

Annexure –II

NISM-Series-V-B: Mutual Fund Foundation Certification Examination

Test Objectives

Unit 1: Concept and Role of a Mutual Fund

- 1.1. Know the concept of securities markets and its role in the Indian Economy
- 1.2. Understand the concept of mutual fund and compare and contrast with conventional investment avenues such as Bank Deposits, Post Office Deposits, Public Provident Fund.
- 1.3. Understand the mutual fund industry and related concepts
 - 1.3.1 Define a mutual fund and list the functions of a mutual fund
 - 1.3.2 Understand the basic operations of a mutual fund
 - 1.3.3 Understand the concepts related to mutual fund
 - Assets under management
 - Net Asset Value
 - Unit Capital
 - Realised Capital Gains or Losses
 - Valuation gains or losses
 - Mark to Market Valuation
 - Scheme running expenses
- 1.4. List the advantages and limitations of a mutual fund
- 1.5. Understand the two plans or routes for investors to invest in a mutual fund
 - Direct Plan
 - Regular Plan
- 1.6. Know about the different kind of investment options available to the investors
 - 1.6.1. Growth option
 - 1.6.2. Dividend option
 - Dividend Payout
 - Dividend Reinvestment
- 1.7. Explain the role of new cadre of mutual fund distributors

Unit 2: Fund Structure and Constituents

- 2.1 Know the basic legal structure of mutual funds in India and understand their role
 - 2.1.1 Mutual Fund Trust and Board of Trustees
 - 2.1.2 Sponsor

- 2.1.3 Asset Management Company
- 2.1.4 Custodian
- 2.1.5 Registrar and Transfer Agent
- 2.2 Understand the role and support functions of service providers of mutual funds
 - 2.2.1 Fund Accountant
 - 2.2.2 Auditor
 - 2.2.3 Distributors
 - 2.2.4 Collection Bankers
- 2.3 Understand the organisation structure of Asset Management Company
 - 2.3.1 Chief Investment Officer
 - Securities Analyst
 - Securities Dealers
 - 2.3.2 Chief Marketing Officer
 - 2.3.3 Chief Operations Officer
 - 2.3.4 Compliance Officer

Unit 3: Mutual Fund Products

- 3.1 Understand the classification of mutual fund schemes
 - 3.1.1 Based on organisation structure
 - Open end funds
 - Close end funds
 - Interval funds
 - 3.1.2 Based on investment style
 - Actively managed funds
 - Passive funds
- 3.2 Explain the categorisation and definition of open-end mutual fund schemes
 - 3.2.1 Equity Schemes
 - 3.2.2 Debt Schemes
 - 3.2.3 Hybrid Schemes
 - 3.2.4 Solution Oriented Schemes
 - 3.2.5 Other schemes
 - Index Funds
 - Exchange Traded Funds
 - Fund of Funds

Unit 4: Performance of Mutual Funds

- 4.1 Understand the calculation of returns of mutual fund schemes
 - 4.1.1 Simple Return
 - 4.1.2 Annualized Return
 - 4.1.3 Compounded Annual Growth Rate (CAGR)
- 4.2 Understand the concepts of Entry Load and Exit Load and their application in calculating the Net Asset Value (NAV)
- 4.3 Understand the calculation of returns for an investor investing in mutual fund schemes
 - 4.3.1 Total Return
 - 4.3.2 Compound Return
- 4.4 Understand the concept of risk in a mutual fund investment
- 4.5 Understand the measures of risk adjusted return
 - 4.5.1 Sharpe Ratio
 - 4.5.2 Treynor Ratio
- 4.6 Understand the concept of benchmark for some of the mutual fund schemes

Unit 5: Mutual Funds Taxation

- 5.1 Understand the different types of taxes associated with mutual fund schemes
 - 5.1.1 Securities Transaction Tax (STT)
 - 5.1.2 Capital Gains Tax
 - 5.1.3 Dividend Distribution Tax (DDT)
- 5.2 Select different schemes of mutual funds based on their tax implication

Unit 6: Offer Document

- 6.1 Know the process of New Fund Offer (NFO)
- 6.2 Understand the key components of an offer document
 - 6.2.1 Scheme Information Document
 - Types of schemes
 - Investment Objective, policy and strategy
 - Schemes portfolio holdings
 - Risk factors in a mutual fund scheme
 - Fees and Expenses
 - Rights of unitholders
 - 6.2.2 Statement of Additional Information
 - Information about sponsors, AMCs and Trustee Company
 - Financial Information for schemes launched in last three financial years by the fund house

