

# NiSM

National Institute of Securities Markets

# Annual Report 2009-2010

**NATIONAL INSTITUTE OF SECURITIES MARKETS**  
(An Educational Initiative of SEBI)

NiSM

NISM  
BHAVAN

NiSM  
National Institute of Securities Markets

National Institute of Securities Markets  
Annual Report 2009-2010





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# preface

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National Institute of Securities Markets (NISM) has been established by the Securities and Exchange Board of India. It is a public trust registered under the Bombay Public Trusts Act, 1950. It is governed by its Memorandum of Association and Rules & Regulations.

The primary objective of NISM is to design and implement educational initiatives towards capacity building in the area of securities markets. NISM hopes to enhance the quality of Indian securities markets through its knowledge interventions.

During the year 2009-2010, NISM increased the level of its activities in its various schools. The School for Investor Education and Financial Literacy (SIEFL) took up initiatives in investor outreach programmes, financial literacy in schools and a dedicated website for investor education. The School for Regulatory Studies and Supervision (SRSS) delivered executive education programmes and organized roundtables/workshops/conferences for regulatory staff, trustees of mutual funds and market participants. In addition, SRSS prepared policy research documents.

The School for Corporate Governance (SCG) has delivered workshops for media persons, Directors Toolkit Programmes for trainers in corporate governance workshops, and Directors Colloquia. The School for Certification of Intermediaries (SCI) has launched a number of certification examinations.

The School for Securities Education (SSE) has commenced its “Certificate in Financial Engineering and Risk Management (CFERM)” programme with effect from August, 2009. This is a six-month part-time programme for working executives to be offered twice a year. Steps have been taken to launch the “Certified Securities Markets Professional (CSMP)” programme from June 2010.

The School for Securities Information and Research (SSIR) has made progress in establishing the Network of Securities Markets Data (NSMD), a project to help researchers in obtaining clean data for taking up studies on securities markets. SSIR offered a number of workshops for researchers and also undertook several activities to promote research in securities markets.

# NiSM Annual Report 2009-2010

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# NISM The Organization

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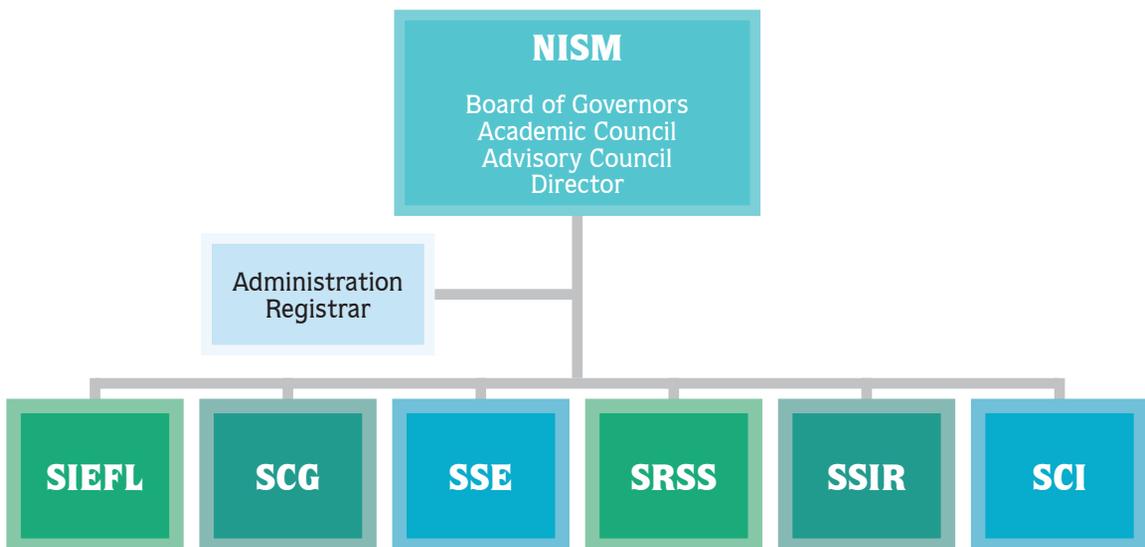
## Structure of NISM

To effectively plan and implement its activities, NISM has viewed the securities markets in terms of the following constituencies of the securities markets:

- (i) **Investors**
- (ii) **Issuers**
- (iii) **Intermediaries**
- (iv) **Regulators**
- (v) **Key constituencies that shape developments in securities markets**

The knowledge requirement for each constituency is distinct. To serve the needs of these differentiated constituencies, six separate divisions (called Schools) have been established in NISM. These six schools are as follows:

- (i) **School for Investor Education and Financial Literacy (SIEFL)**
- (ii) **School for Corporate Governance (SCG)**
- (iii) **School for Securities Education (SSE)**
- (iv) **School for Regulatory Studies and Supervision (SRSS)**
- (v) **School for Securities Information and Research (SSIR)**
- (vi) **School for Certification of Intermediaries (SCI)**



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NISM has organized its activities on the basis of customer segments into six schools. Line activities have been categorized into projects. Within each school, there are a number of individual projects. Similar projects have been placed under one group. At present, there are in all 21 projects. These are located into each school as follows:

**1 School for Investor Education and Financial Literacy (SIEFL)**

- 1.1 Investor education through web-based delivery (SIEFL/2008/1)
- 1.2 Investor education through outreach programmes (SIEFL/2008/3)
- 1.3 Financial literacy programmes through schools (SIEFL/2008/4)

**2 School for Corporate Governance (SCG)**

- 2.1 Workshops for media persons (SCG/2008/1)
- 2.2 Directors Toolkit workshops (SCG/2008/2)
- 2.3 Directors' Colloquium (SCG/2010/3)

**3 School for Securities Education (SSE)**

- 3.1 Certificate in Financial Engineering and Risk Management Programme (SSE/2008/1)
- 3.2 Certified Securities Markets Professionals Programme (SSE/2008/2)
- 3.3 Certificate in Securities Law (SSE/2008/3)

**4 School for Regulatory Studies and Supervision (SRSS)**

- 4.1 Executive education for officers of SEBI and market participants (SRSS/2008/1)
- 4.2 Executive education for key market participants, etc. (SRSS/2008/2)
- 4.3 Securities market simulator (SRSS/2008/5)
- 4.4 Round table conference, etc. (SRSS/2008/7)

**5 School for Securities Information and Research (SSIR)**

- 5.1 Network for Securities Markets Data (SSIR/2008/1)
- 5.2 Conference on Security Markets (SSIR/2008/2)
- 5.3 Research projects (SSIR/2009/1)
- 5.4 Research Workshops for University Teachers (SSIR/2009/2)

**6 School for Certification of Intermediaries (SCI)**

- 6.1 Development and administration of mandated certificate examinations (SCI/2008/1)
- 6.2 Administration of CPE (SCI/2008/2)
- 6.3 Development of non-mandated certificate examinations (SCI/2008/3)
- 6.4 Test administration (SCI/2009/1)

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## Board of Governors<sup>1</sup>

**Mr. C. B. Bhave**

Chairman,  
SEBI (Chairman, Board of Governors)

**Mr. M. S. Sahoo**

Whole Time Member,  
SEBI

**Dr. K. M. Abraham**

Whole Time Member,  
SEBI

**Dr. K. R. S. Murthy**

Former Director,  
IIM Bangalore

**Mr. Y. C. Deveshwar**

Chairman,  
ITC Ltd.

**Mr. M. B. N. Rao**

Former Chairman & Managing Director,  
Canara Bank

**Mr. Pratip Kar**

Member, Advisory Council,  
Global Corporate Governance Forum

**Dr. Mohan Gopal**

Director,  
National Judicial Academy,  
Bhopal

**Mr. Rafique Dada**

Senior Advocate,  
Mumbai

**Prof. G. Sethu**

Officer on Special Duty &  
In-Charge, NISM

## Academic Council<sup>2</sup>

**Prof. G. Sethu**

Officer on Special Duty &  
In-Charge, NISM

**Dr. Sanjay Kallapur**

Associate Dean,  
Indian School of Business,  
Hyderabad

**Prof. R. Vaidyanathan**

Professor of Finance,  
Indian Institute of Management, Bangalore

**Dr. Pritam Singh**

Professor in Organizational Behaviour,  
Management Development Institute,  
Gurgaon

**Dr. Ajay Shah**

National Institute of Public Finance and Policy,  
New Delhi

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**Mr. M. L. Soneji**

Registrar, NISM  
Secretary to the Board

<sup>1</sup>As at 31.3.2010

<sup>2</sup>As at 31.3.2010

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# Advisory Council<sup>3</sup>

**Mr. C. B. Bhave**

Chairman,  
Securities and Exchange Board of India

**Mr. Venu Srinivasan**

Chairman and Managing Director,  
TVS Motor Company Ltd.

