

# CONTENTS

	PAGE
<i>Foreword</i>	<i>I-3</i>
<i>Acknowledgement</i>	<i>I-5</i>
<i>About NISM Certifications</i>	<i>I-7</i>
<i>About the Certification Examination for Securities Markets Foundation</i>	<i>I-9</i>
<i>Syllabus Outline and Weightages</i>	<i>I-15</i>

## CHAPTER 1

### UNDERSTANDING SECURITIES MARKETS AND PERFORMANCE

1.1	Securities Markets	1
1.2	Securities	3
1.3	Securities Markets: Structure and Participants	6
1.4	Role of Securities Markets	17
1.5	Technological advancements in the securities market	19

## CHAPTER 2

### SECURITIES: TYPES, FEATURES AND CONCEPTS OF ASSET ALLOCATION AND INVESTING

2.1	Securities available in the securities market	27
2.2	Choice between Equity and Debt Financing for Issuers	30
2.3	Characteristics and role of equity capital	32
2.4	Characteristics and role of Debt securities	36
2.5	Choosing between Debt and Equity Investment Avenues	50
2.6	Hybrid Instruments	51

	PAGE	
2.7	Characteristics and role of Commodities as an asset class	55
2.8	Derivatives	57
2.9	Asset Allocation and Diversification	60
2.10	Understanding the factors underlying the investment process	62
2.11	Various aspects of investing in Equity: Price and Value	64
2.12	Equity Investing Process	65
2.13	Various aspects of investing in debt securities	70
2.14	Debt Investing Process	73

## **CHAPTER 3**

### **PRIMARY MARKETS**

3.1	Primary Market: Definition and Functions	77
3.2	Primary vs. Secondary Markets	81
3.3	Intermediaries in Primary Market	82
3.4	Types of Issues	84
3.5	Types of Issuers	85
3.6	Types of Investors	87
3.7	Regulatory Framework for Primary Markets	88
3.8	Types of Public Issue of Equity Shares	94
3.9	Pricing a Public Issue of Shares	96
3.10	Public Issue Process of Equities	99
3.11	Prospectus	102
3.12	Applying to a Public Issue	103
3.13	Listing of Shares	107
3.14	Rights Issue of Shares	108
3.15	Regulatory requirements for a Public Issue of Debt Securities	109
3.16	Public issue process for debt securities	112
3.17	Private Placements in Equity and Debt	113

## **CHAPTER 4**

### **SECONDARY MARKETS**

<b>4.1</b>	Role and Function of the Secondary Market	<i>119</i>
<b>4.2</b>	Types of secondary markets for different securities	<i>122</i>
<b>4.3</b>	Market Structure and Participants	<i>124</i>
<b>4.4</b>	Brokers and Client Acquisition	<i>130</i>
<b>4.5</b>	Trade Execution	<i>135</i>
<b>4.6</b>	Clearing and Settlement of Trades	<i>152</i>
<b>4.7</b>	Trading and settlement process from investor's point of view	<i>161</i>
<b>4.8</b>	Market Information and Regulation	<i>164</i>
<b>4.9</b>	Risk Management Systems	<i>168</i>
<b>4.10</b>	Rights, Obligations and Grievance Redressal	<i>170</i>
<b>4.11</b>	Secondary market trading and reporting for debt securities	<i>175</i>

## **CHAPTER 5**

### **MUTUAL FUNDS**

<b>5.1</b>	Meaning and Description of a Mutual Fund	<i>179</i>
<b>5.2</b>	Terms and Concepts Related to Mutual Funds	<i>181</i>
<b>5.3</b>	Types of Open-ended Mutual Fund Products	<i>190</i>
<b>5.4</b>	Types of Closed ended Mutual Fund Schemes	<i>199</i>
<b>5.5</b>	Investment approaches – Active and passive	<i>201</i>
<b>5.6</b>	Processes for Investing in Mutual Funds	<i>203</i>
<b>5.7</b>	Systematic Transactions	<i>211</i>
<b>5.8</b>	Switches	<i>213</i>
<b>5.9</b>	Reading Mutual Fund Information	<i>214</i>
<b>5.10</b>	Benefits and Costs of Investing in Mutual Funds	<i>214</i>
<b>5.11</b>	Regulation of Mutual Funds	<i>216</i>
<b>5.12</b>	Investor Service Standards	<i>217</i>
<b>5.13</b>	Specialized Investment Fund	<i>218</i>

## **CHAPTER 6**

### **DERIVATIVES MARKETS**

<b>6.1</b>	Derivatives	<i>221</i>
<b>6.2</b>	Underlying concepts in Derivatives	<i>224</i>
<b>6.3</b>	Types of Derivative Products	<i>226</i>
<b>6.4</b>	Structure of Derivative Markets	<i>230</i>
<b>6.5</b>	Trading and Settlement Process: Equity Futures and Options	<i>231</i>
<b>6.6</b>	Risk Management in Derivative Markets	<i>237</i>
<b>6.7</b>	Application of Derivatives Products in Risk Management	<i>240</i>
<b>6.8</b>	Market Indicators	<i>241</i>
	<b>Glossary of Financial Terms</b>	<i>245</i>