



CONTENTS

| | PAGE |
|---|------|
| <i>Foreword</i> | I-3 |
| <i>Acknowledgement</i> | I-5 |
| <i>About NISM Certifications</i> | I-7 |
| <i>About the Level 1 Certification Examination for Investment Adviser</i> | I-9 |
| <i>Syllabus Outline and Weightages</i> | I-21 |

MODULE 1 : PERSONAL FINANCIAL PLANNING

CHAPTER 1

INTRODUCTION TO PERSONAL FINANCIAL PLANNING

| | | |
|-----|--|----|
| 1.1 | Understand the concept of Financial Planning | 3 |
| 1.2 | Understand the need for financial planning | 5 |
| 1.3 | Scope of financial planning | 7 |
| 1.4 | Concept of asset, liabilities and net worth | 14 |
| 1.5 | Financial Planning process | 15 |
| 1.6 | Financial advisory and execution | 16 |

CHAPTER 2

TIME VALUE OF MONEY

| | | |
|-----|------------------------------|----|
| 2.1 | Time Value of Money | 21 |
| 2.2 | Capital Budgeting Techniques | 23 |

CHAPTER 3

EVALUATING THE FINANCIAL POSITION OF CLIENTS

| | | |
|------------|--|----|
| 3.1 | Importance of cash flow management in personal finance | 35 |
| 3.2 | Preparing Household Budget | 36 |
| 3.3 | Cash inflows and outflows | 38 |
| 3.4 | Budgeting and forecasting | 40 |
| 3.5 | Monitoring budgets and provision for savings | 42 |
| 3.6 | Creating a personal Balance Sheet and net-worth | 44 |
| 3.7 | Creating a budget and savings plan | 47 |
| 3.8 | Contingency Planning | 48 |
| 3.9 | Evaluation of financial position of clients | 49 |

CHAPTER 4

DEBT MANAGEMENT AND LOANS

| | | |
|-------------|--|----|
| 4.1 | The purpose or need of debt | 59 |
| 4.2 | Role and impact of debt in cash flow management | 60 |
| 4.3 | Leverage and Debt Counselling | 64 |
| 4.4 | Calculate the debt servicing requirements | 66 |
| 4.5 | Responsible Borrowing | 68 |
| 4.6 | Secured and Unsecured loans | 68 |
| 4.7 | Terms related to loans | 69 |
| 4.8 | Types of borrowing | 73 |
| 4.9 | Understand loan calculations | 77 |
| 4.10 | Loan restructuring | 78 |
| 4.11 | Repayment schedules with varying interest rates | 80 |
| 4.12 | Criteria to evaluate loans | 81 |
| 4.13 | Opting for change in EMI or change in tenure for interest rate changes | 83 |
| 4.14 | Invest the money or pay off outstanding loan | 83 |
| 4.15 | Strategies to reduce debt faster | 85 |

MODULE 2 : INDIAN FINANCIAL MARKETS**CHAPTER 5****INTRODUCTION TO THE INDIAN FINANCIAL
MARKETS**

| | | |
|-----|---|----|
| 5.1 | The Indian Economy | 91 |
| 5.2 | The Indian Financial Markets | 92 |
| 5.3 | Regulators of Financial Markets | 92 |
| 5.4 | Structure of Financial Markets in India | 97 |

CHAPTER 6**SECURITIES MARKET SEGMENTS**

| | | |
|-----|---|-----|
| 6.1 | Nature and Definition of Primary Markets | 109 |
| 6.2 | Role and Function of the Secondary Market | 122 |
| 6.3 | Corporate Actions | 129 |

MODULE 3 : INVESTMENT PRODUCTS**CHAPTER 7****INTRODUCTION TO INVESTMENT**

| | | |
|-----|---------------------------------|-----|
| 7.1 | Types of investment | 137 |
| 7.2 | Equity | 138 |
| 7.3 | Fixed Income | 139 |
| 7.4 | Commodities | 141 |
| 7.5 | Real Estate | 142 |
| 7.6 | Structured products | 142 |
| 7.7 | Distressed Securities | 142 |
| 7.8 | Other investment opportunities | 143 |
| 7.9 | Channels for making investments | 143 |

CHAPTER 8

INVESTING IN STOCKS

| | | |
|-----|---|-----|
| 8.1 | Equity as an investment | 147 |
| 8.2 | Diversification of risk through equity instruments - Cross sectional versus time series | 148 |
| 8.3 | Risks of equity investments | 149 |
| 8.4 | Overview of Equity Market | 151 |
| 8.5 | Equity research and stock selection | 151 |
| 8.6 | Combining Relative Valuation and Discounted Cash Flow Models | 165 |
| 8.7 | Technical Analysis | 165 |
| 8.8 | Qualitative evaluation of stocks | 168 |