**Dr. Marti G. Subrahmanyam**

Stern School of Business,  
New York University

**Sir Howard Davies**

Director, London School of Economics  
and Political Sciences

**Prof. Andrew Sheng**

Former Chairman,  
Securities Commission,  
Hong Kong

**Mr. Colin Grassie**

MD & CEO,  
Deutsche Bank

**Prof. Eisuke Sakakibara**

Director,  
IIES, Waseda University,  
Japan

**Mr. P. K. Choudhury**

Managing Director,  
ICRA

**Mr. Uday Kotak**

Managing Director,  
Kotak Mahindra Bank Ltd

**Dr. S. Sadagopan**

Director, IIT,  
Bangalore

**Mr. Mohandas Pai**

Director,  
Infosys Technologies Ltd

**Mr. Cyril Shroff**

Amarchand & Mangaldas &  
Suresh A. Shroff & Co.

**Prof. G. Sethu**

Officer on Special Duty &  
In-Charge, NISM

<sup>3</sup>As at 31.3.2010

# School for Investor Education and Financial Literacy

## 1.1 Investor education through web-based delivery (SIEFL/2008/1)

To make financial education easily accessible from various parts of the country, SIEFL has developed a website on financial education. The website is a source of neutral, reliable, unbiased information for the individual investor, where the investor comes first. Significant amount of the first level content has been prepared and is in the process of review. A password protected test website with content for the purpose of review has been launched. Once the initial content is in place, NISM will take up the task of continually expanding and updating the content and in promoting the website to individual investors. The website with 200 pages of content is expected to become operational by end May 2010.

## 1.2 Investor education through outreach programmes (SIEFL/2008/3)

SEBI has initiated the development of its nationwide investor outreach programs NISM supports SEBI efforts in this area by providing assistance in content review for program material and in selection/empanelment/training of financial literacy resource persons.

On behalf of SEBI, NISM initiated the process of selection of resource persons for the Western region states of Maharashtra, Gujarat, Madhya Pradesh, Rajasthan and Goa. Advertisements were issued in various newspapers and applications invited for empanelment. Codes of Conduct and selection criteria were prepared. NISM is in the process of developing a 'Train-the-Trainers (TTTs)' program for the shortlisted resource persons. Training material and training plan are being prepared. Of the 111 applications received, 65 were shortlisted for the purpose of training. Two TTTs have been scheduled in June 2010 as follows: (a) June 7-13: 36 participants; (b) June 14-20: 19 participants.

Further advertisements are being issued for empanelment of financial literacy resource persons from other regions.

## 1.3 Financial literacy programme through schools (SIEFL/2008/4)

### 1.3.1 Workshops for school principals/teachers

NISM conducts workshops for principals to familiarize them about the program and for teachers to equip them to conduct the program in their schools. The participants are taken through the contents of the study kit, which consists of eight sections, where each section had separate learning materials for the instructors, students and family. The workshop participants are awarded certificate of participation. The workshops conclude with feedback session to obtain views on various aspects of the workshop as well as on the proposed plan of implementation in the respective schools.

The workshops have generally received positive response with respect to the content, material, delivery and utility. Time is considered as one of the major constraints in implementation of the program. Other suggestions include making financial literacy a mandatory course and making the curricular activity interactive with usage of computers.

During 2009-2010, five teachers/principals workshops were held in various cities/towns. 64 schools participated and 161 teachers/principals attended the workshops.

Location	Dates	Schools	Participants
Kolkata	April 9, 2009	2	40
Chandigarh	May 16, 2009	17	36
Chennai	June 27, 2009	15	22
Lucknow	July 25, 2009	21	40
Kolkata	January 30, 2010	9	23
<b>Total</b>		<b>64</b>	<b>161</b>

### 1.3.2 Financial literacy programme in schools for students

NISM has developed a program to impart basic financial skills to school students (Classes VIII upwards). This program has been developed as an eight (90 minute) session course. NISM is implementing this program as

a pilot as an initial initiative. The SEBI- NISM pilot initiative was launched in various locations with the assistance of SEBI regional offices and partner organizations such as the Madras Stock Exchange.

***Schools that have implemented the program:***

Sr. no	Name of the School	Number of Students covered
<b>NORTH</b>		
1	Sawai Maharaja Man Singh Vidyalaya , Jaipur	135
2	Summer Fields School, New Delhi	32
3	DAV Public School, Gurgaon	19
4	Vivek High School, Chandigarh	250
5	Guru Nanak Public School, Chandigarh	20
6	St. Thomas Girl's Senior Secondary School, Chandigarh	79
7	Pandit Mohanlal S D Public School, Chandigarh	265
8	City Montessori School, Lucknow	28
9	Ajit Karam Singh International Public School, Chandigarh	78
10	Ramjas School, New Delhi	136
11	Hansraj Public School, Panchkula	115
<b>Total Students</b>		<b>1157</b>
<b>SOUTH</b>		
1	Bala Vidya Mandir, Adyar, Chennai	178
2	Devi Academy Senior Secondary School	88
3	Smt. Durgadevi Choudhary Viv. Vidyalaya	32
4	Jaigopal Garodia Viv. Vidyalaya Mt.Hr. Sec School, Kolathur	123
5	The Hindu Senior Secondary School, Indra Nagar	42
6	Jaigopal Garodia Viv. Vidyalaya Mt.Hr. Sec School, Anna Nagar	151
7	M.Ct.M. Chidambaram Chettiyar Matriculation Higher Secondary School, Mylapore	71
8	Sri Sankara Vidyashramam Matriculation Higher Secondary School, Chennai	97
9	The Kolaperumal Chetty Vaishnav Senior Secondary School, Arumbakkam, Chennai	273
10	Vidya Mandir Senior Secondary School, Chennai	37
11	Jaya Jaya Sankara International School, Chennai	100
12	Sri Sankara Senior Secondary School, Chennai	48
<b>Total Students</b>		<b>1240</b>
<b>EAST</b>		
1	South Point High School, Ballygunj	114
2	M.P. Birla, Kolkata	59
3	M.C. Kejriwal Vidyapeeth Liluah, Howrah, Kolkata	255
<b>Total Students</b>		<b>398</b>
<b>Total Students</b>		<b>2795</b>

At the end of the 8 sessions, NISM conducts a certification examination for the students. The simple, multiple-choice question examination tests the basic concepts covered in the 8 sessions. The following are the details of schools that have administered the examination at the end of the program till date:

Sr. no	Date of exam	Name of the School	No. of students who have taken the exam
1	10-Sep-09	South Point High School, Ballygunj	111
2	20-Nov-09	Jaigopal Garodia Viv. Vidyalaya Matriculation Higher Secondary School, Anna Nagar	144
3	25-Nov-09	Jaigopal Garodia Matriculation Higher Secondary School, Kolathur	117
4	4-Dec-09	Smt. Durgadevi Choudhary Vivekananda Vidyalaya, Chennai	32
5	7-Dec-09	Bala Vidya Mandir Senior Secondary School, Chennai	81
6	7-Dec-09	The Kolaperumal Chetty Vaishnav Senior Secondary School, Arumbakkam, Chennai	256
7	11-Jan-10	Sri Sankara Vidyashramam Mat. Hr.Sec.School, Thiruvanmiyur	94
8	16-Jan-10	M. P. Birla Foundation Higher Secondary School, Kolkata	46
9	6-Feb-10	Devi Academy Senior Secondary School, Chennai	87
10	11-Feb-10	Ramjas School, R.K Puram, New Delhi	124
11	22-Feb-10	M.Ct.M. Chidambaram Chettiyar Matriculation Higher Secondary School, Chennai	72
12	26-Feb-10	Hindu Senior Secondary School, Chennai	40
13	1-Mar-10	Jaya Jaya Sankara International School, Chennai	100
14	8-Mar-10	Bala Vidya Mandir Senior Secondary School, Chennai	98
15	16-Mar-10	D A V Public School, Gurgaon	15
<b>Total Students</b>			<b>1417</b>

Other schools are being contacted with an effort to convince them of the usefulness of the program. Other school fora and associations are also being contacted.

An Inter-School award scheme has been proposed to create a spirit of competition and excitement among the schools. Medals and certificates for the Students, Teachers and Shield for the best Schools are being considered for student participants in the program from a city who complete the program within a specified time period.

Partners: The SEBI-NISM pilot initiative has been launched in various locations with the assistance of SEBI regional offices and partner organizations such as the Madras Stock Exchange, Calcutta Stock Exchange, Rotary Club of Madras and Rotary Club of Kolkata. NISM discussed the program with the

Federation of Indian Stock Exchanges (FISE). Further to this, a communication was sent to the regional exchanges from FISE to be a part of this initiative. A presentation was made to FISE during their meeting at Indore. Some more regional exchanges have evinced interest. NISM is in touch with them to further the school financial literacy program in those cities. NISM is also signing a Memorandum of Understanding (MOU) with exchanges to formally cooperate to promote the program. This MOU is expected to be signed with Ahmedabad Stock Exchange and Madras Stock Exchange.

