

**NISM-Series-II-B: Registrars to an Issue and Share Transfer Agents - Mutual Fund  
Certification Examination**

**Test Objectives**

**Unit 1: Introduction to Securities**

- 1.1. Describe the broad categorization of securities as equity and debt.
- 1.2. Identify, from a list of different types of securities, those that represent ownership in a corporation and those that represent creditors.
- 1.3. Describe benefits to equity investors – dividend, growth, ownership.
- 1.4. Identify and describe the essential features of equity securities – uncertain pay-outs, perpetuity, and liquidity.
- 1.5. Identify and describe essential features of debt securities – interest payment, maturity, credit rating.
- 1.6. Describe benefits to investors in debt – interest, redemption, right to assets.
- 1.7. Describe hybrid structures - preferred and convertible instruments.

**Unit 2: Characteristics of Equities**

- 2.1. List the types of investors in Equity Shares:
  - 2.1.1. Promoters
  - 2.1.2. Institutional Investors
  - 2.1.3. Public Investors
- 2.2. Understand the rights of common shareholders.
- 2.3. Distinguish par value and share premium for equity shares.
- 2.4. Understand the concept of Dividend.
  - 2.4.1. Identify dividend as the pay-out to equity investors and that it is not a predefined or fixed rate.
  - 2.4.2. Identify dividend is payable on the face value and not current value of an equity share.
  - 2.4.3. Solve a simple problem on rate of dividend and amount of dividend.
- 2.5. Describe the terms - authorized capital, issued capital, outstanding shares, paid-up shares and share buy-back.
- 2.6. Distinguish the characteristics of preferred shares from those of common shares.
  - 2.6.1. Identify that preferred shares are normally privately placed with investors as opposed to a public offering.
  - 2.6.2. Identify the preferences of preferred shareholders regarding dividends and assets in contrast to those of common shareholders and bondholders.
- 2.7. Identify the purpose of a rights offering as a pre-emptive right of shareholders to preserve their proportionate ownership in a corporation at the time additional shares are issued.
- 2.8. Discuss briefly about Preferential Issue.

**Unit 3: Characteristics of Debt Securities**

- 3.1. From a list of different types of securities, identify those that represent the debt of a corporation.
  - 3.1.1. Distinguish the characteristics of corporate debt securities from those of common and preferred shares.

- 3.1.2. Define the payment terms of corporate debt securities to include the face value, coupon and term to maturity.
- 3.2. Distinguish the face value of a corporate debt security from the market value.
- 3.3. Define current yield.
  - 3.3.1. Distinguish the coupon of a corporate debt security from its current yield.
  - 3.3.2. Distinguish the yield to maturity of a corporate debt security from its current yield.
- 3.4. List the types of debt securities.
  - 3.4.1. Identify the distinguishing characteristics of bonds, debentures, deep discount bonds and convertible debt securities.
  - 3.4.2. Identify and distinguish the relative advantages and disadvantages to issuers and investors of the convertibility feature of corporate debt securities.
- 3.5. Understand Fixed and Floating rate instruments.
  - 3.5.1. Identify and define the features of a floating rate bond.
  - 3.5.2. Differentiate a fixed coupon and a floating rate bond.
  - 3.5.3. Describe floating rate benchmarks and reset frequency.
- 3.6. Know about Credit Rating
  - 3.6.1. Identify the role of credit rating agencies with respect to the ability of issuers of corporate debt securities to make regular interest payments and to repay the face value at maturity.
  - 3.6.2. Identify credit rating symbols.
  - 3.6.3. Describe the nature of unrated bonds.
  - 3.6.4. Identify SEBI's role in setting standards for credit rating agencies.
- 3.7. Understand Money market instruments.

