

NISM-Series-II-A: Registrars to an Issue and Share Transfer Agents - Corporate Certification Examination

Test Objectives

Unit 1: Introduction to Securities

- 1.1 Describe the broad categorization of securities as equity and debt.
- 1.2 Identify, from a list of different types of securities, those that represent ownership in a corporation and those that represent creditors.
- 1.3 Describe benefits to equity investors . dividend, growth, ownership.
- 1.4 Identify and describe the essential features of equity securities . uncertain payouts, perpetuity, and secondary market.
- 1.5 Identify and describe essential features of debt securities . interest payment, maturity, credit rating
- 1.6 Describe benefits to investors in debt . interest, redemption, right to assets
- 1.7 Describe hybrid structures - preferred and convertible instruments

Unit 2: Characteristics of Equities

- 2.1 Understand the rights of common shareholders.
- 2.2 Distinguish par value and share premium for equity shares.
- 2.3 Understand the concept of Dividend
 - Identify dividend as the payout to equity investors and that it is not a pre-defined or fixed rate
 - Identify dividend as payable on the face value and not current value of an equity share
 - Solve a simple problem on rate of dividend and amount of dividend
- 2.4 Describe the terms authorized capital, issued capital, outstanding shares, paid-up shares and share buy-back and match them to the appropriate definitions.
- 2.5 Distinguish the characteristics of preferred shares from those of common shares.
 - Identify that preferred shares are normally privately placed with investors as opposed to a public offering.
 - Identify the preferences of preferred share holders regarding dividends and assets in contrast to those of common shareholders and bondholders.
- 2.6 Identify the purpose of a rights offering as a preemptive right of shareholders to preserve their proportionate ownership in a corporation at the time additional shares are issued.

Unit 3: Characteristics of Other Securities

- 3.1 Identify the purpose of a warrant offering as a means to make an offering of new securities, usually debt securities, more attractive to investors. Contrast with a rights offering.
- 3.2 Identify the purpose of a convertible bond offering, to convert debt to equity over time, and manage cash flows.
- 3.3 Identify the purpose of Depository Receipts (DRs) and Fully Convertible Currency Bonds (FCCBs) to facilitate cross border trading and settlement, minimize transaction costs, and broaden the potential investor base, especially among institutional investors.
- 3.4 Understand Depository Receipts
 - Define a DR as a negotiable instrument in the form of a certificate denominated in US dollars issued against certain underlying securities. Identify that certificates are issued by a depository bank that has a claim on securities deposited by the issuing corporation with a domestic custodian bank.
 - Identify the right of DR holders to receive dividends and other payments when authorized by the underlying corporation, but NOT the right to vote on corporate matters.

Unit 4: Characteristics of Debt Instruments

- 4.1 From a list of different types of securities, identify those that represent the debt of a corporation.
 - Distinguish the characteristics of corporate debt securities from those of common and preferred shares.
 - Define the payment terms of corporate debt securities to include the face value, coupon and term to maturity.
- 4.2 Distinguish the face value of a corporate debt security from the market value.
- 4.3 Define current yield
 - Distinguish the coupon of a corporate debt security from its current yield.
 - Distinguish the yield to maturity of a corporate debt security from its current yield.
- 4.4 Types of debt securities
 - Identify the distinguishing characteristic of bonds, debentures, deep discount bonds and convertible debt securities.

- Identify and distinguish the relative advantages and disadvantages to issuers and investors of the convertibility feature of corporate debt securities.
- 4.5 Identify, define and distinguish among the methods of corporate debt retirement to include the call feature, the put feature, and redemption.
Identify the advantage(s) of the call feature to the issuer of corporate debt securities.
Identify the advantage(s) of the put feature to the issuer of corporate debt securities.
- 4.6 Fixed and Floating rate instruments
Identify and define the features of a floating rate bond.
Differentiate a fixed coupon and a floating rate bond.
Describe floating rate benchmarks and reset frequency
- 4.7 Credit Rating
Identify the role of credit rating agencies with respect to the ability of issuers of corporate debt securities to make regular interest payments and to repay the face value at maturity.
Identify credit rating symbols.
Describe the nature of unrated bonds.
Identify SEBI's role in setting standards for credit rating agencies.
- 4.8 Money market instruments
Identify the essential characteristics of money market instruments to include short-term maturity, and low risk.
Identify the distinguishing characteristics of the three types of money market instruments- treasury bills, commercial paper and certificates of deposit.
- 4.9 Identify the risk implications for government debt issues versus corporate debt securities.
- 4.10 Company Fixed Deposits
Identify the basic features of company fixed deposits to include a fixed interest rate, a defined term to renewal or refunding and the unsecured nature of the obligation.
Identify the distinction between company fixed deposits making periodic interest payments versus those providing for cumulative payments of interest and principal at maturity.
Identify the effect of longer terms to renewal or refunding on company deposit interest rates.
Identify investor ownership of a company fixed deposit evidenced by a non-transferable fixed deposit receipt issued by the company registrar.