### **1.3.3 Financial Education in Colleges**

A similar effort was launched in 10 colleges in Mumbai & Pune covering around 1100 students. Student kits were provided free to students at that time and instruction was provided at no charge.

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**Workshops were held in colleges in Mumbai and Pune covering 1081 students from 10 colleges as follows:**

Sr. no	Name of College	No. of Participants
1	SIWS, Mumbai	179
2	Kelkar, Mumbai	106
3	Birla, Mumbai	68
4	Junjunwala, Mumbai	120
5	Khalsa, Mumbai	115
6	Siddhivinayak, Pune	100
7	BMC, Pune	100
8	Symbiosis, Pune	90
9	Ferguson, Pune	95
10	Modern, Pune	108
<b>Total</b>		<b>1081</b>

Further to this experience, NISM has developed a separate program for college students. A pilot program was conducted in Bharatiya Vidya Peeth in August 2009 for about 125 students.

# School for Corporate Governance

## 2.1 Workshops for media persons (SCG/2008/1)

NISM, in association with Confederation of Indian Industry (CII) and Global Corporate Governance Forum (GCGF), organized the following during the year:

- Workshops for media persons on corporate governance reporting
- Directors' Toolkit Workshops: Training the trainer workshops for building training capacity
- Directors Colloquium: Workshops for corporate directors

### 2.1.1 Pre-workshop meeting with media persons

NISM, GCGF and CII organized a "Pre-Workshop Meeting" with media editors on April 15, 2009 in New Delhi. It was felt useful to first discuss with editors and leading journalists about the various modalities associated with organizing the "Workshops for media persons on corporate governance reporting".

About a dozen senior journalists and media persons were present. Mr. C.B. Bhawe, Chairman, SEBI participated in the discussion. Senior persons from the media expressed their views on the need of such workshops. The discussion also focused on the structure, format and other important aspects of such programs.

### 2.1.2 Media Workshops: "Reporting on Corporate Governance in India"

Based on the positive feedback and recommendations received in the Pre-Media Workshop, it was decided to conduct a full-fledged workshop for the media persons covering various aspects of Corporate Governance. NISM, in collaboration with GCGF, CII and Thomson Reuters Foundation, organized two workshops on "Reporting on corporate governance in India", one each in Mumbai (July 22, 2009) and Delhi (July 25, 2009).

The workshop included presentations by experienced professionals such as Mr. V. Balakrishnan (CFO, Infosys Technologies Limited), Mr. P.R. Ramesh

(Partner of Deloitte Haskins & Sells and S. B. Billimoria & Co. and the firm's National Leader of Audit and Enterprise Risk Services), Mr. Parvatheesam K. (Company Secretary and Compliance Officer of Infosys), Mr. Roger Jeal (freelance business journalism trainer and desk editor at Reuters), Mr. Pratip Kar (consultant to the IFC's Global Corporate Governance Forum), Mr. Gene Spiro (Senior Projects Officer at the Global Corporate Governance Forum) and Ms. Simone Azevedo (founder of Capital Aberto, the first Brazilian free press dedicated to cover capital markets issues). About 50 journalists from the print and electronic media participated. Case study methodology was used to ensure that the participants received first-hand feel of the norms they were expected to follow.

The full day workshops were well received by the journalist community and they appreciated the content and the manner in which the workshop was conducted by the partners.

## 2.2 Directors Toolkit workshop (SCG/2008/2)

NISM in collaboration with the Global Corporate Governance Forum (GCGF), Confederation of Indian Industry (CII) and Indian Institute of Management, Calcutta (IIMC) organized a four day "Training of Trainers Programme for Corporate Governance". The programme was held at The Retreat, Madh Island, Mumbai from 21st to 24th of January 2010. The TOT Program was designed with the objective of providing inputs to the educators in the corporate space. It also aimed at providing participants with the knowledge base and skill sets needed to lead director education programs that reflect international best practices adapted to regional and country needs. Nominations for participants were invited from the academia and other groups. Of these nominations, twenty selected participants were invited to participate in the programme.

Mr. Eugene Spiro, Senior Projects Officer at GCGF; Mr. Pratip Kar, Member Advisory Council of GCGF; Dr. Mary Jo Larson, Faculty member at Columbia University and Ms. Anne Molyneux, Director of CS International conducted the training sessions. The

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training programme focused on developing adult learning skills and techniques, familiarization and use of the GCGF's resources kit and discussed global developments in corporate governance. The training programme combined a balanced pedagogical mix of lectures, case studies and simulation exercises.

### **2.3 Directors' Colloquium (SCG/2010/3)**

Globally, as well as in India, there has been a growing recognition among companies that good corporate governance is essential for sustainable business growth. Simultaneously, it is also becoming increasingly evident that the board and its committees, especially the audit committee, nomination committee and the compensation committee are central to the functioning of a well governed corporation. The role of the board in particular has transitioned from passive governance to active leadership. The expectations of the stakeholders from the boards are also growing. To be effective, the boards are expected to grapple with issues in strategy, have the ability to ask the right questions, understand the risks confronting companies, manage the relationship between management and the stakeholders and avoid micro managing. This requires the board as a whole to have the requisite functional experience and depth of knowledge and understanding to make sure that the companies stay on track.

The Directors' Colloquium is a short, intensive and an interactive programme for directors that addresses the above requirements. It was delivered jointly by NISM and the Confederation of Indian Industry (CII). It aims at enhancing the understanding of corporate governance issues faced by the directors on the corporate boards. The colloquium attempted to sensitize the participants about ways to deal with these issues. The programme was actively supported by the Global Corporate Governance Forum (GCGF), which is a multi donor fund facility located in the International Finance Corporation (IFC) of the World Bank Group. The Government of Japan has been generously supporting the India initiatives of GCGF towards capacity building in the area of corporate governance in India. The design of the programme drew inspiration from the Corporate Governance Board Leadership Training Resources Kit developed by the GCGF. The workshops were partly supported through a sponsorship from NSE.

The first Director's Colloquium was held at The Retreat, Madh Island, Mumbai on November 13 & 14, 2009. The participants included executive directors, independent directors of listed and unlisted companies and senior officials of companies

such as CFOs, and aspirants to directorship. Mr. C.B. Bhavé, Chairman, Securities and Exchange Board of India, Mr. Pratip Kar, consultant to the IFC's Global Corporate Governance Forum, Mr. Ravi Narain, MD & CEO of National Stock Exchange and Mr. Y.H. Malegam, Chairman, National Advisory Committee on Accounting Standards, shared their experiences with the participants.

The next Director's Colloquium was held at The Heritage Village, Manesar near Gurgaon on November 27 & 28, 2009. Mr. C.B. Bhavé, Chairman, Securities and Exchange Board of India, Mr. Pratip Kar, consultant to the IFC's Global Corporate Governance Forum, Mr. P.R. Ramesh, Partner, Deloitte Haskins & Sells and Mr. Inder Mohan, partner, M/s. Amarchand Mangaldas were among the speakers.

The third Director's Colloquium was held in Kolkata on December 18 & 19, 2009 at the Taj Bengal, Kolkata. Mr. Pratip Kar, consultant to the IFC's Global Corporate Governance Forum and to the World Bank, Mr. K. Hari, Head of Listing and Corporate Communications, NSE, Mr. Kalpataru Tripathy, Partner, M/S Amarchand Mangaldas and Mr. Sekkizhar Balasubramanian, Director, Deloitte Haskins & Sells shared their expertise on various topics such as role of audit committee, expectations of stock exchanges from the companies, role of the board and board leadership, to name a few.

### **2.4 Round Table Conference on "Corporate Governance in India - A Reality Check"**

A Round Table Conference on "Corporate Governance in India-a Reality Check" was held in Mumbai on April 16, 2009. While Indian corporate governance standards are comparable with the best in the world, it was felt that there is a wide gap between the standards and their implementation. It has been felt that the time is right for one to take stock of the corporate governance norms in the country and to understand more objectively the role of independent directors, the obstacles to effective enforcement and the glitches in the system that cause corporate governance norms to fail. The Round Table was organized to discuss these matters.

Mr. Uday Kotak, Chairman, CII National Council on Corporate Governance, participated in the discussion. 30 representatives from diverse groups such as policy-makers, regulators, stock exchanges representatives, institutional investors, audit firms, promoters and other stockholders participated in the conference and discussed various corporate governance related issues of importance.

# School for Securities Education

### 3.1 Certificate Programme on Financial Engineering and Risk Management (SSE/2008/1)

NISM launched the course CFERM with effect from August 30, 2009. This is a six-month part-time programme for working executives. It is a week-end programme offered at NISM, Vashi. Participants are required to attend 9 hours of classroom sessions during each weekend (i.e. Saturdays and Sundays) for a period of 6 months.

