

Annexure II – Test Objectives

NISM-Series-X-B: Investment Adviser (Level 2) Certification Examination

MODULE 7: RISK MANAGEMENT AND INSURANCE PLANNING

Chapter 1: Basics of Insurance

- 1.1 Discuss some simplistic/common examples
- 1.2 Discuss the need for insurance
 - 1.2.1 Requirements of an insurable risk
- 1.3 Discuss the Fundamental Principles of Insurance
 - 1.3.1 Utmost good faith (Uberrimae Fidei)
 - 1.3.2 Understand the concept of Insurable interest
- 1.4 Concepts in Insurance
 - Indemnity insurance
 - Benefit insurance
 - Subrogation
 - Contribution
 - Co-pay
 - Deduction
 - Others concepts
- 1.5 Understand Role of Insurance in Personal Finance
- 1.6 Understand Investing through Insurance
 - 1.6.1 Should investment be done via insurance
 - 1.6.2 Prioritizing insurance needs and investment needs
- 1.7 Discuss the Role of Insurance Advisor
 - 1.7.1 Steps in Insurance planning
 - Identify the insurance need
 - Estimate the insurance coverage
 - Identifying the most suitable insurance product
 - Optimise the insurance premium
 - Monitor the insurance coverage
- 1.8 Regulations
 - 1.8.1 Health Insurance
 - 1.8.2 Unit Linked Insurance products (ULIPS)
 - 1.8.3 Regulatory aspects for insurance intermediaries
 - 1.8.4 Regulations for insurance intermediaries under IRDAI regulations
 - 1.8.5 Do's and don'ts under SEBI (IA) Regulations

Chapter 2: Features of life insurance products

- 2.1 Elements of life insurance products
- 2.2 Discuss life insurance need analysis

- 2.2.1 Estimate the life insurance coverage
- 2.3 Know the Life Insurance Products
 - Term insurance
 - Term insurance with return of premiums
 - Endowment
 - Whole Life Insurance
 - Unit-Linked Insurance
 - Mortgage Insurance
- 2.4 Know various facilities available under life insurance policies
 - Loan against insurance policy
 - Nomination and change of nomination
 - Policy assignment
- 2.5 Discuss Insurance under Married Women's Property Act (MWPA)
- 2.6 Understand the benefits/limitations and provisions when insurance is taken from multiple companies (this should cover all the different types of insurance policies, including group policies and employer provide policies, Merits/demerits of surrendering insurance before maturity period)
- 2.7 Understand the criteria to evaluate various life insurance products
 - 2.7.1 (Traditional life insurance policy or unit-linked plans; offline plans versus online plans)
 - 2.7.2 Investment linked insurance plans or pure term insurance
- 2.8 Understanding global coverages for different Life insurance products

Chapter 3: Features of non-life insurance products

- 3.1 Understand the Non-life insurance
 - 3.1.1 Elements of non-life insurance products
 - 3.1.2 Types of non-life insurance products
- 3.2 Understand the benefits/limitations and provisions when insurance is taken from multiple companies (this should cover all the different types of insurance policies, including group policies, understand the benefits and limitations of employer-provided insurance)
- 3.3 Understand the criteria to compare various insurance products
 - Health insurance policy vs. Critical illness policy
 - Offline versus Online Insurance Policies (cover all general insurance products)
- 3.4 Understand global coverages for different General Life insurance products

MODULE 8: RETIREMENT PLANNING

Chapter 4: Retirement planning basics

- 4.1 Understand the need for retirement planning and prioritising it
- 4.2 Know the difference between various financial goals and retirement
- 4.3 Understand Retirement Planning
 - 4.3.1 Impact of inflation
 - 4.3.2 The expected rate of return
- 4.4 Understand how to estimate the retirement corpus (sums)

- 4.4.1 Replacement Ratio Method
- 4.4.2 Expense Protection Method
- 4.5 Discuss employee benefits and superannuation benefits

