

## **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