CFERM programme addresses the needs of aspiring finance professionals to further their careers in the field of financial engineering and risk management. It opens up career options in the financial sector in India and abroad. CFERM offers an in-depth understanding from the point of view of sellers, buyers, analysts and regulators as opposed to the current 'black-box' approach.

### 3.2 Certified Securities Markets Professional Programme (SSE/2008/2)

The "Certified Securities Markets Professional (CSMP)" programme is a one-year full-time certificate programme. Preparations have been made to admit students for the session beginning from June 2010.

NISM has designed the CSMP programme aimed at developing and grooming talent to serve the various segments of the securities markets. The

programme is aimed at preparation for a career in security analysis and equity research, investment banking, fund management, corporate re-structuring and consulting, investment advisory services, equity and debt market broking and related fields.

The courses include Economics for Securities Markets, Quantitative Methods, Corporate Finance, Investment & Portfolio Management, Financial Institutions & Markets, Venture Capital & Private Equity, Behavioural Finance, etc. In the third term, students are required to undertake an internship project with an organization in the securities industry.

### 3.3 Seminar on careers in securities markets

NISM, in association with Education Times, conducted a seminar on the career opportunities in the capital markets in the Times of India Building, Mumbai on 27th March 2010. About 120 students attended. Faculty members and the Registrar represented NISM in the event. A presentation was made on traditional paths and perceived gaps in careers in capital markets and the various professional courses available to bridge these gaps. The event ended with numerous queries and clarifications on the Certified Securities Markets Professional (CSMP) programme and Certificate Programme on Financial Engineering and Risk Management (CFERM) launched by NISM.

# School for Regulatory Studies and Supervision

## **4.1 Executive education for officers of SEBI and market participants (SRSS/2008/1)**

### **4.1.1 Induction programme for SEBI 2009**

NISM conducted the induction programme for the newly recruited officers of SEBI during July 15, 2009 to August 14, 2009. There were 46 participants including officers from accounting and legal streams. The programme was conducted at the training facilities of MTNL, Powai. The programme was a residential programme.

For three weeks, various topics relating to financial markets and securities markets were discussed in class room format. Faculty members from reputed institutes, officers from SEBI and several market professionals shared their thoughts/experiences/perspectives with the participants. During the fourth week, attachment programmes were offered. During attachments, participants visited SAT, broking entities, stock exchanges, and depositories to understand the manner in which the entities in the securities industry function.

### **4.1.2. Workshop on "Interpersonal Relationship Orientation" for officers of SEBI**

At the request of SEBI, NISM conducted a full day workshop on "Interpersonal Relationship Orientation" for the newly recruited managers and legal officers of SEBI on October 12, 2009 at SEBI Bhavan, Bandra-Kurla Complex.

The objective of conducting this workshop was to gain understanding of behavioral temperaments of the participants and to optimally channelize their capabilities. Psychometrics instruments FIRO-B and MBTI were used for this purpose. Team management, leadership abilities, time management and goal setting were areas that were discussed.

### **4.1.3 Training for Inspection of Brokers and Refresher Programmes for Internal Audit of Stock Brokers**

Periodic audit is one of the tools to ascertain the level of compliance among stock brokers. SEBI had issued

circulars asking stock exchanges to direct stock brokers, trading members and clearing members to carry out internal audit on a half-yearly basis by chartered accountants, company secretaries or cost and management accountants who are in practice and who do not have any conflict of interest.

NISM offered a two day "Training for Internal Audit of Stock Brokers" programme, among others, for members of Institute of Chartered Accountants of India (ICAI), Institute of Company Secretaries of India (ICSI) and Institute of Cost and Work Accountants of India (ICWAI) during 2008-2009. During 2008-2009, 9 training programmes were offered.

Following up on this matter during FY 2009-2010, during April 1 to April 25, 2009, NISM conducted 3 training programmes (One each in New Delhi, Kolkata and Chennai). Experienced speakers from SEBI, BSE, NSE, NSDL and a few leading broking houses addressed the audience and had interactive sessions on internal audit of broking firms. More than 600 participants attended these 12 programmes. NISM prepared a book as a guide for such internal audits.

The first half yearly audits for the period ending March 31, 2009 were completed and the audit reports were received soon thereafter by the exchanges. The report for the 2nd half yearly period from April 2009 to September 2009 was due by December 2009.

Based on the feedback received from the exchanges and to highlight expectations from such audit reports, a one day refresher programme was designed by NISM. This programme was offered by NISM in coordination with BSE, NSE, MCX-SX and MSE. The refresher programme discussed the good practices noticed in the internal audit reports received by stock exchanges and experiences of the professional audit firms in such audits. The programme faculty was drawn from SEBI, stock exchanges and professional audit firms. NISM conducted 5 refresher programmes: two programmes in Mumbai (November 14, 2009; November 21, 2009) and one each in Chennai (November 21, 2009), New

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Delhi (November 27, 2009) and Kolkata (November 27, 2009). The programmes at these four centres were interactive and attended by a total of about 150 participants.

#### **4.1.4 Building an investment advisory business**

During 2009-2010, at the request UTI Asset Management Company, NISM conducted 25 workshops for UTI distributors on the theme "Building an investment advisory business" across the country. In all 786 participants attended. The duration of each workshop was two days. The workshop was designed to enhance the professional capacity of distributors to become independent financial advisors. The feedback received for the workshop has been very encouraging. The participants appreciated the session on mathematics of advisory business. They have requested more computational sessions and hands on experience for using and learning the excel tools. Also, a brief session on understanding investor psychology and developing soft skills to persuade the investors to pay the advisory fees was recommended by the participants.

### **4.2 Executive education for key market participants, etc. (SRSS/2008/2)**

#### **4.2.1 Training programme for officers of Nepal**

At the request of Securities Board of Nepal, a five day training programme was conducted by NISM for the members from the Government of Nepal, Securities Board of Nepal and Nepal Citizen Investment Trust. A team of six persons attended this programme in Mumbai from October 26-30, 2009. The programme dealt with mutual funds, depositories and portfolio management. The delegates visited NSDL and UTI Mutual Fund for onsite learning. The programme faculty included officers from SEBI, NSDL, ICICI Prudential Asset Management, Fortis Investments, Indian Institute of Capital Markets, and NISM.

#### **4.2.2 Training programme on Investigation of Securities Markets Fraud for Mumbai Police, September 24-26, 2009**

NISM, in association with Mumbai Police, conducted a three day training programme on "Investigation of Securities Markets Fraud" for 56 field officers of Economic Offence Wing (EOW) of Mumbai Police during September 24-26, 2009. The basic idea of the programme was to create an understanding of various aspects of capital markets which would help officers of the police department in discharging their responsibilities of investigating capital markets crimes effectively. The programme was inaugurated by Shri. D. Sivanandhan,

Commissioner of Police, Mumbai. In his inaugural address, Shri D. Sivanandhan brought to notice the new age of economic crimes and the importance of knowledge of capital markets.

The programme covered various topics such as overview of financial markets, primary markets, secondary markets, investigation of crimes in capital markets, case study of capital markets fraud and investigation of NBFCs. It was followed by a visit to a stock exchange (NSE) and a depository (NSDL). The speakers associated with the programme included practitioners in capital markets and officers from SEBI & RBI.

#### **4.2.3 Attachment programme for Indian Foreign Service Probationary Officers, September 26, 2009**

A one day attachment programme was conducted for the Indian Foreign Service probationary officers on September 26, 2009 by NISM in co-operation with SEBI at the SEBI Bhavan, Bandra Kurla Complex.

The programme was aimed at enabling the participants to understand the role of financial markets in the economy. The programme included detailed descriptions of the structure of the markets, the need for regulation of financial markets and the approaches towards regulation. An international perspective was also provided in view of the inter-linkages among markets across the world. The programme dealt with (i) Overview of Indian securities markets, (ii) SEBI's organizational structure and its different objectives, (iii) Regulatory challenges to securities markets and (iv) Investor protection. The programme was attended by 19 IFS probationary officers.

#### **4.2.4 Workshop for Media Persons, Mumbai, June 5, 2009**

In pursuance of the Memorandum of Understanding between NISM, CFA Institute, USA and the Indian Association of Investment Professionals (IAIP), a day-long workshop for media persons was held on June 5, 2009 in Mumbai on "Analysis of Financial Statements". The workshop, conducted by Dr. Robinson of the CFA Institute, USA, witnessed a huge response and appreciation. The workshop was attended by media persons from The Wall Street Journal (India), Business World, Financial Express and many others.

### **4.3 Round table conference, etc. (SRSS/2008/7)**

#### **4.3.1 India Securitization Summit 2009**

NISM organized the first ever conference of

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securitization in India, the India Securitization Summit on July 8, 2009 in Mumbai. NISM was the principal host and the summit was sponsored by National Housing Bank, IDBI bank, CARE ratings, Lewton Technologies and I-Peritus.

