

**National Institute of Securities Markets**

**Communiqué/Press Release**

**NISM-Series-V-B: Mutual Fund Foundation Certification Examination**

**NISM/Certification/Series-V-B: MFF/2013/01 dated January 7, 2013**

Refer to SEBI Circular No. CIR/IMD/DF/21/2012 dated September 13, 2012, NISM, in exercise of the powers conferred by sub-regulation (3) of regulation 7 of the Securities and Exchange Board of India (Certification of Associated Persons in Securities Markets) Regulations 2007, now specifies the "**NISM-Series-V-B: Mutual Fund Foundation Certification Examination** as the requisite standard for "a new cadre of distributors including, postal agents, retired government and semi-government officials (class III and above or equivalent) with a service of at least 10 years, retired teachers with a service of at least 10 years, retired bank officers with a service of at least 10 years, and other similar persons (such as Bank correspondents) as may be notified by AMFI/AMC from time to time, allowed to sell units of simple and performing mutual fund schemes".

The **NISM-Series-V-B: Mutual Fund Foundation Certification Examination**, offered by NISM, will be available from **January 14, 2013**.

Details of **NISM-Series-V-B: Mutual Fund Foundation Certification Examination** are given in Annexure-I and Annexure-II attached to this communiqué/press release.

The text of these Annexures and the registration details are available at [www.nism.ac.in](http://www.nism.ac.in).



**G. P. Garg**

**Registrar**

**National Institute of Securities Markets**

Copy to:

1. Executive Director, IMD, SEBI for kind information and necessary action please
2. CEO, AMFI

**Enclosures: Annexure I and II**

## **Annexure I - Syllabus Outline**

### **NISM-Series-V-B: Mutual Fund Foundation Certification Examination**

#### **Examination Objectives**

The NISM-Series-V-B: Mutual Fund Foundation (MFF) Certification Examination aims to impart basic knowledge about the Mutual Fund industry and allowed products for the new cadre of Mutual Fund Distributors, as per the SEBI Circular CIR/IMD/DF/21/2012 dated September 13, 2012 and various rules and regulations governing the same.

The certification aims to enhance the minimum knowledge benchmark for the new cadre of distributors and to enhance the quality of advisory.

#### **Examination Structure**

This is a computer-based examination with multiple choice questions.

The examination consists of 50 questions of 1 mark each adding to 50 marks.

The examination should be completed in 2 hour.

There shall be no negative marking.

The passing score for the examination is 25 marks.

**NISM-Series-V-B**

**Mutual Fund Foundation Certification Examination**

**Syllabus Outline with Weights**

Unit 1:	Concept and Role of a Mutual Fund	14%
Unit 2:	Fund Structure and Constituents	6%
Unit 3:	Legal and Regulatory Environment	4%
Unit 4:	Offer Document	14%
Unit 5:	Fund Distribution and Sales Practices	16%
Unit 6:	Mutual Fund Products	16%
Unit 7:	Investor Services	20%
Unit 8:	Selecting the Right Investment products for Investors	4%
Unit 9:	Helping Investors with Financial Planning	6%

## **Annexure II - Test Objectives**

### **NISM-Series-V-B: Mutual Fund Foundation Certification Examination**

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

- 1.1. Know the concept and list advantages and limitations of a mutual fund
  - 1.1.1. Define a mutual fund and list the functions of a mutual fund
  - 1.1.2. Compare and contrast mutual funds with Bank Deposits and National Savings Certificate
  - 1.1.3. Define investment objectives
  - 1.1.4. Define the terms unit capital, assets under management, fund running expenses and net asset value and understand their implication
  - 1.1.5. List the advantages and limitations of a mutual fund
- 1.2. List different types of funds
  - 1.2.1. Know the salient features of Equity, Debt, Hybrid and Money Market Funds
  - 1.2.2. Know the salient features of Open ended and Close ended Funds
  - 1.2.3. Know the salient features for Active and Passive funds
  - 1.2.4. Know basic features of an ETF. Inclusion of this topic subject to SEBI view on whether ETF is included in their permitted category of “index funds”.

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

- 2.1. Know the basic legal structure of mutual funds in India
  - 2.1.1. Name all Fund Constituents and know their overall role
    - 2.1.1.1. Trustee
    - 2.1.1.2. Sponsor
    - 2.1.1.3. AMC
- 2.2. Name other Service Providers and list their function

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

- 3.1. Know the regulators in India
  - 3.1.1. Know the role of SEBI in regulating mutual funds
  - 3.1.2. Name the regulatory authority for each category of fund constituents
  - 3.1.3. List the functions of AMFI
  - 3.1.4. Know salient features of the AMFI Code of
  - 3.1.5. Understand salient features of AMFI Guidelines & Norms for Intermediaries (AGNI)
- 3.2. Understand Investors rights and obligations
  - 3.2.1. List the rights of investors in a mutual fund

