

## **Annexure –II**

### **NISM-Series-IIIA Securities Intermediaries Compliance (Non-Fund) Certification Examination**

#### **Test Objectives**

#### **Part A – Understanding the Financial and Regulatory Structure in India**

##### **Unit 1: Introduction to the Financial System**

- 1.1 Understand the Financial System
  - 1.1.1 Describe the Financial System.
  - 1.1.2 Explain the role of Financial Markets in an economy.
  - 1.1.2 List out the different sub-types of the financial market.
- 1.2 Know about the Financial Market Intermediaries
  - 1.2.1 Discuss in brief the roles played by each type of financial intermediary: Stock Brokers, Clearing House, Stock Exchanges, Depositories and Participants, Custodians, Registrars & Transfer Agents, Merchant Bankers, Investment Advisors, Portfolio Managers, Bankers to Issues, Mutual Funds etc
- 1.3 Define and Understand types of Financial Securities
  - 1.3.1 Define 'Security' as per the SC(R)A, 1956.
  - 1.3.2 Describe the main features of various financial instruments such as Equity, Shares, Preference Shares, Debentures, Bonds, Warrants, Derivatives, ADR, GDR, IDR, Mutual Fund Units, and Exchange Traded Funds.
  - 1.3.3 Briefly describe other traded instruments such as Currency, Interest rate and their derivatives.

##### **Unit 2: Regulatory Framework – General View**

- 2.1 Know the Regulatory System in India
  - 2.1.1 Explain the need for regulation.
  - 2.1.2 Describe the overall framework of the Regulatory System: Government and Autonomous Regulation, Self Regulation, Interface with the Judicial System.
- 2.2 List the Financial Market Regulators and understand their role
  - 2.2.1 Know about the different Regulators in the Indian financial System
  - 2.2.2 Discuss the role of SEBI in Financial Market Regulation
  - 2.2.3 Describe the role of RBI and IRDA, PFRDA and FMC in Financial Market Regulation
- 2.3 Discuss the role of other regulators in the financial market: ROC, EOW, FIU-I, Police Authorities,
- 2.4 Understand the role of Appellate Authority

- 2.5 Discuss the Legislative Framework Governing the Financial market
- 2.5.1 Discuss the main Regulations and Rules that have an impact on the Compliance function.
- 2.5.2 Know about the applicable taxes on securities.

### **Unit 3: Introduction to Compliance**

- 3.1 Understand the need for Compliance
  - 3.1.1 Understand the meaning of Compliance and compliance officer.
  - 3.1.2 Discuss the importance of appointment of compliance officer.
  - 3.1.3 Describe the importance of compliance / ethics in Securities Markets.
- 3.2 Know the Role and Reporting Structure
  - 3.2.1 Understand the scope and role of a compliance officer.
  - 3.2.2 Know the Reporting Structure pertaining to Compliance Officer.
  - 3.2.3 Explain the need for independence for the Compliance Officer to perform his function.
  - 3.2.4 Explain the reporting responsibility of the Compliance Officers.
- 3.3 Understand the Responsibilities of COs towards Stakeholders:
  - 3.3.1 List the responsibilities of a Compliance Officer to Stakeholders:
  - 3.3.2 Explain the Regulatory requirement of a Compliance Officer and the duty to report violations to SEBI and other competent authorities.
- 3.4 Know the Compliance requirements under the SEBI (CAPSM) Regulations, 2007

### **Unit 4: SEBI Act, 1992**

- 4.1 Understand the SEBI Act, 1992
  - 4.1.1 Discuss and understand SEBI Act from Compliance aspect:
    - Registration of Stock brokers etc
    - Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control
    - Various sub-Regulations related to Penalties and Adjudications etc.

### **Unit 5: Securities Contracts (Regulation) Act, 1956 and Securities Contracts (Regulation) Rules, 1957**

- 5.1 Understand the following sections of the SC(R)A, 1956
  - 5.1.1 Recognition of Stock Exchanges
  - 5.1.2 Contracts and options in securities
  - 5.1.3 Listing of securities
  - 5.1.4 Penalties and Procedures
- 5.2 Understand the following Rules of the SC(R)R 1957
  - 5.2.1 Audit of accounts of members
  - 5.2.2 Withdrawal of recognition
  - 5.2.3 Books of account and other documents to be preserved
  - 5.2.4 Submission of annual reports and periodical returns
  - 5.2.5 Requirements with respect to the listing of securities on a S.E

## **Unit 6: SEBI (Intermediaries) Regulations, 1992**

- 6.1 Understand the SEBI (Intermediaries) Regulations.
- 6.2 Know the General Obligations of the Intermediaries.
- 6.3 Discuss the obligation of the intermediaries on inspection and on appointment of auditor or valuer.
- 6.4 Understand the action in case of default and manner of suspension or cancellation of certificate.
- 6.5 Know the Code of Conduct for intermediaries.