#### **Unit 4: Characteristics of Other Securities**

- 4.1. Identify the purpose of a warrant offering as a means to make an offering of new securities, usually debt securities, more attractive to investors. Contrast with a rights offering.
- 4.2. Identify the purpose of a convertible bond offering, to convert debt to equity over time, and manage cash flows.
- 4.3. Identify the purpose of Depository Receipts (DRs) and Fully Convertible Currency Bonds (FCCBs) to facilitate cross border trading and settlement, minimize transaction costs, and broaden the potential investor base, especially among institutional investors.
- 4.4. Understand Depository Receipts (DR).
  - 4.4.1. Define a DR as a negotiable instrument in the form of a certificate denominated in US dollars issued against certain underlying securities.
  - 4.4.2. Identify that certificates are issued by a depository bank that has a claim on securities deposited by the issuing corporation with a domestic custodian bank.
  - 4.4.3. Identify the right of DR holders to receive dividends and other payments when authorized by the underlying corporation, but NOT the right to vote on corporate matters.
- 4.5. Discuss briefly on Exchange Traded Funds (ETFs) and Index Funds
- 4.6. Compare and contrast Real Estate Investment Trust (REITs) and Infrastructure Investment Trust (InvITs).

#### **Unit 5: SEBI – Role and Regulations**

- 5.1. Understand the securities market regulatory environment.
- 5.2. Introduction on role of SEBI
- 5.3. Know about the SEBI Act, 1992 and its importance.
  - 5.3.1. Identify SEBI's powers to:

- Conduct investigations of all market participants
  - Adjudicate offenses and penalize violators
  - Register and regulate market intermediaries
  - Standards of disclosure for issuers
  - Regulation of securities exchanges
- 5.4. Name SEBI regulations specifically aimed at investor protection:
- 5.4.1. SEBI (Prohibition of Insider Trading) Regulations, 2015
- 5.4.2. SEBI (Prohibition of Fraudulent and Unfair Trade practices relating to Securities Market) Regulations, 2003
- 5.5. Identify the statutory basis for the Investor Education and Protection Fund (IEPF) from a list of potential acts.
- 5.5.1. Identify the purpose of the Investor Education and Protection Fund (IEPF).
- 5.5.2. Identify the funding sources for the IEPF to include unclaimed dividends, interest, allotment, application fees, matured deposits and debentures, and government grants and investment income of the period.
- 5.6. Know other SEBI Regulations:
- 5.6.1. SEBI (Intermediaries) Regulations, 2008
- 5.6.2. SEBI (Depositories and Participants) Regulations, 2018

## **Unit 6: Basics of Registrars and Transfer Agents (RTA)**

- 6.1. Introduction on Registrars and Transfer Agents (RTA)
- 6.1.1. Specify the importance and criticality of RTA functions in securities markets
- 6.2. Describe the need for RTAs
- 6.3. List the types of RTAs functioning in securities markets
- 6.3.1. Servicing corporates
- 6.3.2. Servicing mutual funds
- 6.3.3. Servicing individual clients
- 6.4. Describe the role and functions of the RTA in detail with respect to the following:
- 6.4.1. Investor record keeping
- Electronic records and physical records
- 6.4.2. Corporate actions
- Dividend
  - Bonus share
  - Buy-back
  - Stock split
- 6.4.3. General operations
- 6.5. List the functions of an Investor Service Centre (ISC) of an RTA.
- 6.5.1. Explain the role of Official Point of Acceptance (OPA)
- 6.6. Discuss about Qualified Registrar and Transfer Agent (QRTA).
- 6.6.1. Emphasize on QRTAs being Critical Intermediary Interface (CII).
- 6.7. Compare and contrast the role of RTAs and Depositories
- 6.7.1. Explain the interface between RTAs and Depositories.
- 6.8. State the no. of RTAs functional in India. State the statistics related to the following:
- 6.8.1. Industry size
- 6.8.2. No. of folios, servicing investors & distributors
- 6.8.3. No. of transactions serviced