- 3.2.1.1. Beneficial ownership
- 3.2.1.2. Right to inspect
  - Trust Deed
  - Investment Management Agreement
  - Custodial Services Agreement
  - R&T agent agreement
  - Memorandum & Articles of Association of the AMC
- 3.2.1.3. Investor grievance and redressal standards
- 3.2.1.4. Annual Reporting standards and disclosures

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

- 4.1. Know the process of NFO
- 4.2. Identify
  - 4.2.1. Investment Objective
  - 4.2.2. Investment Policy
  - 4.2.3. Investment Strategy
- 4.3. Understand regulatory aspects of an offer document
  - 4.3.1. Know the salient features of an SID
  - 4.3.2. Know the salient features of an SAI
- 4.4. Know the salient features of Key Information Memorandum (KIM)

#### **Unit 5: Fund Distribution and Sales Practices**

- 5.1. Know various distribution channels for mutual funds
  - 5.1.1. Individual distributors
  - 5.1.2. Institutional channels
    - 5.1.2.1. Brokers
    - 5.1.2.2. Banks
  - 5.1.3. Internet & Stock exchange
- 5.2. Know pre-requisites to be fulfilled to become a distributor of a mutual fund
  - 5.2.1. Certification Examination
  - 5.2.2. KYD Process
  - 5.2.3. Filling up the KYD Form with illustrations
  - 5.2.4. ARN Registration and Renewal
  - 5.2.5. Empanelment
- 5.3. List key elements covered in an agreement between a distributor and a mutual fund
- 5.4. Know existing sales practices and commission structure
  - 5.4.1. Know structure of payment of commissions and related regulations
    - 5.4.1.1. List types of commissions as initial / upfront and trail commissions
    - 5.4.1.2. Know the basis of charging trail commissions
    - 5.4.1.3. Claiming of commissions
  - 5.4.2. Know transaction charges and applicability

5.4.3. Know the concept of load (contrast with insurance company)

**Unit 6: Mutual Fund Products**

- 6.1. List product features of diversified equity schemes, fixed maturity plans and index schemes
  - 6.1.1. Know Risk factors for each product
  - 6.1.2. Analyse Returns and Know Tax applicability for each product
  - 6.1.3. Know benchmark for each type of Fund
  - 6.1.4. List factors affecting the NAV of a mutual fund scheme
  - 6.1.5. Know the time-stamping requirement for mutual fund transactions for each product
- 6.2. Know salient features of SEBI regulations on Risk disclosures and Return presentations
- 6.3. Know about fact sheets and their use with focus on areas discussed

**Unit 7: Investor Services**

- 7.1. Know the process of purchase transactions
  - 7.1.1. Know KYC requirements & Demat Account concept
  - 7.1.2. Know the process for fresh and additional purchase in a mutual fund
  - 7.1.3. Know the forms to be filled (with illustration)
  - 7.1.4. Describe the additional documentation requirements applicable to institutional investors.
  - 7.1.5. List valid payment instruments
  - 7.1.6. Describe investment plans and services
    - 1) Dividend, growth and dividend re-investment options in a mutual fund.
- 7.2. Know the processes of redemptions by investors
- 7.3. Know the processes relating to of systematic investment plans
- 7.4. Know the processing relating to systematic withdrawals and transfers
- 7.5. List other investor services and facilities offered by mutual funds.
- 7.6. Describe the contents and periodicity of Statement of account to the investor
- 7.7. Explain the process for Nomination and Pledge
- 7.8. Know the service standards mandated for a mutual fund towards its investors for
  - 7.8.1. Unit allotment and Refund
  - 7.8.2. Scheme re-opening
  - 7.8.3. Redemption/ Re-purchase
  - 7.8.4. Statement of accounts
    - 7.8.4.1. Dormant investors
  - 7.8.5. Demat units
  - 7.8.6. Unit Certificates
  - 7.8.7. Publishing NAV
  - 7.8.8. Pledging
  - 7.8.9. Dividend Warrants

7.8.10. Recovery of unclaimed dividends/ redemptions

**Unit 8: Selecting the Right Investment products for Investors**

8.1. Know how to analyse client needs and profile

8.2. Know ideal Mutual Fund product for various types of investors with illustrations

**Unit 9: Helping Investors with Financial Planning**

9.1. Know the need for Financial Planning

9.2. Understand the role of different asset classes and allocation

9.3. Understand basics steps of financial planning

9.3.1. Identify financial goals and the time horizon

9.3.2. Know various stages of Life Cycle and investment needs

9.3.3. Know various stages of Wealth Cycle and investment needs

9.3.4. Know basic Excel functions for assessing investment needs

9.3.5. Understand financial planning with the help of illustrations

9.3.6. Understand the importance of periodic reviewing of financial plans