## **Unit 7: SEBI (Prohibition of Insider Trading) Regulations, 1992**

- 7.1 Understand the SEBI (Prohibition of Insider Trading) Regulations, 1992 pertaining to;
  - 7.1.1 Prohibition on dealing, communicating or counseling on matters relating to insider trading
  - 7.1.2 Violation of provisions relating to insider trading
  - 7.1.3 Code of internal procedures and conduct for listed companies and other entities
  - 7.1.4 Disclosure of interest or holding by directors and officers and substantial shareholders in listed companies (initial & continual disclosure); disclosure by company to stock exchanges.
- 7.2 Discuss the Code of conduct for prevention of insider trading.

## **Unit 8: SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003**

- 8.1 Understand the Regulation with respect to the prohibition of certain dealings in securities.
- 8.2 Know the various prohibitions related to manipulative, fraudulent and unfair trade practices.
- 8.3 Describe the procedure for Investigation.

## **Unit 9A: Prevention of Money Laundering Act 2002, SEBI (Foreign Portfolio Investors) Regulations, 2013**

- 9.1 Understand the significance of Anti-Money Laundering measures.
- 9.2 Discuss the General Obligations keeping in mind the anti-money laundering guidelines issued by SEBI:
  - 9.2.1 Policies and procedures
  - 9.2.2 Anti-Money Laundering Purposes
- 9.3 Highlights of SEBI Circular on AML/CFT
- 9.4 Understand the concept of Foreign Portfolio Investors
  - 9.4.1 Categories of Foreign Portfolio Investor (FPI)

- 9.4.2 Eligibility Criteria of FPI
- 9.4.3 Understand the procedure of grant of certificate, suspension, cancellation or surrender of certificate
- 9.4.4 Understand the procedure for approval to act as designated depository participant
- 9.4.5 Know about the Investment Conditions and Restrictions for FPI's
- 9.4.6 Discuss the general obligations and Responsibilities of FPI's

## **Unit 10: SEBI (KYC Registration Agency) Regulations, 2011**

- 10.1 Understand the registration process, conditions of initial and permanent registration.
- 10.2 Know the obligations when surrendering the certificate of registration.
- 10.3 Understand the Functions and Obligations of KRA and Intermediary.
- 10.4 Know the obligations of the KRA on inspection by SEBI.

## **Part B – Understanding Intermediary Specific Regulations**

## **Unit 11: SEBI (Stock Brokers and Sub-brokers) Regulations, 1992**

- 11.1 Discuss the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992, highlighting the compliance requirements under the below mentioned sections:
  - 11.1.1 Registration of Stock Brokers
  - 11.1.2 Registration of Sub-Brokers
  - 11.1.3 Registration of trading and clearing member
  - 11.1.4 General obligations and responsibilities
  - 11.1.5 Procedure for Inspection
  - 11.1.6 Procedure for action in case of default
  - 11.1.7 Code of conduct for Stock brokers
  - 11.1.8 Code of conduct for Sub brokers
  - 11.1.9 Regulation of transactions between clients and brokers
  - 11.1.10 Transactions between clients and brokers
  - 11.1.11 Unique Client Code
  - 11.1.12 Capital Adequacy norms for brokers
  - 11.1.13 Maintenance of books of account and other documents in the manner sought by the enforcement agencies
  - 11.1.14 Inspection of brokers by Stock exchanges
  - 11.1.15 Direct Market Access - operational specifications, risk management, broker to be liable for DMA trades
  - 11.1.16 Fees payable by Stock Brokers
  - 11.1.17 Discuss the SEBI (Alternate Investment Funds) Regulations, 2014
  - 11.1.18 Understand Alternate Investment Funds (AIFs) , different categories and its Registration process
  - 11.1.19 Know the registration process and the conditions of certificate
  - 11.1.20 Understand the investment conditions and restrictions for AIFs

11.1.21 Know about the general obligations and responsibilities and transparency

## **Unit 12: SEBI (Merchant Bankers) Regulations, 1992, Listing Agreement and SEBI (Delisting of Securities) Guidelines, 2003, SEBI Takeover Code and SEBI (BuyBack of Securities) Regulations, 2006**

