NISM Series IX: Merchant Banking Certification Examination

Curriculum

I. Introduction to the Indian Capital Market

A. Understand the Capital market structure in India and the role of capital market in the economy.
B. Know the different Products in the Indian Market for example Equity, Debt and Derivatives.
C. Know the different Participants in the Indian Capital Market for example Issuers, Investors and Intermediaries.
D. Know the Regulators and the Regulatory Framework of the Indian securities market in India.

II. Introduction to the Merchant Banking

A. Understand the Concept and Evolution of Merchant Banking
B. Highlight the difference between merchant banking and commercial banking.
C. List the difference between Merchant Banking and Investment Banking
D. Know the evolution of International merchant banking scenario.
E. Know the Glass-Steagall Act in brief and its repeal.
F. Understand the merchant banking in Indian context.
G. Know the different Regulations governing Merchant Banking Activity in India

III. Registration, Code of Conduct & General Obligations of Merchant Bankers in India

A. Highlight the various activities undertaken by the merchant bankers in India.
B. Know the definition of a merchant banker
C. Know who can be registered as a merchant banker?
D. Understand the eligibility criteria for registering as a Merchant Banker
E. Know the Registration Procedure, Renewal Fees and Validity
F. Understand the conditions of Registration
G. Know the registration requirements of Merchant Bankers as Underwriters
H. Understand the Code of Conduct prescribed for Merchant Bankers
I. Understand the General Obligations and Responsibilities to be followed by the Merchant Bankers with regards to the following:
    - Follow the code of Conduct
    - Maintain books of accounts, records etc
    - Submission of half-yearly results
    - Responsibilities of lead managers
    - Lead merchant banker not to associate with any Merchant Banker which is not holding SEBI registration
    - Underwriting Obligations
    - Acquisition of shares prohibited
    - Information to SEBI

- Disclosures to SEBI
- Appointment of compliance Officer

J Learn about the Investor Grievance redressal and SCOREs.

IV. Issue Management – Important Terms

A. Understand the various terms related to Public Offering

- Initial Public Offer
- Further Public Offer
  - (a) Offer for Sale
  - (b) Fresh Issue
- Net offer to Public
- Rights Issue
- Institutional Placement Programme
  - (a) Offer for Sale IPP
  - (b) FPO IPP
- QIP / Preferential Allotment
- Offer for sale through Stock Exchange Mechanism
- Offer Document, Draft Red Herring Prospectus, Red Herring Prospectus
- Book Building Process
- Fixed Price Issue
- Differential Pricing
- Fast Track Issue
- Green Shoe Option
- Safety Net
- ASBA
- Soft and Hard Underwriting
- Open and Closed Book
- Basis of Allocation
- Categories of Investors
  - (a) Retail Individual Investors (RIIs)
  - (b) Non Institutional Investors (NIIs)
  - (c) Qualified Institutional Investors (QIBs)
  - (d) Anchor Investors
- Designated Stock Exchange
- Employee
- Specified Securities

V. Issue Management-Process and Underwriting

A. Understand the process of issue management and know the merchant banker's role in it.

B. Learn about the appointment of SEBI registered Intermediaries and other intermediaries

C. Learn about the process of filing of offer document by the issuer with SEBI and the ROC with the help of the lead Merchant Banker

D. List the documents to be submitted before opening of the Issue
- Copy of agreement between the Issuer and Merchant Banker
- Copy of inter se allocation of responsibilities of each Merchant Banker
- Certificate of compliance stating compliance of conditions
- Due diligence certificate while registering DRHP/ Red Herring Prospectus/ prospectus with the ROC/ final post issue report

E. Learn about the type of In-Principle approval from recognized stock exchanges for initial public issues as well as in the case for rights and further public offerings.

F. Draft Offer Document to be made Public

G. Opening of an issue

H. Dispatch of Issue Material and distribution

I. Understand how the issuer determines the price of the security in consultation with the Lead Merchant Banker

J. Know the role of merchant banker in underwriting of an issue

K. Learn about the minimum subscription

L. Know how the allotment, refund and payment of interest is done

VI. Issue Management- General Obligations of Merchant Bankers and Due Diligence

A. Understand the general obligations of Intermediaries with respect to Public Issues and Rights Issue

B. Know about the Pricing in Preferential Issue

C. Know the Pricing and restrictions on allotment of Qualified Institutional Placement

D. Know the Pre-issue advertisement for rights issue utilization of funds raised through rights issue and the manner of disclosures in the offer document.

E. Understand the procedure for Institutional Placement Programme w.r.t
- Offer Document
- Pricing and allocation/allotment
- Restrictions
- Minimum number of allottees
- Restrictions on size of the offer
- Period of subscription and display of demand
- Transferability of eligible securities

F. Understand the procedure for issue of Indian Depository Receipts (IDRs) w.r.t
- Eligibility
- Conditions for issue of IDR
- Minimum Subscription
- Filing of Draft Prospectus, Due diligence Certificate, Payment of Fees and Issue of advertisements for IDR

- Post Issue Reports
- Undersubscribed Issue
- Finalisation of basis of allotment

G. Learn about the importance of Due Diligence, the role of external parties in the due diligence process

H. List the due diligence documents

VII. Other Merchant Banking Activities - Mergers, Acquisitions & Takeovers

A. Understand the difference between Mergers , Acquisitions and Takeover

B. Know the role of Merchant Banker in M&A and Takeovers

C. Understand the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 w.r.t

- Substantial acquisition of shares or voting rights
- Voluntary Offer
- Offer Size
- Offer Price
- Payment Mode
- Exemptions
- Process of Open Offer

VIII. Other Merchant Banking Activities - Disinvestment, Buyback of Equity Shares

A. Understand the Role of Merchant Banker in Disinvestment process

B. Know the Role and Obligations of Merchant Banker in Buyback of Equity Shares

C. Understand the Role of Merchant Banker in Delisting of Shares

D. Understand the Role of Merchant Banker Issue and Listing of Debt Securities

E. Know the Role of Merchant Banker in ESOPs