Chapter 5: Retirement products

- 5.1 Discuss accumulation related products
 - 5.1.1 Employees Provident Fund
 - 5.1.2 Voluntary Provident Fund
 - 5.1.3 Public Provident Fund
 - 5.1.4 Gratuity
 - 5.1.5 Superannuation Benefit
 - 5.1.6 National Pension System
 - 5.1.7 Atal Pension Yojna
 - 5.1.8 Retirement Plans from Mutual Funds and Insurance Companies
- 5.2 Portfolio created by an investment adviser for the purpose
- 5.3 Discuss distribution related products
 - 5.3.1 Discuss in detail annuity products from insurance companies
 - 5.3.2 Discuss Systematic Withdrawal Plans (SWP) from mutual funds
 - 5.3.3 Discuss Laddering of bonds or fixed deposits
 - 5.3.4 Discuss Senior Citizen's Savings Scheme
 - 5.3.5 PM Vaya Vandana Yojana,
 - 5.3.6 Post office MIS
 - 5.3.7 Discuss Reverse Mortgage

Chapter 6: Miscellaneous aspects of retirement planning

- 6.1 Understand Advisor's role in retirement planning
- 6.2 Discuss with examples in detail various calculations for retirement planning
- 6.3 Understand the criteria to evaluate various retirement benefit products
- 6.4 Discuss about Philanthropy

MODULE 9: TAXATION

Chapter 7: Concepts in Taxation

- 7.1 Know the Framework and Sources of Tax Regulations in Securities Markets
- 7.2 Understand the Key concepts in Taxation
 - 7.2.1 Assessment Year vs Previous Year
 - 7.2.2 Person
 - 7.2.3 Assessee
- 7.3 Know the concept of Income
- 7.4 Learn about Residential Status
 - 7.4.1 Residential status of an individual
 - 7.4.2 Residential status of Hindu Undivided Family (HUF)

- 7.4.3 Residential status of company
- 7.4.4 Residential status of Firm or Association of Persons (AOP) or Local Authority or Artificial Juridical Person
- 7.5 Understand the different heads of Income along with examples
 - 7.5.1 Income from Salary
 - 7.5.2 Income from House Property
 - 7.5.3 Profits and Gains of Business or Profession
 - 7.5.4 Income from Capital Gains
 - 7.5.5 Income from Other Sources
- 7.6 Learn the concept of Clubbing of income
 - 7.6.1 Income from assets transferred to another person
 - 7.6.2 Income of another person to be included in taxpayer's income
- 7.7 Understand the concepts of Set off and Carry Forward of Losses
 - 7.7.1 Loss under the head capital gains
 - 7.7.2 Loss under the head profits and gains of business or profession
 - 7.7.3 Loss under the head 'Income from house property'
 - 7.7.4 Loss under the head other sources
- 7.8 Understand the concepts of Exempt income, Deductions under Chapter VI-A and Rebate under Section 87A
- 7.9 Learn the concepts of Minimum Alternate Tax (MAT) and Alternate Minimum Tax (AMT)
- 7.10 Learn the concepts of Gross Total Income and Total Income
- 7.11 Know about the computation of Tax Payable
 - 7.11.1 Non-corporate assessee
 - 7.11.2 Corporate assessee
- 7.12 Know about the Double Tax Avoidance Agreement (DTAA) and its types
- 7.13 Understand different Taxation Regime
- 7.14 Know the concepts of Maximum Marginal Rate of Tax (MMR) and Effective Rate of Tax
- 7.15 Know about Tax Alpha
- 7.16 Learn about the General Anti-Avoidance Rules (GAAR)

Chapter 8: Capital Gains

- 8.1 Basic concepts of Capital gains
- 8.2 Understand what are Capital Assets
- 8.3 Know the Types of capital asset
 - 8.3.1 Calculating Period of Holding
- 8.4 Learn about the Transfer
 - 8.4.1 Transactions not regarded as transfer
- 8.5 Understand the Computation of capital Gains from transfers
 - 8.5.1 Conversion of Capital gain earned in foreign currency into Indian Rupees
 - 8.5.2 Tax rates on capital gains
 - 8.5.3 Exemption for capital gains

Chapter 9: Income from Other sources

- 9.1 Know the Income from other sources
- 9.2 Understand the dividend income

9.3 Understand the Interest on Securities

9.4 Discuss the Gift of Securities

9.4.1 Computation of Income

9.4.2 Computation of fair market value

9.4.3 Cases when income is not chargeable to tax

9.5 Learn about the Shares issued at Premium by closely-held company

9.5.1 Taxability of excess premium

9.6 Understand the applicability of income computation and disclosure standards (ICDS)

Chapter 10: Taxation of Debt Products

10.1 Explain the Sources of Income

10.1.1 Interest Income

- Accrual Basis
- Receipt Basis

10.1.2 Capital Gains

10.2 Describe the Types of debt products (*Tax treatment of the following bonds when they are listed and when they are unlisted; also cover stamp duty*)