## **Unit 7: Registrars and Transfer Agents Regulations**

- 7.1. Discuss how SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 allows RTA functions to be outsourced or performed in-house.
- 7.2. Discuss SEBI (Registrars to an Issue and Share Transfer Agents) Regulation, 1993
  - 7.2.1. Application for registration
  - 7.2.2. Capital adequacy requirements
  - 7.2.3. Obligation and Responsibilities
  - 7.2.4. Inspection of RTA operations
  - 7.2.5. Cancellation or Suspension of Certificate of Registration
- 7.3. Discuss the enhanced monitoring guidelines for QRTAs issued by SEBI
- 7.4. Discuss the cyber-security and cyber-resilience framework for QRTAs
- 7.5. Explain the systems audit framework for MFs/ AMCs
  - 7.5.1. Role of Technical Committee
  - 7.5.2. Exception Reporting
- 7.6. Define the concept of Segregated Portfolio in Mutual Funds and explain the role of RTAs in such cases.
- 7.7. Explain the concept of Ultimate Beneficial Owner (UBO) and state its importance.

## **Unit 8: Basics of Mutual Funds**

- 8.1. Understand Mutual Funds.
  - 8.1.1. Define a mutual fund product as a portfolio of securities.
  - 8.1.2. Define fund objective. Identify objective of a fund and associate it with the portfolio.
  - 8.1.3. Define units of a fund, face value and ongoing value.
- 8.2. Understand and list the benefits of mutual funds to investors.
- 8.3. Describe and distinguish open and closed end funds, in terms of unit capital, ongoing transactions and investors' liquidity.
- 8.4. Describe how units of fund change with investor transactions.
- 8.5. Define Assets under Management (AUM) of a mutual fund portfolio.
  - 8.5.1. Describe how value of a unit changes with changes in the AUM.
  - 8.5.2. Identify value of securities as the cause for changes in AUM.
  - 8.5.3. Describe how AUM can move up or down every day.
  - 8.5.4. State the role of RTAs in calculating inflows and outflows.
- 8.6. Define Total Expense Ratio (TER) and its implication on mutual fund portfolio valuation.
  - 8.6.1. State the permissible TER limit for equity and debt funds.
  - 8.6.2. State how TER differs for direct and regular options of a mutual fund.
  - 8.6.3. Explain the concepts of T30 & B30.
  - 8.6.4. State the role of RTAs in calculating TER.
- 8.7. Define and describe Net Asset Value (NAV) of a fund and link it to the role of RTA.
- 8.8. Understand the concept of Unit Capital.
  - 8.8.1. Describe how unit capital can move up or down every day.
  - 8.8.2. Describe issuance of fractional units.
  - 8.8.3. Solve a simple problem on amount invested or amount/ unit redeemed.
  - 8.8.4. Solve a simple problem on computation of NAV, AUM and outstanding units.

## **Unit 9: Structure and Constituents of Mutual Funds**

- 9.1. Describe the structure of a mutual fund, in terms of the definition and role of sponsor, trustees and Asset Management Company (AMC).
  - 9.1.1. Describe SEBI guidelines for setting up of Mutual funds and their structure.
  - 9.1.2. Describe the appointment and functions of trustees.

- 9.1.3. List the functions and departments of the AMC.
- 9.1.4. Describe the relationship between investors, trustees and AMC.
- 9.2. Describe the regulatory aspects in structuring a mutual fund, including listing of the approvals and registrations required.
- 9.3. Describe the constituents of a mutual fund. Name each constituent and match their names with their functions. Describe the regulatory requirements for each constituent.
  - 9.3.1. Legal structure:
    - Sponsor
    - Trustee
    - Asset Management Company (AMC)
    - Custodian
  - 9.3.2. Service Providers:
    - Registrar and Transfer Agent (RTA)
    - Depositories
    - Banks
    - Fund Accountant
    - Auditor
    - Distributor and Registered Investment Advisors (RIA)
    - Stock Exchanges, Mutual Fund Utility (MFU) and other digital platforms
    - Payment aggregators & Payment gateway