The event offered a platform to review the industry, the structure, the inefficiencies, the potentials and the future. The summit discussed the challenges faced by the industry and the opportunities offered by the securitization markets in India. There were 18 speakers and more than 180 delegates from the banking, insurance and mutual fund industry.

The keynote address was delivered by Mr. Prashant Saran (Whole time member of SEBI). The discussants had been drawn from issuers, investors, regulators, rating agencies, and information & risk consultants. Based on deliberations, NISM prepared a white paper and submitted to RBI, SEBI and Ministry of Finance.

**4.3.2 Round-Table Conference on Direct Tax Code, September 25, 2009**

At the request of Ministry of Finance, NISM organized a round table conference on Direct Tax Code on September 25, 2009 in Mumbai. The basic idea of the conference was to provide a well rounded perspective on various issues related to capital markets under the Direct Tax Code. Representatives from CII, FICCI, ASSOCHAM, BCCI, IMC, AMFI, WIRC-ICAI, BSA, BSE, NSE, MCX and several other organizations were present in the conference.

The conference was inaugurated by Dr. K. P. Krishnan, Joint Secretary, Ministry of Finance and Mr. Arbind Modi, Joint Secretary, Ministry of Finance, CBDT. The speakers were representatives from Chambers of Commerce, industry associations, tax experts and stakeholders (issuers/investors/intermediaries).The topics discussed were: mutual funds, stock exchanges, capital gains & transaction tax, dividend distribution tax, incentives for capital formation, corporate restructuring, private equity, venture funds, pension funds, pass through status, EET, tax rates, MAT, incentives & retail investors perspectives.



# School for Securities Information and Research

Under SSIR, research activities and the activities of NSMD (Network for Securities Markets Data) were taken up.

## **5.1 Research workshop for faculty members and doctoral students (SSIR/2008/2)**

### **5.1.1 Workshop on “Essential Econometrics for Research in Securities Markets”, December 26-30, 2009, Mumbai**

In line with NISM’s mission of improving market quality through educational initiatives, the SSIR offered a workshop on “Essential Econometrics for Research in Securities Markets”, during December 26-30, 2009, Mumbai. The workshop provided inputs on empirical research methods for undertaking research in finance. The workshop was meant for (i) University teachers who are working for their doctoral degrees; (ii) Research scholars who are in the middle of their M. Phil. / Ph. D. (should have identified research problem); (iii) For university teachers who offer Empirical Research Methods (or Econometrics) course and would like to enrich themselves with application orientation and would like to use relevant econometric software. The primary objective of the workshop was to provide “hands on” application orientation to essential econometrics relevant for research in finance.

The workshop covered: basic descriptive stylized facts of financial data; hypothesis testing; regression analysis (including dummy variable regression and logistic regression); time series analysis (ARMA and GARCH frameworks).

The workshop format was designed to offer overview of relevant statistical techniques in financial markets by reviewing underlying theory and relevant research articles. The participants were given hands on practice on statistical packages such as R / EViews with a variety of assignments.

More than 30 participants attended the workshop. The participants consisted of research scholars from institutes like IIT Madras, IIT Bombay, IBS Hyderabad, and faculty members from state and

central universities of India. The workshop was inaugurated by Prof. Dilip Nachane (Director, Indira Gandhi Institute of Development Research). He enlightened the participants on the nature and measurement issues of systemic risk and its relevance in policy framework.

### **5.1.2 Workshop on Computational Finance, March 26-27, 2010 in Vashi.**

A workshop on computational finance was held by NISM during March 26-27, 2010 in Vashi. Computational finance is a wide umbrella of disciplines consisting of finance, financial economics, mathematics, and computer application. The workshop offered computer simulations to explore the potential risks as well as the probable outcomes of trading, hedging and investment decisions. Applications of computational finance were illustrated in the field of investment banking, financial risk management, options pricing, strategic planning, etc. The workshop articulated important concepts such as Monte-Carlo simulations, portfolio selection & optimization and high frequency data analysis. The workshop also provided hands on practice on programming tools.

The workshop was meant for industry professionals from treasury, banking, trading, investment research, fund management, etc. and researchers willing to learn practical applications in finance. The response was good. About 90 applications were received from across the country. Of this, 54 were admitted to for the workshop. Participants were from industry as well from academia.

Dr. Mahendra Mehta, Managing Director, Neural Technologies and Software Private Limited (NeuralTechSoft) delivered the keynote address on the background of Computational Finance and Rmetrics. The feedback from the participants has been positive and the need to organize such workshops more frequently was voiced. Participants were awarded certificates at the end of the workshop.

## **5.2 NSMD (Network for Securities Markets Data) (SSIR/2008/1)**

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NSMD is a unit of School for Securities Information and Research, NISM. The objective of NSMD is to offer standardized, easy and affordable access to securities markets data to researchers, students and faculty members in the academia. NSMD would build an interface that routes financial markets data from different data vendors. NISM would take steps to ensure that the data that flows through NSMD is clean, complete and accurate. The value addition from this utility is as follows:

- It offers a validated and quality data on Indian securities markets
- It offers easy access (single window) to multiple data vendors
- It houses several utilities that make it simple for the users to organize the data in convenient ways for analysis.

The concept of NSMD, the strategies and the various operational aspects have been discussed several times in the NSMD meetings held and also approved by the NISM Board. In all the NSMD meetings senior management of SEBI and eminent persons from academia and industry participated.

It has been decided to start the database with a focus on accounting data and price data for the top 500 companies for ten years. The front-end application has been developed for forming a query and firing on data vendor's sites. This 'proto type' interface has been designed using open source software (tomcat, mysql, java), runs on a local machine and has capability to query a local data base. The work of building a commercial interface was awarded to a technology vendor. The interface work commenced on June 15, 2009. Requirements gathering phase and design and development phase of NSMD interface have been completed.

The technology vendor implemented testing and deployment phases of NSMD interface. A detailed testing document with case scenarios was submitted to NISM and was reviewed. The interface has now been completely developed and data is being fed into the database in the format desired. Currently the NISM team is testing the interface for any cosmetic changes that may be required to enhance the look and feel of the NSMD interface.

The team at NISM received complete list of corporate actions from NSE and randomly cross checked with company's websites as well as other data vendors. Adjusted prices for 330 odd companies for years 2007, 2008 and 2009 have been constructed. Steps have been taken to construct corporate actions data from the year 2010. It is proposed to add further data going back till 2003.

The NSMD committee decided that NSMD was ready for alpha testing phase. The committee agreed that the NSMD web address (domain name) would be [www.nsmd-nism.org](http://www.nsmd-nism.org). The alpha testing phase started on September 15, 2009 with NSMD committee members and NISM staff as the testers. The committee felt that the beta testing phase should start only when we are ready with complete price database that enables the users to perform a standard event study. More than one hundred users for the beta testing have been identified. A questionnaire for the beta testing phase is being designed in order to get constructive feedback on the interface.

The external validator for accounting data of IRIS, reviewed the process and validations followed by IRIS and suggested some more validations that NSMD can take to improve the quality of data. It was further suggested that it would be better for NSMD to take the initiative of constructing its own accounting database rather than relying on IRIS as a long term viable option. NISM would examine this suggestion after successful commercial launch of the price data of NSMD.

It is proposed to enter into data vendor agreements and prepare plans for technology support for NSMD phase II by inviting bids for Phase II or building in-house capability. Thereafter, steps would be taken to market NSMD followed by launch of NSMD commercial version with price and accounting data.

### **5.3 Research projects (SSIR/2009/1)**

#### **5.3.1 Credit Rating Agency**

A study titled "Assessment of Long Term Performance of Credit Rating Agencies in India" was prepared by Prof. Sunder Ram Korivi and Mr. Suneel Sarswat. The authors collected qualitative and quantitative data from the industry participants and academic literature. The report was submitted to the Ministry of Finance in July 2009. On the basis of suggestions received from the Ministry, the study was further refined, finalized and sent to the Ministry.

#### **5.3.2 Securities Market Health Index**

At the request of Ministry of Finance, Dr. Kiran Kumar of NISM prepared a concept note to construct a comprehensive Stock Market Health Index that could be a holistic indicator of the health of the securities market (fairness, integrity and credibility of the market). Accordingly, after a series of discussions with officials from Ministry of Finance, BSE, NSE and SEBI, the concept note was submitted to Ministry of Finance during May 2009. On July 27, 2009, the Ministry reverted with issues and

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suggestions on construction of the index. The concept note is revised with necessary modifications and re-submitted to Ministry of Finance in first week of August 2009.

