

Test Objectives

NISM-Series-VII

Securities Operations and Risk Management Certification Examination

Unit 1: Introduction to the Securities Market

1.1 Introduction

Explain the Indian Securities Markets, highlighting its role in Indian economy

1.2 Securities Market

Explain the primary and the secondary market, the different avenues for raising money from the public in the primary market, the two mediums in the secondary market, the OTC and the Exchange traded market.

1.3 Money Market

Define Money Market and the key features of the money market products.

1.4 Products Traded in the Market

Explain the different products available to the investors in the Indian Securities Markets; Define the Equity market and its products such as equity shares, debentures, warrants etc, Define the Derivative market and its products such as Index /Stock Futures, Explain Currency derivatives etc, Define the Debt market and its products such as the Government Securities Market and the Corporate Debt Market.

Chapter 2: Market Participants in the Securities Market

2.1 Introduction

Know the different market participants in the Indian Securities Market

2.2 Investors

List the different types of Investors based on their investment objectives, such as retail investors, high networth individuals and Institutional Investors

2.3 Issuers

Briefly introduce the Issuers who raise money from the securities market. Explain how money can be raised from international capital markets by way of GDRs, ADRs, FCCBs and ECBs.

2.4 Intermediaries

Explain about the Intermediaries in the Indian Securities Market viz., define what are stock exchanges, their role in the market, discuss about the Clearing Corporation

/Agency and the role performed by them, Define and discuss who are trading members, depositories and depository participants and the Custodians.

2.5 Regulators

Explain the regulatory framework for the securities market in India and the role of Securities and Exchange Board of India.

Chapter 3: Introduction to the Securities Broking Operations

3.1 Introduction to the Trade Life Cycle

Explain the Trade Life Cycle and the Steps and Participants involved in a trade life cycle. Explain how affirmation and confirmation for Institutional Clients are done; Explain how custodial transactions are executed, Define and Explain Clearing and Settlement of executed trades.

3.2 Front Office Operations

Understand the various Front Office Operations such as Client On-Boarding and Registration; Explain the role of sales in front office. Explain how an account is opened for trading purposes, the various documents required for it. Explain the importance of KYC and define Unique Client Code.

Explain Order Management, list the different types of orders and how orders are placed through internet or through phone, discuss and understand the process of order routing through the Exchange.

Explain how a trade is executed.

3.3 Middle Office Operations

Explain the various activities in a Middle Office in a securities broking firm, Explain Risk Management practices and the Surveillance mechanism in place

3.4 Back Office Operations

List the various activities in Back Office Operations. Define Trade Enrichment; Explain the procedure of trade allocation, Trade Confirmation/Modification. Discuss the Clearing and Settlement Process. Define accounting and the different accounts which a broker has to maintain.

Explain the role of Information Technology in a broking firm and understand the different Regulatory Compliances which a broker needs to comply.

Chapter 4: Risk Management

4.1 Risk Management

Explain the Risk Management practices which a broker adheres to. Define and Explain Capital Adequacy Requirements, Explain Client Account Control, Explain Margin Requirements and discuss the functions and importance of the Margin Department

4.2 Compliances and Regulatory Reporting

Summarize Compliances and Regulatory Reporting. Explain the penalties levied if the brokers fail to maintain or furnish documents as prescribed under regulations. Discuss the various types of books to be maintained and the timeline for Submission of Various Periodic Reports. Explain why and how account statements are sent to the clients of the brokers.

Chapter 5: Clearing Process

5.1 Introduction

Explain step by step the Clearing Process

5.2 Role of Clearing Agency

Explain the Role of a Clearing Agency in the clearing process of a trade.

5.3 Clearing Banks and their functions

Define Clearing Banks and explain their Functions

5.4 Clearing members / Custodians

Define and Explain Clearing Members/Custodians

5.5 Depositories and Depository Participants

Explain the role of Depository and Depository Participants

5.6 Clearing Process

Explain the Clearing Process. Differentiate between the clearing process in case of equities trading and in case of derivatives trading. Understand Determination of Obligation of Clients, Explain how Balancing/Netting of Client Accounts are done within the brokers firm and explain how broker netting is done within the Exchange.

Chapter 6: Settlement Process

6.1 Settlement Cycle

Understand the Settlement Cycle

6.2 Settlement of Internet based trading and order placed on phone

Understand the settlement procedure in case of Internet based trading and order placed on phone

6.3 Settlement of Funds

Understand the Settlement of Funds, how obligations are informed to the clients and custodians, Understand Margin Payments and Explain about settlement dues.

6.4 Settlement of Securities

Understand the Settlement of Securities; Explain the settlement process through the depository clearing system

6.5 Corporate Actions Adjustment

Understand what are corporate actions and what are Corporate Actions Adjustment; Discuss about Corporate Actions to be adjusted and the Time of Adjustment, Discuss about Methodology for Adjustment

6.6 Auction of Securities

Understand the procedure for Auction of Securities. Explain when auction is carried out. Explain the auction of securities on the BSE and on the NSE.

Chapter 7: Investor Grievances and Arbitration

7.1 Introduction

Explain the importance of investors and how the grievances of the investors are redressed

7.2 Investor Grievance

Procedure followed to redress investor grievances

7.3 Arbitration

Understand what arbitration is and the exchange procedure to handle arbitration matters. Explain the role of appellate arbitration.

Chapter 8: Other Services Provided by Brokers

8.1 Introduction

Explain the various other services which a broker offers to its investors.

8.2 IPO applications

Explain how IPO applications are treated at brokers end. Explain the procedure of collection of IPO application forms and explain the newly launched ASBA facility.

8.3 Trading of Mutual Fund units

Explain how mutual funds units are traded on the exchange.

8.4 Portfolio Management Service

Explain what Portfolio Management Service is and how do broker engage in it.

8.5 Research Reports

Explain the role of research in a broking firm

8.6 Depository Services

Explain the Depository Services provided by the brokers.

8.7 Margin Trading

Explain the concept of margin trading and its importance.