## **Unit 10: Mutual Fund Products**

- 10.1. List and describe the broad classification of mutual funds:
  - 10.1.1. Open-ended funds
  - 10.1.2. Close-ended funds
  - 10.1.3. Interval funds
- 10.2. Discuss the types of plans offered by mutual funds:
  - 10.2.1. Direct Plan
  - 10.2.2. Regular Plan
- 10.3. Describe the features of mutual fund products and associate them with investment objective, investment horizon, risk appetite, market perception etc.
  - 10.3.1. Illustrate the importance of Riskometer.
- 10.4. Describe the mutual fund product creation process.
- 10.5. Describe Scheme Documents and its importance.
  - 10.5.1. List the brief content of the Scheme Document
    - Statement of Additional Information (SAI)
    - Scheme Information Document (SID)
    - Key Information Memorandum (KIM).
  - 10.5.2. Know the relevant SEBI guidelines for mutual funds.
- 10.6. Discuss the various categories of mutual funds.
  - 10.6.1. Types of Mutual Fund schemes as per SEBI Categorisation:
    - Equity mutual fund schemes
    - Debt mutual fund schemes
    - Hybrid mutual fund schemes
    - Solution oriented mutual fund schemes
    - Other schemes
  - 10.6.2. Other Mutual Fund products permitted by SEBI:
    - Fixed Maturity Plans
    - Real Estate Mutual Funds
    - Capital Protection Funds

- Infrastructure Debt Funds

## **Unit 11: Operational Concepts of Mutual Funds**

- 11.1. Describe the New Fund Offer (NFO) process.
  - 11.1.1. NFO price
  - 11.1.2. Collection
  - 11.1.3. Reconciliation
  - 11.1.4. Creation of records
  - 11.1.5. Allotment
  - 11.1.6. Inception date
- 11.2. Describe the Continuous Offer.
  - 11.2.1. Discuss its implications on open-ended mutual funds and close-ended mutual funds.
- 11.3. Describe the computation of NAV in a mutual fund.
  - 11.3.1. Solve a simple problem on computing NAV.
  - 11.3.2. Describe the sequence in computing and applying NAV to transactions in a mutual fund.
- 11.4. Describe the concept of applicable NAV and its linkage to working hours and cut-off time.
- 11.5. Elaborate the concept of cut-off time.
  - 11.5.1. Cut-off time for liquid and non-liquid schemes.
  - 11.5.2. Understand the concept of business day.
  - 11.5.3. List the SEBI Regulations on cut-off time.
- 11.6. Describe time stamping process and regulations governing time stamping.
  - 11.6.1. Risk control processes for time stamping.
  - 11.6.2. Operational control process for time stamping.
- 11.7. Describe the process of investing in Mutual Funds through Stock Exchange platforms.
- 11.8. Outline the importance of holding Mutual Fund units in dematerialised format.
- 11.9. Role of RTAs in tax computation
  - 11.9.1. Tax Deducted at Source (TDS)
  - 11.9.2. Securities Transaction Tax (STT)
- 11.10. Reporting requirements to Central Board of Direct Taxes (CBDT)
  - 11.10.1. Foreign Account Tax Compliance Act (FATCA)
  - 11.10.2. Common Reporting Standard (CRS)
  - 11.10.3. Statement of Financial Transactions

## **Unit 12: Investors in Mutual Funds**

- 12.1. List the types of mutual fund investors and their basic features.
  - 12.1.1. Individual Investors
  - 12.1.2. Institutional Investors
- 12.2. List the documentations required for new folio creation for:
- 12.3. Individual investors
- 12.4. Minors
- 12.5. Non-Resident Indians (NRIs)
- 12.6. Hindu Undivided Family (HUF)
- 12.7. Corporates
- 12.8. Describe the role of PAN and discuss the Know Your Customer (KYC) verification process.
  - 12.8.1. Discuss the e-KYC process and state the role of KYC User Agency (KUA)
- 12.9. Describe the registration process for resident and non-resident investors for:

- 12.9.1. Nomination
- 12.9.2. Power of Attorney (PoA)
- 12.10. Describe briefly about the Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS) compliance requirements.