- 12.1 Discuss the SEBI (Merchant Bankers) Regulations, 1992.
  - 12.1.1 Define a merchant banker.
  - 12.1.2 Know the procedure for registration as a merchant banker.
  - 12.1.3 Know the eligibility criteria for grant of certificate and the capital adequacy requirement.
- 12.2 Understand the general obligations and responsibilities of the merchant banker.
  - 12.2.1 Know the code of conduct followed by the merchant banker.
  - 12.2.2 List the financial records which a merchant banker needs to maintain.
- 12.3 Know the obligations of the Merchant Banker as per the SEBI Takeover Code.
- 12.4 Know the main requirements under the Listing agreement of the Stock Exchanges
- 12.5 Discuss briefly the SEBI (Delisting of Securities) Guidelines, 2003
- 12.6 Understand the obligations of the Intermediary under the SEBI (Buyback of Securities) Regulations, 2006

## **Unit 13: SEBI (Issue of Capital Disclosure and Requirements) Regulations, 2009**

- 13.1 Understand the ICDR Regulation from Merchant Banker aspect
- 13.2 Discuss the role of merchant bankers as advisors to the issuer company.
- 13.3 Detail the other key activities and related compliances undertaken by the merchant banker
- 13.4 Describe Post Issue process activity of the merchant banker.

## **Unit 14: SEBI (Depositories) Regulations, 1996**

- 14.1 Understand the SEBI (Depositories) Regulations, 1996.
- 14.2 Discuss the Rights and Obligations of the Depositories.
- 14.3 Know the enquiry and inspection procedure followed by SEBI and the penalties.

## **Unit 15: SEBI (Depositories and Participants) Regulations**

- 15.1 Understand the procedure of registration of a depository participant.
- 15.2 Know the rights and obligations of the depository participant.
  - 15.2.1 List the documents related to records of services which need to be maintained.
- 15.3 Describe the investor grievance redressal mechanism.
- 15.4 Know the Code of conduct for participants and the action in case of any default.

### **Unit 16: SEBI (Bankers to an Issue) Regulations, 1994**

- 16.1 Describe the procedure of application and registration as a Banker to an Issue.
- 16.2 Understand the general obligations and responsibilities of Banker to an Issue.
- 16.3 Know the Code of conduct for the Bankers to an Issue.
- 16.4 Highlight the obligations of a banker to an issue in case of inspection and the action taken by SEBI on the inspection and investigation report.

### **Unit 17: SEBI (Underwriters) Regulations, 1993**

- 17.1 Discuss the role of an Underwriter
  - 17.1.1 Understand the procedure of registration as an Underwriter.
  - 17.1.2 Know the validity of the certificate of registration as an Underwriter.
- 17.2 Know the Capital Adequacy requirements as an Underwriter.
- 17.3 Know the Code of conduct for the Underwriters.
- 17.4 Highlight the general obligations and responsibilities as an Underwriter.
  - 17.4.1 Know about the agreement with the clients.
  - 17.4.2 List various books of account and records which need to be maintained.
- 17.5 Know the Obligations of underwriter on Inspection by SEBI.

### **Unit 18: SEBI (Debenture Trustees) Regulations, 1993**

- 18.1 Understand the procedure of application and registration as Debenture Trustees.
  - 18.1.1 List the conditions of registration.
  - 18.1.2 Know the period of validity of certificate and the payment of fees.
- 18.2 Know the Capital Adequacy requirements as Debenture Trustees.
- 18.3 Understand the following general obligations and responsibilities.
- 18.4 Know the Code of conduct for the Debenture Trustees.
- 18.5 Know the Obligations of the Debenture Trustees on Inspection by SEBI.
- 18.6 List the various contents which should form a part of the trust deed.
- 18.7 Understand the process of dissemination of Information by Debenture Trustees.

### **Unit 19: SEBI (Credit Rating Agencies) Regulations, 1999**

- 19.1 Describe the Registration process for Credit Rating Agencies.
  - 19.1.1 Understand the application procedure
  - 19.1.2 Know the eligibility criteria for application
- 19.2 Highlight the General Obligations of Credit Rating Agencies.
- 19.3 Discuss about the Restrictions on Rating:
  - 19.3.1 Securities issued by Promoters
  - 19.3.2 Securities issued by entities connected with Promoter etc

- 19.3.3 Securities already rated
- 19.4 Know the obligations of credit rating agency on inspection or investigation by SEBI.
- 19.5 Know Code of conduct of the Credit Rating Agencies.
- 19.6 Discuss the Guidelines issued by SEBI for Credit Rating Agencies.

## **Unit 20: SEBI (Custodian of Securities) Regulations, 1996**

- 20.1 Understand the different Custodial Services.
- 20.2 Describe the eligibility criteria and the registration process.
  - 20.2.1 Describe the Procedure of Application for grant of certificate.
  - 20.2.2 Know the Capital Requirement.
  - 20.2.3 Know the Period of Validity of Certificate.
- 20.3 Highlight the General Obligations and Responsibilities of Custodians.
- 20.4 Know the Code of Conduct.
- 20.5 Know the obligation of custodian on inspection conducted by SEBI.