

## Annexure-II

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

#### Test Objectives

##### Unit 1: Understanding Securities Markets and Performance

- 1.1. Know the working of equity markets
  - 1.1.1. Primary Markets
  - 1.1.2. Secondary Markets
- 1.2. Interpret key equity market indicators
  - 1.2.1. Equity Indices
  - 1.2.2. Relative Valuations Indicators
- 1.3. Interpret risk and return from equity investing
  - 1.3.1. Price and Value
  - 1.3.2. Fundamental and Technical Analysis
- 1.4. Compare and contrast various tools and options in equity investing – direct, IPOs, Mutual funds and PMS
  - 1.4.1. Direct Investment
  - 1.4.2. Investment through Portfolio Management Services (PMS)
  - 1.4.3. Investment through equity mutual funds
- 1.5. Know the working of debt markets
  - 1.5.1. Short Term Debt Markets
  - 1.5.2. Long Term Debt Instruments
- 1.6. Understand debt market analytics and indicators
  - 1.6.1. Structure of a Fixed Income Instrument
- 1.7. Understand risk and return in debt investing
  - 1.7.1. Benefits of investing in debt securities
  - 1.7.2. Risks of Investing in Debt Securities
- 1.8. Compare and contrast various debt products – saving schemes, bonds, deposits and debt mutual funds.
  - 1.8.1. Deposits and Saving Schemes
  - 1.8.2. Debt Securities
  - 1.8.3. Debt Mutual Fund Schemes
- 1.9. Understand derivative markets, products and strategies
  - 1.9.1. Futures
  - 1.9.2. Options
- 1.10. Understand how derivatives can be used to hedge
  - 1.10.1. Hedging
  - 1.10.2. Speculation

- 1.10.3. Arbitrage
- 1.11. Interpreting derivative indicators
- 1.12. Understand the structure of Foreign Exchange Market; difference between spot and forward exchange rates; settlement periods; effect of interest rates
  - 1.12.1. Market Segments
- 1.13. Know the calculation of forward exchange rates using: premiums and discounts; interest rate parity

## **Unit 2: Knowing Operational Aspects of financial transactions**

- 2.1. Know Investor types and the acquisition process
  - 2.1.1. Who can Invest?
  - 2.1.2. Acquisition Process
  - 2.1.3. Terms of Offer
  - 2.1.4. Regulatory Requirements
  - 2.1.5. Mandatory Investor Information
  - 2.1.6. Investor Folio or Account
- 2.2. Learn about PAN, KYC and other processes
  - 2.2.1. Permanent Account Number (PAN)
  - 2.2.2. Know Your Customer Process
- 2.3. Know about the Demat and Remat processes
  - 2.3.1. Dematerialisation
  - 2.3.2. Rematerialisation of Securities
- 2.4. Learn about the PoA and other agreements
  - 2.4.1. General Power of Attorney
  - 2.4.2. Specific Limited Power of Attorney
- 2.5. Understand the processes involved for account opening of Non-Resident Investors (NRIs)
- 2.6. Understand the process of Consolidating, reorganising and folio-keeping
  - 2.6.1. Change of Address and Contract Details
  - 2.6.2. Change in Name
  - 2.6.3. Change in Status
  - 2.6.4. Marking a Lien
  - 2.6.5. Transmission
- 2.7. Understand the process flow in Special situations: minor turns major, NRI to RI and RI to NRI
  - 2.7.1. Minors as Investors
  - 2.7.2. Minor turned Major
  - 2.7.3. NRI to Resident India
  - 2.7.4. Resident India to NRI
- 2.8. Know the Operational aspects related to joint accounts, lien, nomination, transmission
  - 2.8.1. Joint Holding
  - 2.8.2. Nomination

- 2.8.3. Payment Instruments
- 2.9. Learn about the documentation required for financial advice

### **Unit 3: Personal Financial Planning**

- 3.1. Compute and interpret personal finance ratios
  - 3.1.1. Saving Ratio & Expenses Ratio
  - 3.1.2. Total Assets
  - 3.1.3. Total Liabilities
  - 3.1.4. Leverage Ratio
  - 3.1.5. Net Worth
  - 3.1.6. Solvency Ration
  - 3.1.7. Liquid Assets
  - 3.1.8. Liquidity Ratio
  - 3.1.9. Financial Assets Ratio
  - 3.1.10. Debt to Income Ratio
- 3.2. Understand cash flow analysis and determine surplus
- 3.3. Understand Budgetary mechanism for households
- 3.4. Understand contingency planning
- 3.5. Estimate financial goals

### **Unit 4: Comprehensive Financial Planning**

- 4.1. Understanding Leverage and debt counselling
- 4.2. Understand Interpretation of liquidity, investment and long-term needs
- 4.3. Learn about Prioritising and Financing the financial goals
  - 4.3.1. Purpose of the debt
  - 4.3.2. Cost of debt
  - 4.3.3. Maturity of debt
  - 4.3.4. Debt Rescheduling
- 4.4. Learn about Risk profiling and processes in financial planning
  - 4.4.1. Credit Score
- 4.5. Evaluating insurance needs for life and general insurance (Part of this is in Level 1)
- 4.6. Evaluating choices in retirement planning
  - 4.6.1. Ensuring adequate focus on important goals
  - 4.6.2. Differentiating between consumption expenditure
  - 4.6.3. Identifying the holes in the household budget
  - 4.6.4. Allocation to various categories of expenses
  - 4.6.5. Staggering the timing of certain goals
  - 4.6.6. Windfalls
- 4.7. Create and interpret comprehensive financial planning solutions for the household
- 4.8. Understand Asset Allocation

