post Office Schemes and Deposits
 - 4.1.2. Recurring Deposits
 - 4.1.3. National Saving Certificate
 - 4.1.4. Senior Citizen Saving Scheme
 - 4.1.5. Public Provident Fund
- 4.2. List and describe the various types of fixed income / debt instruments
 - 4.2.1. Government Securities
 - 4.2.2. Corporate Bonds
 - 4.2.3. Infrastructure Bonds
 - 4.2.4. Bank Deposits
 - 4.2.5. Inflation Index Bonds
- 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. Art and collectibles
 - 4.3.7. International Investments
- 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 basics 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. Systematic and Unsystematic risk

- 5.2.2. Default risk
- 5.2.3. Business risk
- 5.2.4. Exchange rate risk
- 5.2.5. Inflation risk
- 5.2.6. Liquidity risk
- 5.2.7. Reinvestment risk
- 5.2.8. Interest rate 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. Time Value of Money
 - 6.3.2. Holding Period Return
 - 6.3.3. Compound Return
 - 6.3.4. CAGR, NPV and IRR
 - 6.3.5. Annuities
- 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 the preparation of budget
- 7.6. Understand assets, liabilities and calculation of net worth
- 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. Explain the concept of Principal of benefit and Principal of Indemnity
- 9.4. Understand the role of insurance in personal finance.
- 9.5. Discuss the various steps involved in Insurance Planning.
- 9.6. Discuss the elements, features and types of Life Insurance Products.
- 9.7. Differentiate between traditional and unit-linked policies
- 9.8. Discuss the elements, features and types of Non-Life Insurance Products.
- 9.9. Explain life insurance needs analysis (Human life approach, Needs approach)

Chapter 10: Retirement Planning

10 marks

- 10.1. Understand the retirement planning process
- 10.2. Understand and compute retirement financial needs
 - 10.2.1. Income replacement method.
 - 10.2.2. Expense protection method.
- 10.3. Understand financial planning elements of retirement
 - 10.3.1. Funding retirement
 - 10.3.2. Reviewing progress
 - 10.3.3. Dealing with underfunding
 - 10.3.4. Drawing on 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 tax

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 dividend income

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. Nomination, Joint ownership and Gifts

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

12.1.4.1. General obligations

12.1.4.2. Risk profiling

12.1.4.3. Suitability

- 12.1.4.4. Disclosures
- 12.1.4.5. Record maintenance
- 12.1.4.6. Segregation of execution services
- 12.1.4.7. Other responsibilities
- 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: SEBI, RBI, IRDA, PFRDA
- 12.4. Discuss the role of Self regulatory organizations
- 12.5. Detail codes of conduct by SEBI, AMFI, etc
- 12.6. Discuss ethical issues in providing financial advice
- 12.7. Describe investor complaint redressal mechanism