### **Unit 13: Banking Operations in Mutual Funds**

- 13.1. Understand various payment mechanisms.
  - 13.1.1. List the payment modes used by investors in mutual funds:
    - Electronic mode –National Electronic Funds Transfer (NEFT), Real Time Gross Settlement (RTGS), Application Supported by Blocked Amount (ASBA), e-wallet, One Time Mandate (OTM).
    - Physical mode – Demand Draft, 'At Par' Cheques
  - 13.1.2. Understand that mutual funds do not accept outstation cheques.
  - 13.1.3. Describe the role of a collecting bank and the concept of cleared funds.
- 13.2. Discuss the role of National Automated Clearing House (NACH) in providing faster and efficient clearing platform.
- 13.3. Role of RTAs in banking operations - cheque handling, cheque return, reconciliation, verification of cut-off time.

### **Unit 14: Financial Transactions**

- 14.1. Differentiate a fresh purchase and an additional purchase transaction in a mutual fund.
  - 14.1.1. Illustrate the purpose of Transaction Slips.
- 14.2. Define purchase processing, including allocation of units, updating of unit capital, notifying the AMC, and reversals.
  - 14.2.1. Define entry load.
  - 14.2.2. Describe how load would affect purchase transaction, differential load and no-load transactions.
- 14.3. Describe a redemption transaction.
  - 14.3.1. Define exit load.
  - 14.3.2. Describe how exit loads affect redemption.
  - 14.3.3. Describe redemption process for open and closed end funds.
  - 14.3.4. Describe the role of Instant Access Facility available to investors for redemption.
- 14.4. Know about the Statement of Accounts (SoA) and Consolidated Accounts Statement (CAS).
- 14.5. Describe switch transactions and types of systematic transactions, and explain the process for each of them.
  - 14.5.1. Switch Transactions: Applicable NAV for switches; Inter-scheme and Intra-scheme switches; Applicability of loads for switches.
  - 14.5.2. Systematic Investment Plans (SIPs): Process, Permitted payment options such as direct debit mandate, NACH and Standing Instruction (SI).
  - 14.5.3. Systematic Withdrawal Plans (SWPs)
  - 14.5.4. Systematic Transfer Plans(STPs)
- 14.6. List the timelines to be adhered to for the various financial transactions as per SEBI (Mutual Fund) Regulations. State imposition of penalties in case of not adhering to the regulations.
- 14.7. Discuss the role of RTAs in calculating commission of distributors.

## **Unit 15: Non-Financial Transactions**

- 15.1. Describe the process and documentations required for registering changes in investor details:
  - 15.1.1. Change in name
  - 15.1.2. Change of address
  - 15.1.3. Change of Bank details/ Registering multiple bank mandate
  - 15.1.4. Updation of demographic details (email id/ mobile/ PAN)
  - 15.1.5. Change in status such as minor becoming major
  - 15.1.6. Power of Attorney (PoA) registration/ change
  - 15.1.7. Nominee registration/ change
  - 15.1.8. Pledge/ Lien marking, removal of invocation
- 15.2. Describe the process of transmission of units under various possibilities.
- 15.3. Describe the process of change in investment options in mutual funds.
- 15.4. Describe the process of registering changes in names, authorised signatories of institutional investors.
- 15.5. Describe the investor grievance redressal mechanism.
  - 15.5.1. Route provided by RTAs
  - 15.5.2. SEBI Complaints Redress System (SCORES)
- 15.6. Value added services provided by RTAs
  - 15.6.1. Dividend reports
  - 15.6.2. Capital gains statement
  - 15.6.3. Portfolio statement