

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

Define a mutual fund and list the functions of a mutual fund

Explain what investment objectives are and illustrate how different mutual fund products serve different investment objectives

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

Define and distinguish the terms unit capital, assets under management, fund running expenses and net asset value

List the advantages and limitations of a mutual fund

1.2. Describe in brief the history of mutual funds in India

Explain the factors impacting the growth of the industry at various stages of its development

Know the key milestones

1.3. Understand and differentiate between various types of funds

Compare and contrast closed end funds and open ended funds

Differentiate various fund types in terms of their investment objective

Differentiate various fund types in terms of their investing horizon

Differentiate various funds in terms of their risk

Explain the features and types of debt funds

Explain the features and types of equity funds

Explain the features and types of hybrid funds

Explain the features and types of International funds, and other funds that a mutual fund distributor in India encounters

Compare and Contrast Fund of Funds, ETFs and regular MF schemes

Unit 2: Fund Structure and Constituents

2.1. Understand the legal structure of mutual funds in India

Describe the structure of mutual funds in India

Explain with illustrations the role of the sponsor, trustee and Asset Management Company (AMC)

Explain the regulatory provisions with respect to sponsor, trustee and AMC

2.2. List other Fund Constituents

- Name the constituents involved in the structure of a mutual fund
- Identify the functions of each mutual fund constituent
- Explain the regulatory provisions with respect to other mutual fund constituents

Unit 3: Legal and Regulatory Environment

3.1. Describe role of regulators in India

- Define the role of SEBI in regulating mutual funds
- Name the regulatory authority for each category of fund constituents
- Understand the concept of a self regulator
- List the functions of AMFI
- Understand the AMFI Code of Ethics

3.2. Know investment restrictions and related regulation

- Describe the relationship between investment policy and investment objective
- Indicate the SEBI norms on portfolio diversification pertaining to investment management

3.3. Understand Investors rights and obligations

- Identify the rights of investors in a mutual fund
- Indicate the service standards mandated for a mutual fund towards its investors

Unit 4: Offer Document

4.1. Understand regulatory aspects of an offer document

- Define an NFO and list the marketing steps involved in an NFO
- Define the role of an offer document and the objectives of information disclosure in an offer document
- Compare and contrast the objectives and contents of the Statement of Additional Information (SAI) and Scheme Information Document (SID)
- 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)

- Define the KIM and contrast it with the SID, SAI
- List the contents of the KIM
- Explain the regulatory provisions governing the KIM

Unit 5: Fund Distribution and Sales Practices

5.1. Understand who can invest and types of investors

- List investors who can invest and those that cannot invest in mutual funds in India
- Indicate the source of information on eligibility of investors to invest in a scheme of a mutual fund
- Differentiate between institutional and individual investors

5.2. Describe various distribution channels for mutual funds

Classify traditional distribution channels into individual and institutional channels

Discuss internet & stock exchange brokers as newer channels

Describe the pre-requisites to be fulfilled to become a distributor of a mutual fund

Describe the key elements covered in an agreement between a distributor and a mutual fund

5.3. Detail existing sales practices and commission structure

Describe the arrangement for payment of commissions between the distributor and the mutual fund

Identify the regulatory requirements governing payment of commissions to distributors

Classify commissions into initial or upfront and trail commissions

Define the basis of charging trail commissions

Describe AMFI Code of Conduct and SEBI guidelines governing sales practices applicable to mutual funds

Unit 6: Accounting, Valuation and Taxation

6.1. Understand accounting and expenses

Compute net assets and NAV and describe the requirements pertaining to calculation and announcement of NAV

Explain the factors affecting the NAV of a mutual fund scheme

Explain the basis of pricing of transactions in a mutual fund

Explain the time-stamping requirement for mutual fund transactions

Describe the requirements relating to charging of expenses to a mutual fund scheme

Identify expenses that can be charged to a scheme and those that cannot be charged and the limits thereto

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

Explain the tax provisions applicable to a mutual fund

Define the tax provisions applicable to distribution of dividend by a mutual fund

Explain the taxability of dividends and capital gains in the hands of a mutual fund investor

Determine the applicability of Securities Transactions Tax based on type of transaction and scheme

Basics of Setting off gains and losses under Income Tax Act

Unit 7: Investor Services

- 7.1. Describe purchase and redemption transactions in a mutual fund
- Explain KYC requirements & Demat Account concept
 - Explain the process for fresh and additional purchase in a mutual fund
 - Describe the additional documentation requirements applicable to institutional investors.
 - Describe the requirements pertaining to payment instruments accompanying an application form
 - Explain the processes relating to redemptions by investors
 - Describe the contents and periodicity of Statement of account to the investor
 - Explain the process for Nomination and Pledge
- 7.2. Describe investment plans and services
- Differentiate the features of a dividend, growth and dividend re-investment options in a mutual fund.
 - Explain the processes relating to of systematic investment plans
 - Explain the processing relating to systematic withdrawals and transfers
 - Describe other investor services and facilities offered by mutual funds.

Unit 8: Risk, return and performance of funds

- 8.1. Understand the concept of return on investment
- Calculate the various kinds of returns, such as simple, annualized and compounded returns. (Including MS Excel Functions)
 - Explain why different types of returns may be used to evaluate different types of funds
 - Outline the SEBI norms regarding return representation of mutual funds in India
 - Identify and define the factors that may affect mutual fund performance
- 8.2. Explain risks in fund Investing with a focus on investors
- Evaluate the risks in different type of mutual funds
 - Identify the sources of risk in an equity fund
 - Identify the sources of risk in a debt fund
 - Classify mutual funds based on their risk
- 8.3. Define and describe benchmarking of performance
- Explain the concept of benchmarking performance
 - Identify the basis of choosing an appropriate performance benchmark
 - Describe the use of market benchmarks to evaluate equity fund performance
 - Describe the use of market benchmarks to evaluate debt fund performance
 - Describe benchmarking relative to other investment products
 - Explain the concepts related to fund manager performance

Unit 9: Scheme Selection

9.1. Understand how to select mutual fund schemes

List the steps in selecting equity funds and classify funds based on portfolio characteristics and investment strategy

List the steps in selecting debt funds and Identify debt funds that meet the investment objective of the investor

List the steps in evaluating a money market fund and identify factors impacting their performance

List the steps in evaluating balanced mutual funds and evaluate factors impacting their performance

9.2. Identify the sources of data to track mutual fund performance

Unit 10: Selecting the Right Investment products for Investors

10.1. Identify financial and physical assets

Classify assets into physical and financial assets

Identify the features of physical assets such as gold and real estate and the needs of the investor that they fulfill

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

Define financial planning

Relate financial planning to financial goals and the time horizon for their achievement

Explain the objective of financial planning

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

Explain the need for tools to categorize investors' needs

Link the financial planning needs to the life cycle stage of the investor

Describe the stages in the wealth cycle model of investor

Identify the features of each stage and link them to investment needs

Unit 12: Recommending Model Portfolios and Financial Plans

12.1. Define and describe risk profiling

12.2. Understand asset allocation

Why asset allocation is done

Fixed & Flexible Asset Allocation

Strategic & Tactical Asset Allocation

12.3. Describe the steps in developing a model portfolio