### **5.3.3 Market Stabilization Fund**

Secondary Market Advisory Committee of SEBI suggested to NISM to conduct a study with regard to the international practices and various tools/methods that can be used to curb market volatility. A research paper was prepared by Dr. Poonam Mehra and Dr. Sunder Ram Korivi of NISM and submitted to SEBI. The paper discussed different stabilization funds that exist in other countries, different stabilization mechanisms working in India, the concept of market stabilization fund in equity market and analysis of a proposed market stabilization mechanism to provide a rationale for the establishment of the fund.

### **5.3.4 Modeling Attitude to Risk**

The aim of this study is to model attitude to risk. It uses the expected utility hypothesis to understand the interplay of various demographic and psychographic factors that influence risk perceptions. It seeks to measure absolute and relative risk aversion among individual investors. It tries to draw psychological linkages to the expected utility paradigm. A computer adaptive survey program called "Riskitude" to calibrate attitude to risk using the expected utility framework of Von-Neumann and Morgenstern has been written. "Riskitude" attempts to comprehend

various behavioral factors that drive variations in attitude to risk. In an experimental set-up at NISM, a pilot survey program was administered on 70 individual investors. This study has been undertaken by Ms. Kavitha Ranganathan.

### **5.4 Research publications and papers presented in conferences by NISM staff**

1. "Status of Mutual Fund Database in India", presentation in EPW Research Foundation Seminar At IGIDR on March , 2010 (Poonam Mehra & Kiran Kumar)
2. "Conflict in International Mergers: effect of Firm Size and Market Structure" sent for publication to International Journal of Industrial Organization; under review (Poonam Mehra)
3. "Hiding Behind the Veil: Informed Traders and Pre-Trade Opacity", Revised in March 2010 and submitted to AFA 2011 meetings. (Kiran Kumar, Pradeep Yadav and Ram Thirumallai).
4. "Trading Activity of Foreign Institutional Investors and Volatility", Paper scheduled for presentation at Summer Research Workshop of ISB, Hyderabad and 7th Research Meeting of DEA - NIPFP, Delhi in August 2010 (Kiran Kumar, Ravi Anshuman and Rajesh Chakrabarti).
5. "Securities Market Research Databases: Issues and Challenges : Network for Securities Market Data : A Credible Solution", Presented in the seminar on Database Issues in the Financial Sector jointly organized by IGIDR and EPW Research Foundation on 13th March 2010 (Kiran Kumar and Poonam Mehra).

# School for Certification of Intermediaries

## **6.1 Development and administration of mandated certification examinations (SCI/2008/1)**

### **6.1.1 Certification examination for exchange traded currency futures**

The Certification Examination for Exchange Traded Currency Futures was developed by NISM in association with the Examination Committee for Exchange Traded Currency Futures which included representatives of BSE, NSE, MCX-SX, SEBI, FEDAI and NISM. Test objectives were decided by the Examination Committee. The examination has been named as the: Series I – Currency Derivatives Certification Examination. NISM has engaged the three exchanges (BSE, NSE and MCX-SX) as its Test Administrators to offer online, computer-based, multiple choice questions examination of two hour duration on all India basis. The examination is in English. NISM launched the Certification Examination for Exchange Traded Currency Futures on May 15, 2009.

### **6.1.2 Certification examinations for RTAs**

It was decided to launch examinations for the associated persons in the Registrar and Transfer Agent segment. NISM worked with the Registrars Association of India (RAIN) to conduct job analysis for the defined functions and to develop the required test objectives and course outline. NISM developed (i) Test Objectives; (ii) Question Banks and (iii) Workbooks. NISM has launched the following two examinations on August 7, 2009:

- NISM-Series-II-A: Registrars to an Issue and Share Transfer Agents (Corporate) Certification Examination
- NISM-Series-II-B: Registrars to an Issue and Share Transfer Agents (Mutual Funds) Certification Examination

### **6.1.3 Development of certification examination for Interest Rate Derivatives**

As SEBI decided to re-launch Interest Rate Derivatives products on exchanges, there was a need for

development of a certification examination for this segment. NISM established an Examination Committee for this purpose. The committee included representatives from exchanges, SEBI, FIMMDA and NISM and other identified subject matter experts. NISM identified resource persons for examination and workbook development in consultation with FIMMDA. The examination development and workbook have been completed.

### **6.1.4 Development of certification examination for Financial Advisers**

NISM believes that there is dire need to improve standards in the business of providing financial advice to retail investors. Development of an examination that focuses on these activities and at the same time is within the reach of reasonably large number of advisers would help improve the industry. As reported earlier, NISM has entered into a Memorandum of Understanding with Financial Planning Corporation of India Ltd (FPCIL), a company promoted by FPSB India, for their association in the development of a certification for financial advisers that meets the above objectives. The development of the examination has been initiated.

### **6.1.5 Development of a common certification examination for Depository Participants**

NISM initiated discussions with NSDL and CDSL to develop a common certification examination for Depository Participants.

### **10.1.6 Development of a certification examination for System Administrators in the Securities Markets**

NISM initiated the process of identifying resource persons for the development of a certification examination for system administrators in the securities markets.

### **6.1.7 Development of a certification examination for mutual fund advisers**

NISM initiated the process of developing a certification examination for mutual fund advisers.

**6.1.8 Statistics regarding the number of candidates who have taken the certification examinations during FY 2009-2010:**

Examination	Candidates enrolled	Candidates appeared	Candidates passed
Currency derivatives	14,471	13,525	6,281
RTA (Corporates)	267	19	243
RTA (Mutual Funds)	717	250	536
<b>Total</b>	<b>15,455</b>	<b>14,454</b>	<b>7,060</b>

**6.2 Continuing Professional Education under SEBI (CAPSM) Regulations, 2007**

**6.2.1 Continuing Professional Education accreditation policy**

Apart from providing mandatory and non-mandatory certifications for securities markets intermediaries in association with various Test Administrators, NISM is putting in place process, procedures and policies for offering Continuing Professional Education (CPE) to market intermediaries who are holding certificates under the regulations. NISM has constituted a "CPE Accreditation Committee" for this purpose. The Terms of Reference for the Committee are as follows:

- Devising NISM policy for accreditation of CPE Providers in keeping with the objectives of the SEBI (CAPSM) Regulation
- Devising selection criteria for accreditation of CPE Providers
- Evaluating responses from prospective CPE providers
- Approval and selection of the CPE providers

The committee is in the process of finalizing the NISM accreditation policy. One day of training in a year is envisaged initially as the required minimum to obtain certification (for grandfathered candidates) and to maintain certification (after the expiry of the 3 year validity period).

**6.2.2 Operational risk issues related to investor service processes in mutual funds**

SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007 emphasize (among other things) the need for certification examinations and CPE for those who, as a part of their work or operations, interact with investors; handle investor grievances; are responsible for internal con-

trol or risk management; are responsible for compliance of any rules or regulations; and are engaged in activities that have a bearing on operational risk of the intermediary. A critical area of focus that has been identified is the area of operational risk in the investor service processes of mutual funds.

NISM plans to conduct a series of one-day programs for professionals employed in the mutual fund industry in the areas of investor services, operations, risk management etc. These professionals may be employed with asset management companies (AMCs), distributors, and registrars and transfer agents (RTAs). NISM also plans to develop seminars to apprise mutual fund trustees on these issues.

NISM training will be industry-wide. Therefore, for the development of relevant CPE Programs, it is important to understand the level of uniformity and standardization of investor service processes across the industry as well as consider the improvement or standardization of such processes. A committee of stakeholders was formed including representatives from AMFI, Registrars and NISM to discuss these issues. The committee has sequentially discussed all significant investor service processes and is in the process of finalizing its initial recommendations.

**6.3 Test Administration for the NISM certification examinations (SCI/2009/1)**

**6.3.1 Appointment of Test Administrators**

During the implementation process of the Series I- Currency Derivatives Certification Examination, test administration issues were discussed by the Technology Committee established for the purpose. This committee included representatives from BSE, NSE, MCX-SX, SEBI and NISM. The committee developed common processes and procedures for Test Administration.

To consider the issue of selection of Test Administrators, NISM established a Selection Committee for test administration. The Selection Committee met on March 27, 2009; April 2, 2009 and April 17, 2009 to deliberate on the matter. The committee also requested all exchanges to make a presentation on their capabilities and provide detailed cost structures regarding test administration activities. The committee provided its recommendations to NISM.

On the basis of the recommendations of the Selection Committee, NISM issued letters of offer to all the three exchanges on April 22, 2009. All the Exchanges conveyed their acceptance. Service agreements were then signed between NISM and the exchanges as Test Administrators. BSE, MCX-SX and NSE have

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been appointed as Test Administrators (TAs) for all NISM Certification Examinations.

Besides appointing TAs for NISM certification examinations, NISM is also considering developing its own ability in directly providing test administration to candidates. NISM will need to develop computer systems, hardware and logistics infrastructure for this purpose. Three locations for test centres have been identified at Mumbai (Nariman Point), Vashi and Chennai.