Unit 5: Basics of Mutual Funds

5.1 Understand Mutual Funds

Define a mutual fund product as a portfolio of securities.

Define fund objective. Identify objective of a fund and associate it with the portfolio.

Define units of a fund, face value and ongoing value.

5.2 Understand the benefits of mutual funds to investors. List these benefits.

5.3 Describe and distinguish open and closed end funds, in terms of unit capital, ongoing transactions and investors liquidity.

5.4 Describe how units of fund change with investor transactions.

5.5 Define Assets under Management (AUM) of a portfolio and fund management fees.

Describe how value of a unit changes with changes in the AUM.

Identify value of securities as the cause for changes in AUM.

Describe how AUM can move up or down every day.

5.6 Define and describe NAV of a fund.

5.7 Unit Capital

Describe how unit capital can move up or down every day.

Describe issuance of fractional units.

Solve a simple problem on amount invested or redeemed and units.

Solve a simple problem on NAV, AUM and units, for one unknown.

5.8 Types of Mutual Fund products

Describe mutual fund products and their classification into equity, debt, hybrids and money market.

Associate mutual fund products with the securities they invest in.

5.9 Dividends and Capital Gains

List the payouts to investors in mutual funds as dividends and capital gains.

Indicate how investment options enable choosing between dividends and capital gains.

Unit 6: SEBI – Role and regulation

6.1 Understand the securities market regulatory environment

6.2 Identify the SEBI mission and contrast it to the purposes for which other financial regulatory authorities were established.

- 6.3 Name SEBI as the government agency with authority to register and regulate stock exchanges and contrast with the roles of other financial regulatory authorities.
- 6.4 Identify SEBI's powers to:
- Conduct investigations of all market participants
 - Adjudicate offenses and penalize violators
 - Register and regulate market intermediaries
 - Standards of disclosure for issuers
 - Regulation of securities exchanges
- 6.5 Name SEBI rules and regulations specifically aimed at investor protection
- Prohibition of insider trading on non-public information
 - Prohibition of fraudulent and unfair trade practices
- 6.6 Identify the statutory basis for the Investor Education and Protection Fund (IEPF) from a list of potential acts.
- Identify the funding sources for the IEPF to include unclaimed dividends, interest, allotment application fees, matured deposits and debentures, and government grants and investment income of the period.
 - Identify the purpose of the IEPF.
- 6.7 Know SEBI Regulations Relevant for Registrars and Transfer Agents
- Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993
 - Securities and Exchange Board of India (Intermediaries) Regulations, 2008
 - Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996

Unit 7: Public Offer of Securities- Features and Processes

- 7.1 Know the various types of Issues
- Define initial and follow-on public offerings and distinguish between them.
 - Define and distinguish among a private placement, a preferential allotment, and a QIP placement of securities.
- 7.2 Define underwriting
- 7.3 Define the green shoe option that may be included in the underwriting agreement and distinguish from an additional allotment in case of a shortfall and lock-in provision.
- 7.4 Identify the sequence of events and describe the underlying processes in a public offering including:
- Preliminary red herring prospectus, Issue advertisements, Red herring prospectus, Final prospectus, Issue registration effective, Closing of bids

Define a red herring prospectus and distinguish it from the preliminary red herring prospectus and the final prospectus.

Identify that under The Companies Act all initial public offerings (IPOs) must be issued in dematerialized form and be listed on an exchange.