10.2.1 Coupon Bond

10.2.2 Zero Coupon Bonds & Deep Discount Bonds

10.2.3 Convertible Bonds

10.2.4 Commercial Papers

10.2.5 Government Securities

10.2.6 Tax Free Bonds

10.3 Learn about the Mutual Funds

10.3.1 Types of Mutual Funds

10.3.2 Tax on Income from Mutual Funds

10.3.3 Tax on dividend from Debt oriented mutual funds

10.3.4 Tax on long-term capital gains from debt oriented mutual funds

10.3.5 Tax on short-term capital gains from debt oriented mutual funds

10.4 Know the Masala Bonds

10.5 Discuss the Foreign Currency Convertible Bonds

10.6 Understand the Financial Securities

10.6.1 Pass through certificates or Securitised debt instruments

10.6.2 Security receipts

10.7 Taxation of Non-residents

Chapter 11: Taxation of Equity Products

11.1 Explain the Sources of Income

11.1.1 Dividend Income

11.1.2 Capital Gains

11.2 Describe the tax treatment for Listed Equity

11.2.1 Charges and Taxes

11.2.2 Tax on dividend

11.2.3 Tax on inter-corporate dividend

11.2.4 Tax on long-term capital gains as per section 112A

- 11.2.5 Tax on long-term capital gains as per section 112
- 11.2.6 Tax on short-term capital gains as per section 111A
- 11.2.7 Tax on normal short-term capital gain
- 11.3 Describe the tax treatment for Unlisted Shares
 - 11.3.1 Tax on dividend from unlisted shares
 - 11.3.2 Tax on long-term capital gains from unlisted shares
 - 11.3.3 Tax on short-term capital gains from unlisted shares
- 11.4 Understand the taxation of Preference Shares
 - 11.4.1 Tax on dividend from Preference shares
 - 11.4.2 Tax on long-term capital gains from Preference shares
 - 11.4.3 Tax on short-term capital gains from Preference shares
- 11.5 Understand the Taxation of GDR/ADR
 - 11.5.1 Tax implications of GDR/ADR in case of non-resident
 - 11.5.2 Tax implications of GDR/ADR in case of Resident
- 11.6 Understand the Taxation of Warrants
 - 11.6.1 Tax on conversion of share warrants into shares
 - 11.6.2 Tax on transfer of share warrants
- 11.7 Learn about the taxation of Mutual Funds (including Fund of Funds and ELSS; SIPs, SWPs, STP)
 - 11.7.1 Taxation of Mutual Funds
- 11.8 Learn about the tax treatment of Derivatives
 - 11.8.1 Types of Derivatives contracts
 - 11.8.2 Nature of Derivatives income
 - 11.8.3 Computation of Turnover
 - 11.8.4 Scheme of Taxation
 - 11.8.5 Set off and carry forward of losses
- 11.9 Understand about Dividend
- 11.10 Understand Bonus Stripping
- 11.11 Discuss the benefits allowed from capital gains
 - 11.11.1 Benefits not allowed from long-term capital gain chargeable to tax at the rate of 20%
 - 11.11.2 Benefits not allowed from long-term capital gain chargeable to tax at the rate of 10%
 - 11.11.3 Benefits not allowed from short-term capital gain chargeable to tax at the rate of 15% under section 111A and 115AD
- 11.12 Adjustment of Exemption limit from capital gains
- 11.13 Overview of Taxation of Equity products

Chapter 12: Taxation of Other Products

- 12.1 Know the tax aspects of Employee Stock Ownership (ESOPs)
 - 12.1.1 Terms of ESOP
 - 12.1.2 Tax implication of ESOPs
 - 12.1.3 Deferment of tax on perquisite value of ESOPs in case of start-ups
- 12.2 Know the Sovereign gold bonds
 - 12.2.1 Tax implications on SGBs
- 12.3 Know the National Pension System (NPS Tier 1 & Tier 2)
 - 12.3.1 Tax treatment of contribution to NPS

