

## **NISM-Series-V-A Mutual Fund Distributors Certification Examination**

### **Test Objectives**

#### **Unit 1: Concept and Role of a Mutual Fund**

- 1.1 Describe concept and advantages of a mutual fund
  - 1.1.1 Define a mutual fund and list the functions of a mutual fund
  - 1.1.2 Explain what investment objectives are and illustrate how different mutual fund products serve different investment objectives
  - 1.1.3 Explain the concept of marking to market as a feature of mutual funds and illustrate how the investment value changes with changes in market value
  - 1.1.4 Define and distinguish the terms unit capital, assets under management, fund running expenses and net asset value
  - 1.1.5 List the advantages and limitations of a mutual fund
- 1.2 Understand and differentiate between various types of funds
  - 1.2.1 Compare and contrast closed end funds, open ended funds and interval funds
  - 1.2.2 Compare and contrast actively managed funds and passive funds
  - 1.2.3 Understand categorization of mutual fund schemes
    - Equity Schemes
    - Debt Funds
    - Hybrid Funds
    - Solution oriented Schemes
    - Other Schemes
- 1.3 Know developments in the Mutual Fund Industry over the years

#### **Unit 2: Fund Structure and Constituents**

- 2.1 Understand the legal structure of mutual funds in India
  - 2.1.1 Describe the structure of mutual funds in India
  - 2.1.2 Explain with illustrations the role of the Sponsor, Trustee and Asset Management Company (AMC)
  - 2.1.3 Explain the regulatory provisions with respect to Sponsor, Trustee and AMC
- 2.2 Understand the role and support functions of service providers of mutual funds
  - 2.2.1 Custodian
  - 2.2.2 Registrar and Transfer Agent (RTA)
  - 2.2.3 Auditors
  - 2.2.4 Fund Accounts
  - 2.2.5 Distributors
  - 2.2.6 Collecting Bankers
  - 2.2.7 KYC Registration Agencies

### 2.2.8 Central KYC

## 2.3 Know about payment aggregators

### **Unit 3: Legal and Regulatory Environment**

#### 3.1 Describe role of mutual fund regulator in India

3.1.1 Define the role of SEBI in regulating mutual funds

3.1.2 Understand the concept of a Self Regulator

3.1.3 List the functions of AMFI

3.1.4 Understand the AMFI Code of Ethics (ACE) and AMFI Guidelines and Norms for Intermediaries (AGNI)

3.1.5 Understand the SEBI restrictions for circulation of unauthenticated news

3.1.6 Understand the Due Diligence process followed by AMCs for its distributors

#### 3.2 Know investment restrictions and related regulation

3.2.1 Describe the relationship between investment policy and investment objective

3.2.2 Indicate the SEBI norms on portfolio diversification pertaining to investment management

#### 3.3 Understand Investors rights and obligations

3.3.1 Identify the rights of investors in a mutual fund

3.3.2 Indicate the service standards mandated for a mutual fund towards its investors

3.3.3 Know the investors' obligations in a mutual fund

### **Unit 4: Offer Document**

#### 4.1 Understand regulatory aspects of an offer document

4.1.1 Define an NFO and list the marketing steps involved in an NFO

4.1.2 Define the role of an offer document and explain the objectives of information disclosure in an offer document

4.1.3 Compare and contrast the objectives and contents of the Statement of Additional Information (SAI) and Scheme Information Document (SID)

