Test Objectives

NISM-Series-X-A: Investment Adviser (Level 1) Certification Examination

Chapter 1: Concept of Financial Planning

1.1. Understand what constitutes financial planning
1.2. Know the need for financial advisory services
1.3. Understand the scope of financial advisory services
1.4. Understand the business model for the delivery of financial advice to client
1.5. Describe the financial planning delivery process
  1.5.1. Define the Client-Planner Relationship
  1.5.2. Understand the client's financial situation
  1.5.3. Identifying the client needs and financial goals
  1.5.4. Understand the factors that determine the individual's investment risk profile
  1.5.5. Know how to align investment strategy and products to client's situation.
  1.5.6. Understand the importance of monitoring & reviewing periodically

Chapter 2: Measuring Investment Returns

2.1. Understanding the concept of return
2.2. Define and understand how to apply the following return concepts:
  2.2.1. Absolute Return
  2.2.2. Annualized Returns
  2.2.3. Total Returns
2.3. Understand and apply the concept of compounding
  2.3.1. Time Value of Money
  2.3.2. Annuities
  2.3.3. Compound Return
  2.3.4. CAGR and IRR
  2.3.5. Holding Period Return
2.4. Compute Real rate of return vs. nominal return
2.5. Compute Tax adjusted return

Chapter 3: Managing Investment Risk

3.1. Define Risk
3.2. Know the Common Types of Risk
  3.2.1. Inflation risk
  3.2.2. Default risk
  3.2.3. Liquidity risk

3.2.4. Reinvestment risk
3.2.5. Business risk
3.2.6. Exchange rate risk
3.2.7. Interest rate risk
3.2.8. Systematic and Unsystematic risk
3.3. Understand how to measure risk
3.3.1. Computing Standard Deviation and Variance

Chapter 4: Investment Vehicles

4.1. List and describe the various types of small savings instruments
4.1.1. Public Provident Fund
4.1.2. National Saving Certificate
4.1.3. Senior Citizen Saving Scheme
4.1.4. Post Office Schemes and Deposits
4.2. List and describe the various types of fixed income instruments
4.2.1. Government Securities
4.2.2. Corporate Bonds
4.2.3. Infrastructure Bonds
4.2.4. Bank Deposits
4.3. Define and describe the various types of mutual fund products
4.3.1. Equity funds
4.3.2. Debt funds
4.3.3. Hybrid funds
4.3.4. Other types of funds
4.4. Define and describe the various types of alternate investments
4.4.1. Derivatives and Structured Products
4.4.2. Real estate
4.4.3. Gold
4.4.4. Commodities
4.4.5. Private Equity
4.4.6. Art and collectibles
4.5. Direct equity as an investment option
4.5.1. Benefits and risks of investing in equity shares
4.5.2. Know the various market indicators
4.5.3. Define and describe fundamental analysis and EIC framework
4.5.4. Understand the key valuation measures – PE, PBV and dividend yield
4.5.5. Know the basics of technical analysis

Chapter 5: Asset Allocation and Investment Strategies

5.1. Asset classes

5.1.1. Define the term 'asset class'
5.1.2. List the various types of asset classes and describe them in terms of their risk and return
5.1.3. Define the term 'asset allocation'

5.2. Portfolio construction
5.2.1. Discuss how asset allocation is linked to financial goals
5.2.2. Discuss how asset allocation may be carried out based on life cycle stages
5.2.3. Understand how portfolio objectives and constraints are used to decide asset allocation

5.3. Practical asset allocation and Rebalancing Strategies
5.3.1. Describe and illustrate Strategic asset allocation
5.3.2. Describe and illustrate Tactical asset allocation
5.3.3. Describe and illustrate Dynamic asset allocation
5.3.4. Describe how model portfolios are constructed using asset class features, investor objectives and constraints.

5.4. Explain the need for portfolio monitoring and re-balancing

Chapter 6: Insurance Planning

6.1. Understand the need for insurance in personal finance
6.2. List the requirements for a risk to be insurable
6.3. Understand the role of insurance in personal finance.
6.4. Discuss the various steps involved in Insurance Planning.
6.5. Discuss the elements, features and types of Life Insurance Products.
6.6. Differentiate between traditional and unit-linked policies
6.7. Discuss the elements, features and types of Non-Life Insurance Products.
6.8. Explain life insurance needs analysis (Human life approach, Needs approach)

Chapter 7: Retirement Planning

7.1. Understand the retirement planning process
7.2. Understand and compute retirement financial needs
7.2.1. Income replacement method.
7.2.2. Expense protection method.

7.3. Understand financial planning elements of retirement
7.3.1. Funding retirement
7.3.2. Reviewing progress
7.3.3. Dealing with underfunding
7.3.4. Drawing on corpus.

7.4. Describe retirement products and their features.
7.4.1. Mandatory retirement schemes (PF, gratuity)

7.4.2. Voluntary retirement schemes (NPS, PPF, Pension plans of mutual funds and insurance companies,
7.4.3. Other avenues for creation of retirement corpus (Annuities, MIS, MIP, SCSC, reverse mortgage)

Chapter 8: Tax and Estate Planning

8.1. Understand Income tax principles
- 8.1.1. Heads of income
- 8.1.2. Exemptions and deductions
- 8.1.3. Types of assesses – resident, non-resident and HUF
- 8.1.4. Rates of tax
- 8.1.5. Obligations for filing and reporting under the Income tax act

8.2. Understand Tax aspects of Investment products
- 8.2.1. Types of tax benefits
- 8.2.2. Taxation of dividend income
- 8.2.3. Taxation of interest income
- 8.2.4. Taxation of capital gains, Indexation
- 8.2.5. Set off and carry forward of losses

8.3. Discuss Wealth Tax Act and its implication for clients

8.4. Describe Estate Planning
- 8.4.1. What constitutes estate?
- 8.4.2. Consequences of dying intestate (Basic legal framework)
- 8.4.3. Elements of Estate Planning
- 8.4.4. Tools for estate planning - before death, after death
- 8.4.5. Wills (Parties, probate, registration)
- 8.4.6. Nomination, Joint ownership and Gifts
- 8.4.7. Family Settlement and Trusts
- 8.4.8. Powers of attorney, mutation

Chapter 9: Regulatory Environment and Ethical Issues

9.1. Describe the provisions of the SEBI (Investment Advisers) Regulations, 2013
- 9.1.1. Definition and requirement to register
- 9.1.2. Exemptions
- 9.1.3. Qualification and Certification requirements, Capital adequacy
- 9.1.4. Obligations and responsibilities of investment advisers
  - 9.1.4.1. General obligations
  - 9.1.4.2. Risk profiling
  - 9.1.4.3. Suitability
  - 9.1.4.4. Disclosures
  - 9.1.4.5. Record maintenance

9.1.4.6. Segregation of execution services
9.1.4.7. Other responsibilities
9.1.5. Code of Conduct for Investment Adviser
9.2. Describe overall framework of the regulatory system
9.3. Explain roles of regulators: SEBI, RBI, IRDA, PFRDA
9.4. Discuss the role of Self regulatory organizations
9.5. Detail codes of conduct by SEBI, AMFI, etc
9.6. Discuss ethical issues in providing financial advice
9.7. Describe investor complaint redressal mechanism