- 4.9. Know the Model Portfolios
  - 4.9.1. Young Call center/BPO employee with no dependents
  - 4.9.2. Young Married single income family with two school going kids
  - 4.9.3. Single income family with grown up children who are yet to settle down
  - 4.9.4. Couple in their seventies, with no immediate family support
- 4.10. Know the Fundamental Principles of Insurance
  - 4.10.1. Utmost good faith (Uberrimae Fidei)
  - 4.10.2. Insurable interest
- 4.11. Know the Role of Insurance Advisor
  - 4.11.1. Identify the insurance need
  - 4.11.2. Estimate the insurance coverage
  - 4.11.3. Identifying the most suitable insurance product
  - 4.11.4. Optimise the insurance premium
  - 4.11.5. Monitor the insurance coverage
- 4.12. Know the Life Insurance Products
  - 4.12.1. Term insurance
  - 4.12.2. Endowment
  - 4.12.3. Whole Life
  - 4.12.4. Unit-Linked Insurance
  - 4.12.5. Variable Insurance products
  - 4.12.6. Mortgage Insurance
- 4.13. Know the Non-Life Insurance Products
  - 4.13.1. Health Insurance
  - 4.13.2. Personal accident insurance
  - 4.13.3. Travel Insurance
  - 4.13.4. Motor Insurance
  - 4.13.5. Property insurance
  - 4.13.6. Fidelity insurance
  - 4.13.7. Directors and Officers insurance
  - 4.13.8. Keyman insurance
- 4.14. Understand Retirement Planning
  - 4.14.1. Amount required in each month of retired life
  - 4.14.2. Nature of retirement benefits available
  - 4.14.3. Inflation rate
  - 4.14.4. Number of years to retirement
  - 4.14.5. Number of retirement years to provide for/No. of years in retirement
  - 4.14.6. Likely rate of return on investment of retirement corpus
- 4.15. Know the Philanthropy
- 4.16. Understand Comprehensive Financial Planning

## **Unit 5: Product analysis and selection**

- 5.1. Understanding risk, return and portfolio construction principles
  - 5.1.1. Return on Investment
  - 5.1.2. Risk in Investment
  - 5.1.3. Portfolio Construction Principles
- 5.2. Learn about Return targets, risk profile and optimization
  - 5.2.1. Return, Risk and Combining Asset Classes
- 5.3. Understand the impact of market cycles on asset allocation and product selection
- 5.4. Evaluate and select equity funds, debt funds and other funds
  - 5.4.1. Principles of fund selection
  - 5.4.2. Selecting Equity Funds
  - 5.4.3. Selecting Debt Funds
  - 5.4.4. Selecting Hybrid Funds
  - 5.4.5. Other Funds
- 5.5. Attribute portfolio performance and evaluate the investment alternatives
  - 5.5.1. ELSS vs. Tax Saving Instruments
  - 5.5.2. ELSS vs. Other Tax Saving Instruments
  - 5.5.3. Mutual Funds vs. Public Provident Fund (PPF)
  - 5.5.4. Direct Equity vs. Equity Funds
  - 5.5.5. Physical Gold vs. Gold Funds
  - 5.5.6. Debt Instruments vs. Debt Funds
  - 5.5.7. Bank Fixed Deposit vs. Fixed Maturity Plans
- 5.6. Evaluate mutual fund portfolios for revisions and rebalancing
  - 5.6.1. Reviewing Mutual Fund Portfolio
  - 5.6.2. Equity Fund Evaluation
  - 5.6.3. Debt Fund Evaluation
- 5.7. Understand and interpret the impact of elements of macroeconomic policies on asset allocation
  - 5.7.1. Gross Domestic Product
  - 5.7.2. Business Cycles
  - 5.7.3. Composition of GDP
  - 5.7.4. Index of Industrial Production
  - 5.7.5. Aggregate Demand
  - 5.7.6. Current Account Deficit
  - 5.7.7. Inflation
  - 5.7.8. Inflation and Monetary Policy Action
  - 5.7.9. Prices and Asset Valuation
  - 5.7.10. Money Supply Indicators
  - 5.7.11. Transmission of Policy Initiatives
  - 5.7.12. Government Finances
- 5.8. Interpret behavioural biases in decision making and portfolio management

## **Unit 6: Regulatory and Compliance Aspects**

- 6.1. Understand Disclosure requirements
  - 6.1.1. Definitions
  - 6.1.2. Registration
  - 6.1.3. Exemption from Registration
  - 6.1.4. Qualification and Certification Requirement
  - 6.1.5. Capital Adequacy
  - 6.1.6. Validity of Registration
  - 6.1.7. Conditions of Certificate
  - 6.1.8. General Responsibility
  - 6.1.9. Suitability
  - 6.1.10. Disclosure to Clients
  - 6.1.11. Maintenance of Records
  - 6.1.12. Appointment of Compliance Officer
  - 6.1.13. Redressal of Client Grievances
  - 6.1.14. Segregation of Execution Services
  - 6.1.15. Code of Conduct for Investment Advisers
- 6.2. Understand compliances related to transactions
- 6.3. Evaluate and document costing, taxation and procedures
- 6.4. Understand Regulation relating to insurance, pension and investment products
- 6.5. Understand Investor queries, grievance redressal, and service elements
  - 6.5.1. Redressal in Capital Market
  - 6.5.2. Redressal in Banking
  - 6.5.3. Redressal in Insurance
  - 6.5.4. Other Redressal Fora
  - 6.5.5. Securities Appellate Tribunal

## **Unit 7: Case studies in Comprehensive Financial Advice**

- 7.1. Understand practical aspects of providing financial advice through case studies