CHAPTER 9

INVESTING IN FIXED INCOME SECURITIES

| | | |
|------|--|-----|
| 9.1 | Debt market and its need in financing structure of Corporates and Government | 169 |
| 9.2 | Bond market ecosystem | 170 |
| 9.3 | Risks associated with fixed income securities | 172 |
| 9.4 | Pricing of Bond | 177 |
| 9.5 | Traditional Yield Measures | 184 |
| 9.6 | Concept of Yield Curve | 187 |
| 9.7 | Concept of Duration | 188 |
| 9.8 | Introduction to Money Market | 189 |
| 9.9 | Introduction to Government Debt Market | 193 |
| 9.10 | Introduction to Corporate Debt Market | 198 |
| 9.11 | Small Saving Instruments | 201 |

CHAPTER 10

UNDERSTANDING DERIVATIVES

| | | |
|------|-----------------------|-----|
| 10.1 | Basics of Derivatives | 207 |
|------|-----------------------|-----|

| | PAGE |
|--|------|
| 10.2 Underlying concepts in derivatives | 208 |
| 10.3 Types of derivative products | 210 |
| 10.4 Structure of derivative markets | 214 |
| 10.5 Purpose of Derivatives | 215 |
| 10.6 Benefits, Costs and risks of Derivatives | 216 |
| 10.7 Equity, Currency and Commodity derivatives | 217 |
| 10.8 Derivative markets, products and strategies | 218 |

MODULE 4 : INVESTMENT THROUGH MANAGED PORTFOLIO

CHAPTER 11

MUTUAL FUNDS

| | |
|---|-----|
| 11.1 Meaning and features of Mutual Fund | 225 |
| 11.2 Concepts and Terms related to Mutual Funds | 227 |
| 11.3 Features of and differences between Open-ended schemes, Close-ended schemes, Interval schemes and Exchange Traded Funds (ETFs) | 230 |
| 11.4 Regulatory Framework of Mutual Funds | 231 |
| 11.5 Mutual Fund Products | 232 |
| 11.6 Specialized Investment Funds | 244 |
| 11.7 Triggers in Mutual Fund Investment | 245 |
| 11.8 Process associated with Investment in Mutual Funds | 245 |
| 11.9 Systematic Transactions | 248 |
| 11.10 Investment Modes | 253 |

CHAPTER 12

PORTFOLIO MANAGER

| | |
|--|-----|
| 12.1 Overview of portfolio managers in India | 257 |
| 12.2 Types of portfolio management services | 258 |
| 12.3 Structure of PMS in India | 259 |

| | PAGE |
|------|--|
| 12.4 | Registration requirements of a Portfolio Manager 259 |
| 12.5 | Responsibilities of a Portfolio Manager 261 |
| 12.6 | Cost, expenses and fees of investing in PMS 263 |
| 12.7 | Direct access facility offered by PMS 264 |
| 12.8 | SEBI requirements on performance disclosure 265 |

CHAPTER 13

OVERVIEW OF ALTERNATIVE INVESTMENT FUNDS (AIFs)

| | |
|------|---|
| 13.1 | Introduction to Alternative Investments 267 |
| 13.2 | Evolution and Growth of AIFs in India 268 |
| 13.3 | SEBI requirements on AIF 269 |
| 13.4 | Categories of AIFs and their comparison 271 |
| 13.5 | Types of AIFs 272 |
| 13.6 | Role of Alternative Investments in Portfolio Management 275 |

MODULE 5 : PORTFOLIO CONSTRUCTION, PERFORMANCE MONITORING AND EVALUATION

CHAPTER 14

INTRODUCTION TO MODERN PORTFOLIO THEORY

| | |
|------|---|
| 14.1 | Framework for constructing portfolios - modern portfolio theory 281 |
| 14.2 | Assumptions of the theory 282 |
| 14.3 | Definition of risk averse, risk seeking and risk neutral investor 283 |
| 14.4 | Calculation of expected rate of return for individual security 284 |
| 14.5 | Graphical presentation of portfolio risk/return of two securities 287 |
| 14.6 | The concept of Efficient Frontier 287 |
| 14.7 | Portfolio Optimization process 288 |
| 14.8 | Estimation issues 289 |