4.1.4 Explain the regulatory requirements that govern the contents and format of the SID and SAI

#### 4.2 Understand regulatory aspects of a Key Information Memorandum (KIM)

4.2.1 Define the KIM and contrast it with the SID, SAI

4.2.2 List the contents of the KIM

4.2.3 Explain the regulatory provisions governing the KIM

#### 4.3 Understand the offer document to make mutual fund investment decisions

### **Unit 5: Fund Distribution and Channel Management Practices**

#### 5.1 Describe various distribution channels for mutual funds

5.1.1 Classify traditional distribution channels into individual and institutional channels

5.1.2 Discuss internet & stock exchange brokers as newer channels

- 5.1.3 Describe the pre-requisites to be fulfilled to become a distributor of a mutual fund
- 5.1.4 Explain the empanelment conditions and procedures for a mutual fund distributor
- 5.2 Explain the commission structure and transaction charges for mutual fund distributors
  - 5.2.1 Describe the arrangement for payment of commissions between the distributor and the mutual fund
  - 5.2.2 Identify the regulatory requirements governing payment of commissions to distributors
  - 5.2.3 Classify commissions into initial or upfront and trail commissions
  - 5.2.4 Define the basis of charging trail commissions
  - 5.2.5 Explain the different kinds of transaction charges for new and existing investors
  - 5.2.6 Explain the commission disclosure requirements mandated by SEBI
- 5.3 Discuss the SEBI Advertising Code for Mutual Funds

## **Unit 6: Accounting, Valuation and Taxation**

- 6.1 Understand accounting and expenses pertaining to mutual funds
  - 6.1.1 Compute net assets of a mutual fund scheme and NAV and describe the requirements pertaining to calculation and announcement of NAV
  - 6.1.2 Explain the factors affecting the NAV of a mutual fund scheme
  - 6.1.3 Explain the concept of Mark to Market as a valuation metric for mutual funds and Illustrate how the investment value changes with changes in market value
  - 6.1.4 Describe the requirements relating to charging of expenses to a mutual fund scheme
  - 6.1.5 Identify expenses that can be charged to a scheme and those that cannot be charged and the limits thereto
  - 6.1.6 Describe key accounting and reporting requirements applicable to mutual funds
- 6.2 Explain in brief the valuation process carried out by mutual funds.
- 6.3 Understand applicability of various taxes and know related regulations
  - 6.3.1 Explain the tax provisions applicable to a mutual fund
  - 6.3.2 Define the tax provisions applicable to distribution of dividend by a mutual fund
  - 6.3.3 Explain the taxability of dividends and capital gains in the hands of a mutual fund investor
  - 6.3.4 Determine the applicability of Securities Transactions Tax based on type of transaction and scheme
  - 6.3.5 Basics of setting off gains and losses under Income Tax Act

## **Unit 7: Investor Services**

- 7.1 Understand who can invest and types of investors
  - 7.1.1 List investors who can invest and those that cannot invest in mutual funds in India
  - 7.1.2 Indicate the source of information on eligibility of investors to invest in a scheme of a mutual fund
- 7.2 Describe the KYC requirement for mutual fund investors
  - 7.2.1 Explain the concept of KYC and list the documents required for KYC compliance

- 7.2.2 Explain KYC Registration Agencies
- 7.2.3 Explain the process of KYC for minors/NRIs/PoA holder
- 7.2.4 Describe the additional documentation requirements applicable to institutional investors
- 7.2.5 Explain Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS)
- 7.3 Describe the financial transactions (purchase and redemption) in a mutual fund
  - 7.3.1 Explain how to fill in the application form for purchasing new and additional mutual fund units
  - 7.3.2 Explain how to purchase mutual fund units through online transactions (including MF Utilities)
  - 7.3.3 Describe the different payment mechanisms for purchasing mutual funds units
  - 7.3.4 Explain how the mutual fund units are allotted to the investor after purchase
  - 7.3.5 Explain how to repurchase/sell mutual fund units through physical and online mechanism
  - 7.3.6 Describe the different options for receiving money on repurchase of mutual fund units
  - 7.3.7 Explain the concept of cut-off time and its applicability for purchase/repurchase transactions
  - 7.3.8 Explain the concept of Time Stamping
  - 7.3.9 Understand the mechanism of transacting (purchase/sale) through stock exchanges
- 7.4 Different types of investment plans and services
  - 7.4.1 Differentiate the features of a dividend, growth and dividend re-investment options in a mutual fund.
  - 7.4.2 Explain the different types of systematic transactions (systematic investment plan (SIP), systematic transfer plan (STP), systematic withdrawal plan (SWP), trigger and dividend transfer plan (DTP)).
  - 7.4.3 Explain operational aspects of systematic transactions
- 7.5 Describe the content and periodicity of Statement of Accounts (monthly and consolidated statement) to the investor
- 7.6 Explain the process for non-financial transactions in mutual funds
  - 7.6.1 Explain the concept of Nomination, pledge/ lien of units, change in folio details, transmission of units
- 7.7 List the turnaround time defined by SEBI for different kinds of investor transactions (allotment of units in NFO, redemption proceeds, credit of dividend etc.) with mutual funds
- 7.8 Describe other investor services and facilities offered by mutual funds.