### **6.3.2 Biometric identification for candidates**

Currently NISM Certificates are given to only those successful candidates who have provided their PAN number. Those who do not provide their PAN details are given only temporary mark sheets. Candidates providing their PAN number are required to carry their PAN card to the examination center for verification.

NISM convened a meeting of representatives of the test administrators on November 9, 2009 to ascertain the views of Test Administrators on logistics and cost related issues for the implementation of the same. Technology vendors who offer biometric solutions were invited to make presentations to a committee on November 17, 2009.

It has been decided to obtain biometric information for candidates applying for the NISM compliance examinations. NISM had discussions with the NDML (NSDL Data Management Limited) for using the National Skill Registry for the purpose of collecting candidate information including biometric data. NISM and NDML have agreed upon a procedure for the same. Candidates applying for NISM compliance examinations would be required to first register with the NSR by providing all required information including biometric data and obtain the NSR number.

## **6.4 Quality assurance for certification examinations**

### **6.4.1 Workbook and Question Bank quality**

NISM believes that the improvement of examination quality is a continuing process. NISM has already appointed experts to review and suggest ways in which the quality of the workbook/s can be improved from the point of view of the candidate. Questions in the bank for the Series I-CD Examination were reviewed from the point of view of clarity and correctness and modified question bank was provided to test administrators. Further data has been requested and obtained from Test Administrators on questionwise performance. Data Analysis parameters are being developed that would highlight ques-

tions that may need review.

### **6.4.2 Test Administration Audit**

Test Administration audit processes have been established to ensure the quality and security of the testing process. These include (i) Mock registrations, enrolments and examinations being done by NISM staff at various locations for different Test Administrators; (ii) Inspection visits to different test locations by NISM staff reviewing the test process against a check list; (iii) Reporting requirements from Test Administrators to check for test center wise performance outliers against the average; (iv) Question performance based MIS is also being sought from TAs.

NISM staff made multiple inspection visits to test centers in major cities including those in Mumbai, Delhi, Kolkata, Chennai and Ahmedabad. Findings from these visits have been communicated to respective TAs for necessary action. Further, data has been requested and obtained from Test Administrators on centerwise performance to identify potential problem centers. After identification of potential problem centers, clarifications were sought from TAs where anomalies were found. Appropriate action was taken.

### **6.4.3 Boot camp on Examination Development**

As per the MoU signed among NISM, CFA Institute, US and IAIP on June 4, 2009, a Statement of Work (SoW) on Examination Development has been developed and signed by the respective authorities of each organization.

Based on this Statement of Work, a "Boot Camp on Examination Development" was held by NISM in collaboration with CFA Institute for all persons associated with development of NISM's certification examinations. The program was held on December 7, 2009 in Navi Mumbai. Mr. Bill Trent, Director of Examination Development CFA Institute, USA conducted the program. NISM certification team and resource persons attended the camp.

### **6.4.4 Conference on Examination Development**

On June 8th, 2009 a conference was held at Taj Tower and Palace, Mumbai on examination development. Dr. Tom Robinson (Managing Director, Education Division, CFA Institute, USA) shared years of experience that the CFA Institute has in examination development and the best practices adopted over the years. The conference was attended by persons representing FPSB, NSE, BSE, AMBI, SEBI, NSDL and CDSL.

# Administration Update

During the year, NISM made significant progress in terms of scaling up its activities in its Schools.

- A number of new certification examinations were introduced by the School for Certification of Intermediaries.
- Several activities have been taken up in the School for Corporate Governance.
- The School for Securities Education commenced a new education programme – “Certification in Financial Engineering and Risk Management”.
- Many workshops, executive education programmes and events were organized by the School for Regulatory Studies and Supervision.
- The School for Investor Education and Financial Literacy made further progress in its effort to launch a dedicated website for investor.
- Further progress was made in establishing linkages with reputed organizations that have interest in securities markets.

## 7.1. Human resources

During the year staff strength of NISM increased from 3 to 14 including addition of 3 faculty members at Assistant Professor and Professor Level. The Registrar was appointed in December 2009. A number of project managers and academic associates were appointed. A Vice-President was recruited to expedite the work on the NISM campus at Patalganga.

As the activity level would continuously expand to meet the mandate of NISM, endeavour to

recruit additional human resources to meet these requirements would be undertaken. For this purpose, NISM is, in a phased manner, introducing welfare initiatives to make conducive working environment.

## 7.2. NISM premises

NISM plans to build its campus at Patalganga, near Mumbai. Land of about 70 acres has been allotted to NISM by MIDC for this purpose. MIDC has taken up the construction of a road connecting plots allotted to NISM with the main road. A diversion road has also been taken up such that no public road passes through the NISM campus. Also, MIDC has taken up the work relating to constructing a compound wall for the land allotted to NISM. Various processes of commencing construction work at site such as appointment of architects for different special requirements and agency to take care of project management etc, have been initiated and are underway.

With an objective to establish national presence in terms of extending the activities being managed by NISM, NISM has acquired the premises on lease from SEBI at Mittal Court, Nariman Point and also at Chennai, essentially to offer multi-functional services viz. (1) providing facilities of modern test administration centre and (2) providing ambient and infrastructural support of class room to undertake courses/ programs at these locations. At both these locations, it is planned to start the activities by October/ November 2010.

The Institute obtained possession of the floors where the class room, auditorium and library facilities are located in the office premises in Vashi, facilitating it to plan its programs, courses and test administration facilities to make best use of the physical infrastructure. NISM also obtained possession of UTI Niwas from the Indian Institute of Capital Markets, which is intended to be used for extending the residential facilities to students of residential programs, for executive programs and for visiting faculty and guests of NISM.

## 7.3. World Bank Technical Assistance for NISM

The World Bank offered technical assistance to the Ministry of Finance to support development and implementation in three broad areas under its purview namely, (1) capital market development, (2) debt management and (3) pension reforms. The World Bank, through this Technical Assistance, seeks to utilize its international experience to contribute to the development initiatives in these areas. The following pertain to NISM:

- Development of certification examinations
- Establishment of a securities market simulator in NISM
- Faculty training program

Discussions were held with representatives of World Bank and Ministry of Finance on May 9, 2009. The terms of reference were discussed for each assignment. Based on these discussions, detailed Terms of References were written and

submitted to the World Bank. These assignments are expected to be implemented in FY 2010-2011.

**7.4. MoU among NISM, CFA Institute and IAIP**

NISM signed a Memorandum of Understanding with The CFA Institute, USA and Indian Association of Investment Professionals (IAIP) on June 4, 2009 for collaboration in areas of examination development, continuing education, investor

education, financial literacy, ethics, research and joint conferences. The CFA Institute, USA, IAIP and NISM will be working together in these various areas to bring about valuable contributions to the Indian financial market.

As of March 2010,

<b>No. of Certification Programmes Launched</b>	<b>3</b>
<b>No. of Candidates enrolled for various Certification Programs</b>	<b>15,000</b>
<b>No. of Institutes participated in the Financial Literacy Program</b>	<b>38</b>
<b>No. of Students Registered for the Financial Literacy Program</b>	<b>4090</b>
<b>No. of Programs conducted for Regulatory Agencies</b>	<b>5</b>
<b>No. of Programs conducted on Corporate Governance</b>	<b>5</b>
<b>No. of Round Table Conferences conducted</b>	<b>5</b>

# Financial statements

The following Financial Statements, duly audited and approved by the Board, are as under are attached:

1. Balance Sheet as on 31st March 2010
2. Income and Expenditure Account for the year ending 31st March 2010

**NATIONAL INSTITUTE OF SECURITIES MARKETS**
**Balance Sheet as on 31ST MARCH, 2010**

<b>FY 2008-09* Rs.</b>	<b>FUNDS &amp; LIABILITIES</b>	<b>Rs.</b>	<b>FY 2009-10 Rs.</b>	
	<b>Trusts Funds or Corpus:-</b>			
<b>1,271,000,500</b>	Balance as per last Balance Sheet	1,274,000,500		
<b>3,000,000</b>	Received during the year (give details)	78,000,000	<b>1,352,000,500</b>	
	<b>Other Earmarked Funds :-</b>		-	
	(Created under the provisions of the trust deed or scheme or out of the Income)		-	
-	Depreciation Fund	-		
-	Sinking Fund	-		
-	Reserve Fund	-		
<b>15,000,000</b>	Any other Fund	15,000,000	<b>15,000,000</b>	
	<b>Loans (Secured or Unsecured) :-</b>			
-	From Trustees	-		
-	From Others	-		
	<b>Liabilities :-</b>			
<b>4,597,743</b>	For Expenses	3,238,689		
	For Advances			
-	For Rent and Other Deposits	474,240		
<b>3,621,295</b>	For Sundry Credit Balances	633,278		
			<b>4,346,207</b>	
	<b>Income and Expenditure Account :-</b>			
<b>49,933,142</b>	Balance as per last Balance Sheet	<b>137,877,507</b>		
	Less: Appropriation, if any			
<b>87,944,365</b>	<b>Add : Surplus or Less: Deficit</b>	<b>89,471,762</b>		
	(As per Income & Expenditure Account)		<b>227,349,269</b>	
<b>1,435,097,045</b>		<b>Total</b>	<b>1,598,695,976</b>	