CHAPTER 15**PORTFOLIO CONSTRUCTION PROCESS**

| | | |
|-------|---|-----|
| 15.1 | Importance of Asset Allocation Decision | 292 |
| 15.2 | Understanding correlation across asset classes and securities | 292 |
| 15.3 | Steps in Portfolio Construction Process | 293 |
| 15.4 | Investment Objectives | 295 |
| 15.5 | Investment Constraints | 295 |
| 15.6 | Exposures limits to different Sectors, Entities and Asset Classes | 297 |
| 15.7 | Unique needs and preferences | 297 |
| 15.8 | Assessments of needs and requirements of investor | 299 |
| 15.9 | Analysing the financial position of the investor | 299 |
| 15.10 | Psychographic analysis of investor | 300 |
| 15.11 | Life cycle analysis of investor | 302 |
| 15.12 | Forecasting risk and return of various asset classes | 304 |
| 15.13 | Benchmarking the client's portfolio | 304 |
| 15.14 | Asset allocation decision | 305 |
| 15.15 | Portfolio Construction Principles | 305 |
| 15.16 | Strategic versus Tactical Asset Allocation | 306 |
| 15.17 | Rebalancing of Portfolio | 307 |

CHAPTER 16**PORTFOLIO PERFORMANCE MEASUREMENT AND
EVALUATION**

| | | |
|------|--|-----|
| 16.1 | Parameters to define performance – risk and return | 309 |
| 16.2 | Rate of return measures | 309 |
| 16.3 | Risk measures | 322 |
| 16.4 | Risk-adjusted return measures | 325 |
| 16.5 | Performance Evaluation: Benchmarking and peer group analysis | 329 |
| 16.6 | Performance attribution analysis | 332 |

MODULE 6 : OPERATIONS, REGULATORY ENVIRONMENT, COMPLIANCE AND ETHICS

CHAPTER 17

OPERATIONAL ASPECTS OF INVESTMENT MANAGEMENT

| | | |
|-------|---|-----|
| 17.1 | Investors and the investing process | 339 |
| 17.2 | PAN and KYC Process | 346 |
| 17.3 | Dematerialisation and Re-materialisation of Securities | 353 |
| 17.4 | Power of Attorney | 357 |
| 17.5 | Account Opening Process for Non-Residents | 359 |
| 17.6 | Process of Consolidating, reorganising and folio keeping/Maintenance of Investments | 365 |
| 17.7 | Change in Status of Special Investor Categories | 373 |
| 17.8 | Payment Instruments | 379 |
| 17.9 | Documentation for Investment Advice | 383 |
| 17.10 | Investing in mutual funds through the stock exchange platform | 387 |

CHAPTER 18

KEY REGULATIONS

| | | |
|------|---|-----|
| 18.1 | Securities Contracts Regulation Act (SCRA 1956) | 391 |
| 18.2 | SEBI Act, 1992 | 392 |
| 18.3 | SEBI Prevention of Fraudulent and Unfair Trade Practices Regulations, 2003 | 393 |
| 18.4 | Securities and Exchange Board of India (Intermediaries) Regulations, 2008 | 394 |
| 18.5 | SEBI (Prohibition of Insider Trading) Regulations, 2015 | 395 |
| 18.6 | SEBI Investment Advisers Regulations, 2013 | 396 |
| 18.7 | Prevention of Money-Laundering Act, 2002 | 414 |
| 18.8 | Key provisions of various other acts, as applicable to investment advisory profession | 418 |

| | PAGE |
|---|------|
| 18.9 Violation of Regulations by Registered Investment Advisers and their consequences—Some Case Studies | 426 |

CHAPTER 19

ETHICAL ISSUES

| | |
|--|-----|
| 19.1 Ethical issues | 429 |
| 19.2 Importance of ethical conduct of business | 430 |
| 19.3 Ethical issues for an Investment Adviser | 431 |
| 19.4 Ethical Dilemma | 433 |
| 19.5 Fiduciary responsibility of Investment Advisers | 435 |
| 19.6 Do's and Don'ts for investors issued by SEBI | 436 |
| 19.7 Learn about addressing annual audit observations | 438 |
| 19.8 Global Best Practices | 438 |

CHAPTER 20

GRIEVANCE REDRESS MECHANISM

| | |
|---|-----|
| 20.1 Consumer Protection Act | 441 |
| 20.2 Investor Grievance Redressal Mechanism | 442 |
| 20.3 Grievance Redress System | 442 |
| 20.4 Grievance Redress System of an Investment Adviser | 444 |
| 20.5 Grievance Redress System in Capital Market | 444 |
| 20.6 Grievance Redress System in Banking | 446 |
| 20.7 Grievance Redressal in Insurance | 447 |
| 20.8 Redress in Pension Sector | 449 |
| 20.9 Securities Appellate Tribunal | 450 |
| 20.10 Other Redressal Fora | 451 |