

**Knowledge Initiative**

**9**



## Knowledge Initiative

Several initiatives have been taken over the last few years to promote the skills of market participants, to educate and protect the investors and to promote high quality research about the working of the securities market. In line with this NSE has launched several initiatives to strengthen the knowledge base of the Indian securities market and to protect investor interest. Major initiatives in this area are discussed below:

### NSE's Certification in Financial Markets (NCFM)

Taking into account international experience and the needs of the Indian financial markets NSE introduced in 1998 a unique testing and certification programme called National Stock Exchange's Certification in Financial Markets (NCFM). This was introduced with a view for protecting interests of investors in financial markets and more importantly, for minimizing risks of losses arising out of deficient understanding of markets and instruments. NCFM is an on-line testing system which tests the practical knowledge and skills required to operate in the financial markets in a secure and unbiased manner and awards certificates based on relative merits thus ensuring that the caliber of persons entering this field is kept high in the best interests of a mature and vibrant market.

NCFM, has become extremely popular and is sought by the candidates as well as employers due to its unique on-line testing and certification programme. It offers all the certifications mandated by SEBI, NSDL, AMFI, FIMMDA and NSE itself. NCFM offers a comprehensive range of modules covering many different areas in finance (Table 8-1). The entire process from generation of question paper, testing, assessing, scores reporting and certifying is fully automated. It allows tremendous flexibility in terms of testing centres, test dates and test timing and provides easy accessibility and convenience to candidates.

The number of centers from where the NCFM tests are conducted has increased in the recent past. Currently the NCFM tests are conducted from around 100 centers across the country.

### Launch of New NCFM Modules

On January 7, 2009, "*Mutual Funds : A Beginners' Module*" was launched under NCFM with a view to educate and create awareness about the role and function of mutual funds, the different mutual fund products being offered in the markets, risk profile of different products, the advantages of investing in mutual funds. This module is useful for first time investors in mutual funds, young students and anyone wanting to know about the basics of mutual funds.

On February 2, 2009 "*Options Trading Strategies Module*" was launched under NCFM with a view to impart knowledge on the Options trading strategies so that investors can manage their risks better and use these strategies to enhance their income potential under different market conditions. This module has been introduced to explain some of

the important and basic Options strategies. There are 22 Options strategies covered in this module and the tests are based on these 22 strategies.

### **NCFM Tests conducted in regional languages**

All the NCFM modules were initially in English language. In response to the requests received for tests to be conducted in other languages as well, NSE introduced the Derivatives Market (Dealers) Module in Gujarati and Hindi which was launched on February 15, 2008 and June 19, 2008 respectively. In addition to this, the Capital Market (Dealers) module test in Gujarati and Hindi languages was introduced on February 19, 2009.

### **CBSE – NSE joint certification in Financial markets**

CBSE and NSE introduced a joint certification in Financial Markets for std. XI and XII. The course, titled “Financial Markets Management” had been introduced by CBSE during 2007-2008. This was the first such exercise to introduce financial literacy in schools. The new course comprises of various subjects, such as Languages, Economics, Business Studies, Accounting for Business etc. Besides these, two financial market related subjects, “Introduction to Financial Markets – I” and “Introduction to Financial Markets – II” are taught in Std. XI and XII respectively. Students opting for the course are required to take the NCFM on-line tests in “Financial Markets : A Beginners Module” in Std. XI and both “Capital Markets (Dealers) Module and Derivatives Markets (Dealers) Module”, in Std. XII.

### **NSE Research Initiative**

In order to improve market efficiency further and to set international benchmarks in securities industry, NSE administers a scheme called the NSE Research Initiative. The initiative fosters research which can support and facilitate stock exchanges to design market microstructure, participants to frame their strategies in the market place, help regulators to frame regulations, policy makers to formulate policy and broaden the horizon of knowledge about the securities market. The initiative has received a tremendous response from the academics as well as the market participants from within and outside the country. The studies completed/under progress under the initiative is presented in Table 8-2. The completed research papers and the paper under progress are provided on the NSE website [www.nseindia.com](http://www.nseindia.com).

### **Investor Awareness and Education Programmes**

NSE has been carrying out investor awareness seminars on a regular basis in various parts of the country. During the seminars, the investors are educated about their rights and obligations, new financial products, investment avenues and certification programmes. Various informative booklets and material are also distributed at the seminars. Besides covering the investors, the Exchange also reaches out to a larger number of persons across the country as a part of a Financial Literacy campaign. The purpose is to educate the masses about investing, various investment avenues, benefits of investing in equities and

upgrade the financial literacy and awareness among the masses. The higher secondary schools and colleges is also one of the focus areas in this exercise since an early education on investing helps the individual to take proper decision while investing in future. Further, this also helps in increasing the overall equity investor base in the country over a period of time with more people being acquainted with the benefits of investing in the equity markets. **During 2008-09, there were 606 investor awareness and education programmes conducted by NSE.**

### **National Institute of Securities Market (NISM)**

Pursuant to the announcement made by the Finance Minister in his Budget Speech in February 2005, Securities and Exchange Board of India (SEBI) established the National Institute of Securities Markets (NISM) in Mumbai. SEBI, by establishing NISM, has articulated the desire expressed by the Indian government to promote securities market education and research.