## **Unit 8: Risk, return and performance of funds**

- 8.1 Identify and define the factors that may affect mutual fund performance
  - 8.1.1 Understand the performance of equity funds through fundamental and technical analysis
  - 8.1.2 Understand the different factors (interest rates and credit spreads) affecting the performance of debt funds
  - 8.1.3 Understand the different factors affecting the performance of gold funds and real estate

- 8.1.4 Calculate the various kinds of returns, such as simple, annualized and compounded returns. (Including MS Excel Functions)
- 8.2 Outline the SEBI norms regarding return representation of mutual funds in India
- 8.3 Explain risks in fund investing with a focus on investors
  - 8.3.1 Identify the sources of risk in an equity fund
  - 8.3.2 Identify the sources of risk in a debt fund
  - 8.3.3 Identify the sources of risk in other funds (hybrid, gold and real estate)
  - 8.3.4 Explain the various risk measures (variance, standard deviation, beta, modified duration, weighted average maturity)
- 8.4 Define and describe benchmarking of performance
  - 8.4.1 Explain the concept of benchmarking performance
  - 8.4.2 Identify the basis of choosing an appropriate performance benchmark
  - 8.4.3 Describe the use of market benchmarks to evaluate equity fund performance
  - 8.4.4 Describe the use of market benchmarks to evaluate debt fund performance
  - 8.4.5 Describe benchmarks used for hybrid funds, Gold ETF, real estate fund and international funds
  - 8.4.6 Explain the concepts related to fund manager performance (absolute returns, relative returns, risk-adjusted returns)

#### **Unit 9: Mutual Fund Scheme Selection**

- 9.1 Understand how to select mutual fund schemes
  - 9.1.1 List the steps in selecting the funds as per the broad asset category
  - 9.1.2 Understand mutual funds based on portfolio characteristics, investment strategies and investment objectives
  - 9.1.3 Understand selection of a mutual fund scheme through fund performance, fund portfolio, fund age, fund size, portfolio turnover and scheme running expenses
  - 9.1.4 Understand selection of various options viz growth, dividend payout and dividend re-investment within mutual fund schemes
- 9.2 Identify the sources of data to track mutual fund performance

#### **Unit 10: Selecting the Right Investment Products for Investors**

- 10.1 Differentiate between Savings and Investment
- 10.2 Explain the concept of Inflation Risk
- 10.3 Identify financial and physical assets
  - 10.3.1 Classify assets into physical and financial assets
  - 10.3.2 Identify the features of physical assets such as gold and real estate and the needs of the investor that they fulfill
  - 10.3.3 List the financial assets available for investment by an investor and their key features

#### **Unit 11: Helping Investors with Financial Planning**

- 11.1 Understand basics of financial planning
  - 11.1.1 Define financial planning

- 11.1.2 Relate financial planning to financial goals and the time horizon for their achievement
- 11.1.3 Explain the objective of financial planning
- 11.1.4 List the benefits and identify the need for financial planning to the investor
- 11.2 Define and describe life cycle and wealth cycle in financial planning
  - 11.2.1 Link the financial planning needs to the life cycle stage of the investor
  - 11.2.3 Describe the stages in the wealth cycle model of investor

**Unit 12: Recommending Model Portfolios and Financial Plans**

- 12.1 Define and describe the need for risk profiling
  - 12.1.1 List the factors influencing risk profile of an investor
  - 12.1.2 List the risk profiling tools
- 12.2 Understand asset allocation
  - 12.2.1 Why asset allocation is done
  - 12.2.2 Strategic & Tactical Asset Allocation
- 12.3 Discuss some model portfolios for different kind of investors
- 12.4 Understand the behavioral biases in investment decision making