- Investment valuation norms
- Tax, Legal and General Information

6.2.3 Key Information Memorandum

Unit 7: Fund Distribution and Sales Practices

7.1 Know various distribution channels for mutual funds

7.1.1 Individual distributors

7.1.2 Institutional channels

- Asset Management Companies
- Members of the stock exchange
- Banks
- Post offices

7.2 Know the pre-requisites to be fulfilled to become a distributor of a mutual fund

7.2.1 Certification Examination

7.2.2 KYD Process

7.2.3 ARN Registration and Renewal

7.2.4 Empanelment process

7.3 Know the transaction charges and commission structure for mutual fund distributors

7.3.1 Types of commissions as initial / upfront and trail commissions

7.4 Know the regulations, guidelines and code of conduct for selling mutual fund schemes

7.4.1 SEBI regulations relating to sales practices by mutual fund distributors

7.4.2 AMFI Code of Ethics (ACE)

7.4.3 AMFI's Guidelines Norms for Intermediaries (AGNI)

Unit 8: Investor Transactions

8.1 Know the types of investors eligible to invest in mutual fund schemes

8.1.1 Individual Investors

- Resident Indian
- Minor
- Hindu Undivided Family
- Non-Resident Indian/Persons of Indian Origin

8.1.2 Non- Individual Investors

- Corporates registered in India
- Partnership Firms
- Banks
- Foreign Portfolio Investors

-Trustees of Private Trusts

8.2 Understand the compliance requirements for mutual fund investors

8.2.1 Know Your Client (KYC)

8.2.2 Foreign Account Tax Compliance Act (FACTA) and Common Reporting Standards

8.2.3 Client Due Diligence (CDD)

8.3 Know the KYC process followed by distributors through KYC Registered Agency (KRA)

8.4 List the types of investor transactions in mutual funds

8.4.1 Fresh Purchases

8.4.2 Additional Purchases

8.5 Understand the different transaction mediums for purchase and repurchase (sale) of mutual fund

8.6 Know the cut-off timing for subscription and redemption of mutual fund schemes

8.7 Understand the concept of dematerialisation and mutual fund transactions through stock exchanges

Unit 9: Investment Services

9.1 Describe the mutual fund investment plans

9.1.1 Growth option

9.1.2 Dividend payout option

9.1.3 Dividend re-investment option

9.2 Understand the systematic transaction processes

9.2.1 Systematic Investment Plan

9.2.2 Systematic Withdrawal Plan

9.2.3 Systematic Transfer Plan

9.3 Describe the contents and periodicity of Statement of Account (SoA) and Consolidated Account Statement (CAS) to the investor

9.4 Explain the process for nomination and pledge

9.5 List investor services and facilities offered by AMCs

Unit 10: Asset Classes

10.1 Understand the objective behind investing in different asset classes through mutual funds

10.1.1 Equity

10.1.2 Debt

10.1.3 Gold

10.1.4 Real Estate

Unit 11: Financial Planning Concepts

11.1 Understand the basics of Financial Planning

11.1.1 Concept of financial planning

11.1.2 Objective of financial planning

11.1.3 Benefits of financial planning

11.1.4 Types of financial plan

- Goal oriented plan

- Comprehensive financial plan

11.2 Relate financial planning to financial goals and the time horizon for their achievement

11.3 Relate Financial Goals with Investment Requirements

Unit 12: Helping Investors with Financial Planning

12.1 Understand the steps of financial planning

12.2 Know various stages of Life Cycle and investment needs

12.3 Know various stages of Wealth Cycle and investment needs

12.4 Understand the importance of risk profiling

12.5 Understand financial planning with the help of model portfolios

12.6 Understand the important parameters for selecting mutual fund schemes

12.6.1 Fund Age

12.6.2 Scheme Running Expenses

12.6.3 Tracking Error

12.6.4 Regular Income Yield in Portfolio

12.7 Understand taxation and liquidity aspects while selecting growth and dividend option within a mutual fund scheme

12.8 Identify the sources of data to track mutual fund performance

Unit 13: Legal and Regulatory Environment

13.1 Know the role of SEBI in regulating mutual funds

13.2 List the functions of AMFI

13.3 Understand Investors rights and obligations

13.3.1 Rights of investors in a mutual fund

- Beneficial ownership

- Right to inspect

- Trust Deed
- Investment Management Agreement
- Custodial Services Agreement
- R&T agent agreement

- Memorandum & Articles of Association of the AMC

13.3.2 Investor grievance and redressal standards

13.3.3 Annual Reporting standards and disclosure