- 12.3.2 Tax treatment of sum received from NPS
- 12.4 Know about the tax aspects of Real Estate Investment Trusts (REITs)
 - 12.4.1 REIT Tax Implication
 - 12.4.2 Tax implication on the transfer of units of REITs by unit-holder
 - 12.4.3 Taxability in the hands of sponsors
 - 12.4.4 Applicability of TDS
 - 12.4.5 Reporting of income by REITs to its unit-holders
- 12.5 Know about the tax aspects of Infrastructure Investment Trust (InvITs)
- 12.6 Know about the tax aspects of Alternate Investment Funds (AIF)
 - 12.6.1 Taxation of AIF Category I&II
 - 12.6.2 Taxation of AIF Category III
- 12.7 Learn about the Exchange Traded Funds (ETFs)
 - 12.7.1 Gold ETFs
 - 12.7.2 Index ETFs
- 12.8 Know the tax aspects of Life Insurance Products
- 12.9 Know the tax aspects of reverse mortgage
- 12.10 Learn about the tax aspects of Other Derivative Products

Chapter 13: Tax provisions for special cases

- 13.1 Understand the tax applicability on Bonus issues
 - 13.1.1 Taxation under the head of capital gains
 - 13.1.2 Taxable under the head profits and gains from business or profession (PGBP)
- 13.2 Understand the tax applicability on Split & Consolidation of securities
 - 13.2.1 Taxation under the head of capital gains
 - 13.2.2 Taxable under the head PGBP
- 13.3 Understand the tax applicability on Buyback of Shares
 - 13.3.1 Domestic Company liable to pay tax
 - 13.3.2 Consequences of Default
- 13.4 Understand the tax applicability on Liquidation of Companies
 - 13.4.1 Tax liability in the hands of the company
 - 13.4.2 Tax liability in the hands of the shareholders
- 13.5 Understand the tax applicability on Rights issues
 - 13.5.1 Taxability at the time of renunciation of right
 - 13.5.2 Taxability at the time of issuance of shares
 - 13.5.3 Taxability at the time of sale of shares
- 13.6 Understand the tax applicability on Mergers & Acquisitions of securities
 - 13.6.1 Taxability at the time of allocation of shares
 - 13.6.2 Taxability at the time of transfer of shares
- 13.7 Understand the tax applicability on Stock Lending and Borrowing
 - 13.7.1 Taxability in hands of lenders
 - 13.7.2 Taxability in hands of borrowers
- 13.8 Understand the tax applicability on conversion of Bonds or Preference shares in equity shares.
- 13.9 Taxation in case of Conversion of Stock into Capital Asset
- 13.10 Understand the tax applicability in case of segregated portfolios in mutual funds

- 13.11 Understand the tax liability in case of consolidation of mutual fund schemes or plans
- 13.12 Taxation in case of winding up of Mutual Funds

MODULE 10: ESTATE PLANNING

Chapter 14: Basics of Estate Planning

- 14.1 Explain Estate Planning
- 14.2 Discuss what constitutes estate
 - 14.2.1 Discuss the consequences of dying intestate
- 14.3 Know the elements of Estate Planning
- 14.4 Learn about the various laws applicable for estate planning
 - 14.4.1 India Succession Act, 1925
 - 14.4.2 Married Women's Property Act, 1874
- 14.5 Understand the concept of Mutation

Chapter 15: Tools for Estate Planning

- 15.1 Know about various tools for estate planning - before death and after death
- 15.2 Understand the concept of Wills
 - 15.2.1 Characteristics and content of will
 - 15.2.2 Types of will—unprivileged, privileged, joint, mutual and conditional, living will, oral will
 - 15.2.3 Legal requirement and testamentary capacity
 - 15.2.4 Registration of Wills
 - 15.2.5 Modifying and revoking a will
 - 15.2.6 Codicils
 - 15.2.7 Succession certificate
 - 15.2.8 Role of the executor
- 15.3 Know about the probate process
- 15.4 Discuss the concept of Gifts, Joint Holding and Nomination
 - 15.4.1 Gifts
 - 15.4.2 Joint Holding
 - 15.4.3 Nominations
- 15.5 Understand Family Settlement
 - 15.5.1 Intra family business and property transfer
 - 15.5.2 Forms of family business ownership
 - 15.5.3 Transfer of business and inter-generation wealth transfer
- 15.6 Trust-Characteristics and Regulations
 - 15.6.1 Indian Trust Act
 - 15.6.2 Classification of Trust-revocable/irrevocable and simple/complex
 - 15.6.3 Characteristics of trust-discretionary and determinate
 - 15.6.4 Different types of a family trust
 - 15.6.5 Family trust versus will
 - 15.6.6 Parties to trust