7.5 Identify the purpose of the SEBI Disclosure and Investor Protection (DIP) Guidelines to set minimum disclosure standards for issues and to set minimum standards for the conduct of securities offerings.

7.6 Identify the features of a Fixed Price Offering and distinguish it from a Book Built Offering.

7.7 Know various investor categories

Identify the classes of investors (QIBs, NIIs, RIs) and their respective allotments of shares of a new issue.

Identify the manner in which the shares are reserved for bidders within each allotment category.

Identify the payment terms for the three classes of investors and distinguish among them.

7.8 Understand the bidding process

Identify the features of the bidding process including an electronic exchange platform

Define cut-off price in a public offering.

7.9 Describe terms of finalising the list of eligible allottees, reconciliation, dematerialization, credit and rejections.

7.10 Describe the process of submission of basis of allotment to stock exchanges such as:

Documents to be submitted to exchanges

Lock-in provisions for pre IPO shares

Fulfillment of sector caps

Sending of Confirmation of Allotment Notices (CANs)

Dispatching refund orders or directly crediting allottee accounts

7.11 Describe processing of responses for mandatory open offers

7.12 Describe processing of buy backs, and tender offers

7.13 Describe the processing of corporate actions such as dividends, bonus, splits and consolidation

7.14 Describe the Role of the Transfer Agent in dealing with physical certificates:

Dematerialization (Demat)/ Rematerialization (Remat) of securities certificates

Reconciliation of daily balances

Transfer of ownership of physical securities

Issue of duplicate certificates

Stop Transfer for certificates reported Lost/ Stolen
Issue of new certificates in corporate reorganizations

Unit 8: Depository Services and Related Processes

8.1 Basic Features of Depositories

Identify the purposes of the Depository Act of 1996 and contrast with features of the physical certificate regime.

Name the securities depositories in India.

Describe the Role of the Depositories specially relating to Dematerialization of certificates and fungibility of securities

Identify how ownership of dematerialized securities is reflected at the issuer and at the securities depository.

8.2 Identify that a depository participant (DP) must be a financial intermediary by correctly selecting examples of such intermediaries.

8.3 Describe how investors avail themselves of the depository's services through accounts maintained with DPs.

Describe how investors authorize transfers of securities by submitting signed Delivery Instruction Slips to DPs.

Describe investor rights with depositories relating to their option to being beneficial owners; rights of beneficial owners and rights to record pledges / hypothecations

Identify the investor right to receive periodic statements of accounts regarding securities held in the depository.

Identify the rights of the beneficial owners, including the option for beneficial owners to receive a physical certificate.

8.4 Describe processes in depositories, DPs and R & T Agents relating to Dematerialization and Rematerialization of securities including:

Providing information to issuers

Downloading beneficiary positions to R & T Agents

Reflecting corporate actions (cash / non-cash distributions, buybacks, reorganizations) on depository records

8.5 Differentiate market and off market trades and describe processes related to Trading and Settlement of market and off-market trades

8.6 Describe the process of reconciliation of records between the Depository and R & T Agent

Unit 9: Investor Servicing Processes

- 9.1 Describe the processes related to investor services provided by R & T agents for:
- Recording changes of address, bank & POA
 - Processing dividend / Interest payments
 - Transfer of ownership of Securities
 - Issuance of Duplicate Certificates
 - Lost securities and Stop Transfer instructions
 - Transmissions and deletions
 - Handling shareholder inquiries and complaints

Unit 10: Stock exchanges – role, listing

- 10.1 Identify the role of the secondary market in securities and contrast it with the role of the primary market.
- 10.2 Identify the role of the stock exchanges as facilities for conducting secondary market transactions and contrast with the conduct of primary market transactions.
- 10.3 Identify that all secondary market contracts take place between or through exchange members.
- 10.4 Identify the principal features of a stock exchange and identify the major stock exchanges in India.
- 10.5 Identify and describe the role of various participants in the stock markets
- 10.6 Identify the advantages to a company of listing its shares on an exchange in terms of advantages to a company of listing on an exchange.
- 10.7 List and describe exchange listing requirements, salient features of the listing agreement, including periodic reporting etc.