

Annexure II – Test Objectives

NISM-Series-VI

Depository Operations Certification Examination

1 Introduction to the Capital Market

1.1 Introduction to the Capital Market

Explain the Indian Capital Market and its role in the economy

1.2 Capital Market

Explain the two segments in the capital market and the participants of capital market

1.3 Understand the regulatory environment in Indian capital market w.r.t SEBI Act, 1992, SC(R)A, 1956, Depositories Act 1996 and the Companies Act 1956

1.4 Know the Regulators in the Indian Capital market

2 Introduction to Depository

2.1 Explain the need for a depository system

Highlight the key features of the depository system in India and explain the structure of the depository system in India

2.2 Define a depository and understand and list the differences between a bank vis-à-vis a depository

2.3 Understand the legal framework in which the depositories function in India

Know the key regulations under the Depositories Act 1996, know the eligibility criteria for becoming a depository, and understand the registration process and the various rights and obligations of depositories. Understand the records which need to be maintained by a depository and the legal agreement between the depository and the issuers.

2.4 Explain and understand the various functions of a depository

3 Depository and its business partners

3.1 Understand depository participants (DPs)

Know the eligibility criteria for becoming a DP, Understand their business restrictions, Understand the procedure of application for becoming a DP and on what conditions registration is granted to DPs. Learn the validity and renewal process of registration certificate, their rights and obligations. Understand on what grounds a DP certificate can get suspended and or terminated.

3.2 Understand the Clearing Corporation/Clearing House

Explain and understand the criteria for being admitted to the depository as a user.

3.3 Issuers and RTAs

Know the eligibility criteria of becoming a RT&A, the rights and obligations of issuers and their RTAs. Know the role of issuer and RTA in demat of securities, remat of securities and in case of corporate benefits.

4 Functions of Depository Participant -Account Opening

4.1 Understand the types of account a person can open with a DP

4.2 Define and discuss what is a Beneficiary Account

Learn about the documents required while opening of account for verification, the procedure for opening an account, the different types of application forms for individual beneficial owner, joint account holders, companies, HUF, minors, partnership firms. Learn about the client participant agreement and the significance of the Power of Attorney (POA).

4.3 Clearing Member Account

Know the procedure for opening a clearing member account

4.4 Closure of account

Explain and understand the closure of an account on client's request, closure on account of consolidation of accounts. Understand the procedure when closure is initiated by a DP. Know the process involved when mass shifting of account is initiated.

4.5 Freezing of account

Know the concept of freezing of account and when is it initiated.

4.6 Changes in client details

Understand the documentation and procedure for changes in the client details.

5 Functions of Depository Participant - Transmission and Nomination

5.1 Transmission of shares

Understand the concept of transmission of shares

5.2 Nomination of shares

Explain the concept of nomination of shares

5.3 Transmission of Securities

Understand the procedure of transmission of securities held singly with nomination, held singly without nomination and the procedure of transmission of securities held jointly in the depository, held by the karta of the HUF.

6 Functions of Depository Participant -Dematerialization

6.1 International Securities Identification Number

Explain the significance of ISIN. Understand which securities can be dematerialized

6.2 Explain the Dematerialization Process

Learn about the prerequisites for a demat request. Understand the procedure for demat and on what grounds a demat request is rejected. Explain transposition cum demat and transmission of securities.

6.3 Explain the Rematerialisation process

Explain the Prerequisites to a remat request and know the process of remat.

7 Functions of Depository Participant -Trading and Settlement

7.1 Introduction

Explain in brief the role of DP in facilitating the transfer of securities from one account to another on the instructions of the account holder.

7.2 Off-Market Transactions

Understand the process flow of securities (settlement) in an off-market transaction

7.3 Market Transactions

Learn the important terms related to transaction on a stock exchange viz., settlement number, clearing member, market type. Understand what is meant by delivery deadline.

Summarise the steps in pay-in & pay-out and explain the direct delivery by clearing corporation to client account. Discuss Inter-settlement transfers. Know about the procedure of automatic delivery-out, and inter-depository transfers

8 Special Services- Pledge and Hypothecation

8.1 Introduction

Introduce the concept of pledge and hypothecation

8.2 Procedure for pledge and hypothecation

Understand the procedure for creation of a pledge / hypothecation by a pledgor, Learn the procedure for confirmation of creation of pledge/hypothecation by pledgee. Learn the process of closure of a pledge/hypothecation by pledgor. Learn about Unilateral closure of pledge, Invocation of pledge by pledgee and Invocation of hypothecation. Understand the substitution of securities offered in pledge and the corporate benefits for pledged/hypothecated securities

9 Special Services- Corporate Action

9.1 Learn about corporate actions

9.2 Procedure for Corporate Action

Learn the process of corporate actions w.r.t Monetary Benefits, Non-Monetary Benefits, Rights Issue, Merger/Amalgamation/Capital reduction etc in the securities held with the depository.

Understand the Rights of lender (under stock lending scheme) and rights of the pledgor and hypothecator. Explain how the interest is paid on debt securities.

10 Special Services- Public Issues

10.1 Public Issues Procedure

Discuss the Public Issue facility through the depository

11 Special Services- Debt Instruments and Government Securities

11.1 Introduction to Debt Instruments and Government Securities

Explain the different debt instruments and Government securities available to the investors in the Indian securities market. Understand the procedure of Debt

instrument to the depository system, Learn the key features of the debt instruments

11.2 Certificate of Deposit (CDs)

Learn how the certificate of deposit is dematerialized, settled and redeemed for those CDs which are traded.

11.3 Commercial Paper

Discuss the dematerialization of CPs, its settlement and redemption process.

11.4 Government Securities

Understand the specific features of dealing in Govt. securities such as account opening procedure, dematerialization of government securities held in physical form. Understand the process of transferring government securities in SGL form to Depository account.

12 Special Services- Warehouse Receipts

- 12.1 Discuss how the Depository Participants provide facility to the commodity exchanges for settlement of trades pertaining to warehouse receipts for commodities.