- 15.6.7 Hybrid trust
- 15.6.8 Cancellation (extinguishing) and revocation of trust, other provisions
- 15.6.9 Trust structure for tax efficiency
- 15.6.10 Trust structure to align strategic objectives of the settler
- 15.6.11 Trust perpetuities
- 15.6.12 Trust as a pass-through entity
- 15.6.13 Lower taxes on future earnings and capital gains
- 15.6.14 Direct acquisition of asset-benefit of stamp duty and capital gains tax
- 15.6.15 Offshore trusts and regulatory requirements
- 15.6.16 Distributable net income
- 15.7 Discuss Powers of Attorney
 - 15.7.1 Use and purpose
 - 15.7.2 Types—general and special
 - 15.7.3 Revocation
 - 15.7.4 Limits of PoA holder
 - 15.7.5 PoA executed abroad

MODULE 11: BEHAVIOURAL FINANCE

Chapter 16: Basics of Behavioural Finance

- 16.1 Behavioural Finance Versus Standard Finance
- 16.2 How do individuals make decision?
 - 16.2.1 Bounded Rationality
 - 16.2.2 Prospect Theory
- 16.3 Categorization of Biases
 - 16.3.1 Emotional Biases
 - 16.3.2 Cognitive errors
- 16.4 Fusion Investing
- 16.5 How behavioural Finance explains Market Anomalies
- 16.6 How behavioural Finance explains Bubbles and crashes

Chapter 17: Behavioural Finance in Practice

- 17.1 Discuss the role of emotions in goal setting
 - Retail therapy – stress buster or escape mechanism?
 - Too many and too frequent transactions
 - Chasing past performance
 - Home country bias
 - Buying insurance for tax saving
 - Too much diversification or highly concentrated portfolio
 - The impact of framing on risk tolerance questions
 - Overconfidence and dilution in risk management
- 17.2 Discuss nudging the investor to behave better
- 17.3 Understand the role of investment adviser in management of client emotions

MODULE 12: COMPREHENSIVE INVESTMENT ADVICE

Chapter 18: Risk Profiling for Investors

- 18.1 Understand risk profiling for investors
- 18.2 Discuss various parameters for risk profiling
- 18.3 Understand the role of risk profiling in asset allocation
 - 18.3.1 Investor's risk profile with asset allocation
 - 18.3.2 Model portfolios and their application

Chapter 19: Comparison of products across categories

- 19.1 Discuss performance data for investment products
- 19.2 Attribute portfolio performance and evaluate the investment alternatives
 - 19.2.1 ELSS vs. Other Tax Saving Instruments
 - 19.2.2 Mutual Funds vs. Portfolio Management Services (PMS) vs AIF
 - 19.2.3 Mutual funds vs. ULIP
 - 19.2.4 Actively managed equity mutual funds vs. Index funds
 - 19.2.5 Direct Equity vs. Equity Funds
 - 19.2.6 ETFs versus Index Funds
 - 19.2.7 Physical Gold vs. Gold Funds vs. Sovereign Gold bonds vs Gold ETFs
 - 19.2.8 Real estate vs REITS vs INVITS
 - 19.2.9 Debt Instruments vs. Debt Funds vs .Bank Fixed Deposit vs. Fixed Maturity Plans
 - 19.2.10 Index futures vs Index Options vs Index Funds (time horizon, cost and risks)
 - 19.2.11 Gold Futures vs Gold ETFs time horizon, cost and risks)
 - 19.2.12 Company deposits vs debentures
- 19.3 Evaluate various alternatives among other products
 - 19.3.1 Market linked vs Non-market linked retirement accumulation products
 - 19.3.2 Critical illness policy vs. Critical illness rider
 - 19.3.3 Personal Accident insurance v/s Life insurance

Chapter 20: Case Studies

- 20.1 Understand the practical aspects of providing financial advice through case studies
- Create and interpret comprehensive financial planning solutions for the household