Towards accomplishing the desire of Government of India and vision of SEBI, NISM has launched an effort to deliver financial and securities education at various levels and across various segments in India and abroad. To implement its objectives, NISM has established six distinct schools to cater the educational needs of various constituencies such as investor, issuers, intermediaries, regulatory staff, policy makers, academia and future professionals of securities markets.

NISM seeks to add to market quality through educational initiatives. It is an autonomous body governed by its Board of Governors. An international Advisory Council provides strategic guidance to NISM. NISM brings out various publications on securities markets with a view to enhance knowledge levels of participants in the securities industry. NISM is mandated to develop and implement certification examinations for professionals employed in various segments of the Indian securities markets.

### **Launch of Currency Derivatives Certification Examination by NISM**

NISM has launched the Currency Derivatives Certification Examination to create a common minimum knowledge benchmark for persons working in the Currency Derivatives market segment, in order to enable a better understanding of currency markets and exchange traded currency future products, better quality investor service, operational process efficiency and risk controls. As per SEBI requirement, all approved users and sales personnel of trading members of currency derivatives segments of recognised stock exchanges are required to obtain the necessary certification by August 10, 2009. NISM has appointed NSE as one of the test administrators for conducting Currency Derivatives Certification Examination.

**Table 9-1 : NCFM Modules**

| Sr. No. | Name of Module                                | Fees (Rs.)    | Test Duration (in minutes) | No. of Questions | Maximum Marks | Pass Marks (%) | Certificate Validity (in years) |
|---------|-----------------------------------------------|---------------|----------------------------|------------------|---------------|----------------|---------------------------------|
| 1       | Financial Markets: A Beginners' Module        | 750           | 60                         | 50               | 100           | 50             | 5                               |
| 2       | Mutual Funds : A Beginners' Module            | 750           | 60                         | 50               | 100           | 50             | 5                               |
| 3       | Securities Market (Basic) Module              | 1500          | 105                        | 60               | 100           | 60             | 5                               |
| 4       | Capital Market (Dealers) Module *             | 1500          | 105                        | 60               | 100           | 50             | 5                               |
| 5       | Derivatives Market (Dealers) Module **        | 1500          | 120                        | 60               | 100           | 60             | 3                               |
| 6       | FIMMDA-NSE Debt Market (Basic) Module         | 1500          | 120                        | 60               | 100           | 60             | 5                               |
| 7       | NSDL-Depository Operations Module             | 1500          | 75                         | 60               | 100           | 60 #           | 5                               |
| 8       | Commodities Market Module                     | 1800          | 120                        | 60               | 100           | 50             | 3                               |
| 9       | AMFI-Mutual Fund (Basic) Module               | 1000          | 90                         | 62               | 100           | 50             | No limit                        |
| 10      | AMFI-Mutual Fund (Advisors) Module            | 1000          | 120                        | 72               | 100           | 50             | 5                               |
| 11      | Surveillance in Stock Exchanges Module        | 1500          | 120                        | 50               | 100           | 60             | 5                               |
| 12      | Corporate Governance Module                   | 1500          | 90                         | 100              | 100           | 60             | 5                               |
| 13      | Compliance Officers (Brokers) Module          | 1500          | 120                        | 60               | 100           | 60             | 5                               |
| 14      | Compliance Officers (Corporates) Module       | 1500          | 120                        | 60               | 100           | 60             | 5                               |
| 15      | Information Security Auditors Module (Part-1) | 2250          | 120                        | 90               | 100           | 60             | 2                               |
|         | Information Security Auditors Module (Part-2) | 2250          | 120                        | 90               | 100           | 60             |                                 |
| 16      | FPSB India Exam 1 to 4***                     | 1500 per exam | 120                        | 75               | 140           | 60             | NA                              |
| 17      | Options Trading Strategies Module             | 1500          | 120                        | 60               | 100           | 60             | 5                               |

\* Candidates have the option to take the CMDM test in English, Gujarati or Hindi language. The workbook for the module is presently available in ENGLISH.

\*\* Candidates have the option to take the DMDM test in English, Gujarati or Hindi language. The workbook for the module is also available in ENGLISH, GUJARATI and HINDI languages.

# Candidates securing 80% or more marks in NSDL-Depository Operations Module ONLY will be certified as 'Trainers'.

\*\*\* Modules of Financial Planning Standards Board India (Certified Financial Planner Certification) i.e. (i) Risk Analysis & Insurance Planning (ii) Retirement Planning & Employee Benefits (iii) Investment Planning and (iv) Tax Planning & Estate Planning. The fees for FPSB Modules 1-4 are Rs. 2000/- per exam from test date April 1, 2009 onwards.