	FY 2008-09 Rs.	PROPERTY AND ASSETS	Rs.	FY 2009-10 Rs.
	4,790,914	<b>Immovable Properties :- (At Cost)</b>		4,551,368
	5,308,492	Balance as per last Balance Sheet	5,308,492	
		Additions during the year	-	
		Less: Sales during the year	-	
	(517,578)	Depreciation up to date	757,124	
	30,662	<b>Furniture &amp; Fixtures :</b>		528,980
	37,971	Balance as per last Balance Sheet	37,971	
		Additions during the year	530,944	
		Less: Sales during the year	-	
	(7,309)	Depreciation up to date	39,935	
		<b>Office Equipment &amp; Computers</b>		1,477,140
	53,640	Balance as per last Balance Sheet	61,139	
	7,499	Additions during the year	3,010,039	
	-	Less: Sales during the year	-	
	(16,661)	Depreciation up to date	1,594,038	
	1,197,607,537	<b>Investments :- Fixed Deposits</b>		1,331,635,750
	-	<b>Loans (Secured or Unsecured) : Good / doubtful</b>		-
	-	Loans Scholarships	-	
	-	Other Loans	-	
	158,991,648	<b>Advances :-</b>		167,094,432
	-	To Trustees	-	
	-	To Employees	-	
	-	To Contractors	-	
	-	To Lawyers	-	
	417,135	To Others : Service Tax Receivable	900,226	
	-	Others	26,500	
	5,020,918	Sundry Debtors	506,206	
	1,459,739	Prepaid Expenses	1,250,281	
	3,554,093	T.D.S.Receivable on FD	6,871,455	
	78,094,163	To Others : For Purchase of Building	78,094,163	
	70,445,600	To Others : For purchase of Land	79,445,600	
		<b>*Income Outstanding :-</b>		
	65,074,119	Interest Receivable		42,650,330
	8,557,687	<b>Cash &amp; Bank Balances</b>		50,757,976
	8,016,687	(a) In Current Account with Banks	50,757,976	
	541,000	(b) With the Trustees Cash Balance	-	
	-	(c) With the manager	-	
	-	<b>Income and Expenditure Account :-</b>		-
	-	Balance as per Balance Sheet		-
	-	Less: Appropriation, if any		-
	-	<b>Add : Surplus or Less: Deficit</b>		-
		<b>(As per Income &amp; Expenditure Account)</b>		
	1,435,097,045		<b>Total Rs.</b>	1,598,695,976

**NATIONAL INSTITUTE OF SECURITIES MARKETS**

**Income and Expenditure Account for the year ending 31ST MARCH, 2010**

<b>FY 2008-09* Rs.</b>	<b>EXPENDITURE</b>	<b>FY 2009-10 Rs.</b>	
	<b>To Expenditure in respect of properties :-</b>		
2,570,617	<b>Property Expenses</b>	2,423,876	
1,853,400	<b>To Establishment Expenses</b>	4,887,317	
	<b>To Remuneration to Trustees</b>		
	<b>To Remuneration</b> (in the case of a math) to the head of the math including his household expenditure, if any.		
644,126	<b>To Legal Expenses</b>	92,500	
50,000	<b>To Auditors Fees</b>	50,000	
384,326	<b>To Professional Fees</b>	225,556	
	<b>To Contribution and Fees</b>		
	<b>To Amount written off</b>		
	(a) Bad Debts		
	(b) Loan Scholarship		
	(c) Irrecoverable Rents		
	(d) Other Items		
	<b>To Miscellaneous Expenses</b>	32,230	
268,420	<b>To Depreciation</b>	1,849,548	
1,765,000	<b>To Provision for Tax</b>		
	<b>To Amount transferred to Reserve or Specific Funds</b>		
	<b>To Expenditure on Objects of the Trust</b>		
	(a) Religious		
27,480,416	(b) Educational	39,837,211	
	(c) Medical Relief		
	(d) Relief of Poverty		
	(e) Other Charitable Objects		
87,944,365	<b>To Surplus carried over to Balance Sheet</b>	89,471,762	
122,960,670	<b>Total Rs.</b>	138,869,999	

\*Re-grouped.

	<b>FY 2008-09* Rs.</b>	<b>INCOME</b>	<b>FY 2009-10 Rs.</b>
		(accrued) *	
		<b>By Rent</b> (realised)	<b>469,968</b>
		(accrued) *(estimate)	
		<b>By Interest</b> (realised)	
		<b>On Securities :</b>	
	<b>117,168,124</b>	<b>On Fixed Deposit</b>	<b>113,031,758</b>
	<b>218,993</b>	<b>On Bank Account:</b>	<b>289,238</b>
		<b>By Dividend</b>	
		<b>By Donations in Cash or Kind</b>	
		<b>By Grants</b>	
	<b>5,567,700</b>	<b>By Income from Schools</b>	<b>24,551,106</b>
	<b>5,353</b>	<b>By Balance written off</b>	<b>469,872</b>
	<b>500</b>	<b>By Miscellaneous Income</b>	<b>58,057</b>
		<b>By Transfer from Reserve</b>	
		<b>By Deficit carried over to Balance Sheet</b>	
	<b>122,960,670</b>	<b>Total Rs.</b>	<b>138,869,999</b>

# Key Milestones

Here's a summary of key initiatives undertaken by NISM in the last one year. From launch of new programmes to industry events and partnerships... *its been a busy year!*

April  
2009

JUNE, 2009



Signed MoU with The CFA Institute, USA and IAIP for collaboration in areas of examination, development, continuing education, investor education, research and joint conferences

AUGUST, 2009

Launched the first pilot training programme, 'Building an Investment Advisory Business' in collaboration with UTI Asset Management Company

Launched two certificate examinations: NISM-Series-II-A: Registrars and Transfer Agents (Corporate) Certification Examination and NISM-Series-II-B: Registrars and Transfer Agents (Mutual Fund) Certification Examination

Launch of **Certificate in Financial Engineering and Risk Management (CFERM)**, an executive education programme

MAY, 2009

NISM launched its first certification examination - NISM Series I: Currency Derivatives. The examination has an objective of setting the minimum proficiency level for this segment and is mandatory for all approved users and sales personnel of trading members of currency derivatives segments of recognized stock exchanges.

JULY, 2009

First ever conference on Securitization in India. The **India Securitization Summit 2009**

offered a platform to review the industry, the structure, the inefficiencies, the potentials and the future

Organized two workshops on "Reporting on Corporate Governance in India" in collaboration with GCGF, CII and Thomson Reuters Foundation

SEPTEMBER, 2009



Training Programme for field officers of Economic Offence Wing, Mumbai Police

Round Table Conference on Direct Tax Code & Implications for Capital Markets

Training for Indian Foreign Services Probationary Officers

OCTOBER, 2009

Refresher Programme for Internal Audit of Stock Brokers” for chartered accountants, cost accountants and company secretaries

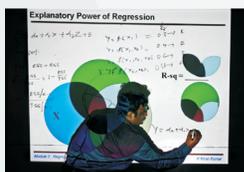
Training programme conducted for Joint Secretary & Under Secretary of Ministry of Finance (Nepal), officials from Securities Board of Nepal & Citizen Investment Trust



DECEMBER, 2009

Workshop on Essential Econometrics for Research in Finance for research scholars and university teachers

FEBRUARY, 2010



Launch of the new batches of Certificate in Financial Engineering and Risk Management (CFERM) in multiple formats

March 2010

NOVEMBER, 2009

Enrollment for Currency Derivatives Examination reaches 10,000

DIRECTOR'S COLLOQUIUM: Corporate Governance, Board Leadership, Building Effective Boards, a joint initiative of NISM-CII-GCGF was organized for directors and senior officials of companies



JANUARY, 2010

Launch of Certified Securities Markets Professional programme (CSMP), a post graduate programme in Securities Markets

Organized a “Training of Trainers Programme for Corporate Governance” in collaboration with GCGF, CII and IIMC



MARCH, 2010

Workshop on Computational Finance for research scholars and industry experts

# Important Events



Round Table Conference on “Corporate Governance in India – A Reality Check” (April 2009)



Promoting Financial Literacy in Schools (May 2009)



Direct Tax Code and Implications for Capital markets (September 2009)



Training Programme on Investigation of Securities Markets Fraud (September 2009)



Director's Colloquium (November, 2009)



Training of Trainers Programme for Corporate Governance (January 2010)





