

NISM-Series-XI: Equity Sales Certification Examination

Test Objectives

1. Overview of Indian Securities Markets

1.1 Know about the Indian Securities Markets

Discuss the structure of the Indian Securities Market

Discuss the role of the securities markets in the Indian economy

1.2 List the Market Regulators and understand their role

- SEBI
- Other Regulators, i.e., RBI, DCA and DEA
- SROs

1.3 Know the Products offered in the Indian Securities Markets

- Equity
- Debt
- Derivatives
- Mutual Funds and ETFs

1.4 Know the Market Participants in the Indian Securities Market

Define Stock Exchanges

Define Clearing House / Clearing corporation

Define Depositories

Define Depository Participant

Define Custodians

Define Clearing members

Define Clearing Banks

Define Trading members/brokers

1.5 List the Types of Investors and limits on exposure in the market

- Retail
- HNIs
- Institutional Investors
- PIO/NRI

2. Regulatory Framework

2.1 Know the Securities Contracts (Regulation) Act, 1956

Explain how SC(R)A aims at preventing undesirable transactions in securities

2.2 Know the Securities Contracts (Regulation) Rules, 1957.

Explain the rules for a contract in equity market between two members of recognised stock exchange

2.3 Understand the Securities and Exchange Board of India Act, 1992

Explain the Role of SEBI as a regulator

2.4 Understand the SEBI (Stock Brokers & Sub-brokers) Regulations, 2008

List and explain the rules and regulations followed by Stock Brokers and Sub-brokers

2.5 Understand the SEBI (Prohibition of Insider Trading) Regulations, 1992)

Understand how regulators manages to avoid insider trading due to price sensitive information in the market

2.6 Understand the SEBI (Prohibition of Fraudulent and unfair trade practices relating to Securities Markets) Regulation, 2003

Understand how regulator enables to investigate into cases of market manipulation and fraudulent and unfair trade practices.

2.7 Understand the Depositories Act, 1996

Understand various regulations on depositories of securities

2.8 Understand the Companies Act, 1956

List and explain various features followed by a listed company

2.9 Understand the Prevention of Money Laundering Act, 2002

Understand the regulations to prevent money laundering activities in the equity market

2.10 Know the Code of Ethics

List and illustrate the various code of ethics followed by stock exchanges

List SEBI's code of conduct for brokers/sub-brokers

3. Primary Markets

3.1 Define the role of the primary market

3.2 List and describe various methods of issue of shares

Describe the IPO Process

- Understand the intermediaries involved in IPO
 - Investment bankers
 - Syndicate members
 - Underwriters
 - Registrars to an issue and Share Transfer Agents
 - Bankers to an issue
- Know about IPO grading

Describe the FPO Process

Describe the Rights and preferential issues Process

Know about the QIP Process

Know about the private placement process

Define ADRS, GDRs, IDRs and FCCBs and know the process of their issue

3.3 Understanding the process of a public issue

- Book built
- Fixed price

3.4 Explain the various terminologies used in the primary market

Understand various sections of the Draft offer document, highlight portions which are relevant from Sales perspective Red Herring Prospectus

- Prospectus
- ASBA
- Green Shoe Option
- Safety Net
- Basis of Allotment

4. Secondary Markets

4.1 Define the role of secondary market

4.2 Explain the role of stock exchanges in the trading mechanism

Describe in brief the history of stock exchanges in India

List the Exchanges registered with SEBI for equity trading

4.3 Describe the various phases in equity market (bull and bear phase) and related investment strategies

5. Understanding Market Indicators

5.1 Explain the term index

Understand the importance of index while investing

Understand the economic significance of index movement

Know Attributes of an index

Calculate Total Returns Index

5.2 List various types of indices

5.3 List Major Indices in India

5.4 Define and Calculate Beta

5.5 Define Impact Cost

5.6 Understand market capitalization

Define Market Capitalization

Define and Calculate Market Capitalization Ratio

Explain the significance of Market Capitalization Ratio as a market indicator

5.7 Understand Turnover and Turnover Ratio

Define Turnover

Define and Calculate Turnover Ratio

Explain the significance of Turnover Ratio as a market indicator

5.8 Know the basics of fundamental analysis

5.9 Know the basics of technical analysis

6. Trading and Risk Management

20%

6.1 Define a Trading Member

Professional clearing members and trading cum clearing members

Custodians

Self Clearing members

6.2 Understand the trading systems in India

Know the following

- Market Timing
- Bid Ask Spread
- Order Book
- Order Matching

6.3 Explain various types of orders

Explain the order types with illustrations.

- Market order
- Limit Order
- Stop Orders

6.4 Understand the Trade Life cycle

6.5 Understand the mechanism of market wide circuit breakers and also Price Band

6.6 Know the transaction charges for securities transactions

6.7 Understand the capital adequacy requirements of trading members

- Base minimum Capital
- Additional Base Capital

6.8 Risk Management

- Internal Client account control
- MTM
- VaR
- Margin Requirements

7 Clearing and Settlement

10%

7.1 List and explain different types of accounts

7.2 Explain the clearing process

Briefly describe the role of different agencies involved in the clearing and settlement process

- Clearing Corporation/Agency
- Clearing banks
- Depositories

Explain the netting of obligation

8 Surveillance, Investigation and Inspection

8.1 Explain the Importance of surveillance

8.2 Understand the market surveillance mechanism adopted by the exchanges.

- PRISM of NSE
- BOSS-i of BSE

8.3 Discuss the Market Surveillance mechanism

9 Client Management

9.1 Explain risk Vs Return

9.2 Understand various types of risks

- Interest Rate risk
- Foreign Exchange Risk
- Systematic vs Unsystematic Risk
- Country Risk
- Credit or Default Risk
- Political risk
- Market Risk

9.3 Understand the importance of assessing the risk profile of investors

9.4 Understand basics of financial planning

- Know the different types of financial advisory services
- Understand the importance of carrying out an investment need analysis
- Know cashflows and budgeting
- Know asset allocation strategies

9.5 Explain how to suggest suitable products to investors based on their risk appetite

9.6 Describe the process of review of customer's portfolio from time to time

9.7 Know the process of Opening of Client Account for trading

Describe the Client account opening process

Know the KYC process and other documents required

Define Unique Client Codes

9.6 Impact of taxation on equity investments

Know about the Securities Transaction Tax

Know about the Capital Gain Tax

Know about the Dividend Distribution Tax

9.7 Understand the investors' grievance mechanism

9.8 Describe the SCORES System in brief