**NISM Series I Certification Modules**

| Sr. No. | Name of Module                                                | Fees (Rs.) | Test Duration (in minutes) | No. of Questions | Maximum Marks | Pass Marks* (%) | Certificate # Validity (in years) |
|---------|---------------------------------------------------------------|------------|----------------------------|------------------|---------------|-----------------|-----------------------------------|
| 1       | NISM-Series-I: Currency Derivatives Certification Examination | 1000       | 120                        | 60               | 100           | 60              | 3                                 |

\* Negative marking – 25% of the marks assigned to the question

# Passing Certificate will be issued only to those candidates who have furnished/ updated their Income Tax Permanent Account Number (PAN) in their registration details.

*Table 9-2 : Studies under the NSE Research Initiative*

| SL. No.                 | Title of Study                                                                                                                                                         |
|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Completed Papers</i> |                                                                                                                                                                        |
| 1                       | Econometric Estimation of Systematic Risk of S&P CNX Nifty Constituents                                                                                                |
| 2                       | Stock Market Development and its Impact on the Financing Pattern of the Indian Corporate Sector                                                                        |
| 3                       | Efficiency of the Market for Small Stocks                                                                                                                              |
| 4                       | Determinants of Financial Performance of Indian Corporate Sector in the Post-Liberalization Era: An Exploratory Study                                                  |
| 5                       | Should pension funds invest in equities? An analysis of risk-return tradeoff and asset allocation decisions                                                            |
| 6                       | Changes in liquidity following exposure to foreign shareholders: The effect of foreign listings, inclusion in country funds and issues of American Depository Receipts |
| 7                       | Is the Spread Between E/P Ratio and Interest Rate Informative for Future Movement of Indian Stock Market?                                                              |
| 8                       | Merger Announcements and Insider Trading Activity in India: An Empirical Investigation                                                                                 |
| 9                       | Achieving an Individual Investor Friendly System using the power of the Internet                                                                                       |
| 10                      | Improved Techniques for using Monte Carlo in VaR estimation                                                                                                            |
| 11                      | Short selling and its Regulation in India in International Perspective                                                                                                 |
| 12                      | Empirical investigation of multi-factor asset pricing models using Artificial Neural Network                                                                           |
| 13                      | Idiosyncratic Factors in Pricing Sovereign Bonds: An Analysis of the Government of India Bond Market                                                                   |
| 14                      | The Extreme Value Volatility Estimators and Their Empirical Performance in Indian Capital Markets                                                                      |
| 15                      | Equity Market Interlinkages: Transmission of Volatility - A Case Of US and India                                                                                       |
| 16                      | Institutional Investors and Corporate Governance in India                                                                                                              |
| 17                      | Dividend policy of Indian Corporate Firms : An Analysis of Trends & Determinants                                                                                       |
| 18                      | Market Microstructure Effects of Transparency of Indian Banks                                                                                                          |
| 19                      | Futures Trading, Information and Spot Price Volatility of NSE-50 Index Futures Contract                                                                                |
| 20                      | Measuring productive efficiency of stock exchanges using price adjustment coefficients                                                                                 |
| 21                      | Do Futures and Options trading increase stock market volatility?                                                                                                       |
| 22                      | Section switching stock market price effect in the Indian capital market and the policy implications thereof                                                           |
| 23                      | Study of Common Stochastic Trend and Co-integration in the Emerging Markets - A case study India, Singapore and Taiwan                                                 |
| 24                      | Market Discipline in the Indian Banking Sector: An Empirical Exploration                                                                                               |
| 25                      | Conditional CAPM and Cross sectional returns - A study on Indian Securities Market                                                                                     |
| 26                      | Evaluating index fund implementation in India                                                                                                                          |
| 27                      | Measuring Volumes in the Indian Financial Markets Some Terminological and Conceptual Issues                                                                            |
| 28                      | Corporate Social Responsibility Initiatives by NSE NIFTY Companies - Content, Implementation Strategies & Impact.                                                      |
| 29                      | Measures for Improving Common Investor Confidence in Indian Primary Market : A Survey                                                                                  |
| 30                      | Informational Content of Trading Volume And Open Interest – An Empirical Study of Stock Options Market In India                                                        |
| 31                      | An analysis of the Dynamic Relationships Between South Asian and Developed Equity Markets                                                                              |
| 32                      | Corporate Governance and Market reactions                                                                                                                              |
| 33                      | Insider Ownership and Corporate Governance                                                                                                                             |

*Contd...*

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| SL. No.                      | Title of Study                                                                                                                                        |
|------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| 34                           | Improving Index Fund Implementation in India                                                                                                          |
| 35                           | Seasoned Capital Offerings: Earnings Management and Long-Run Operating Performance of Indian Firms                                                    |
| 36                           | Volatility Spillovers Across Stock, Call Money And Foreign Exchange Markets                                                                           |
| 37                           | Understanding the Microstructure in Indian Markets                                                                                                    |
| 38                           | Price and Volume Effects of S&P CNX Nifty Index Reorganization                                                                                        |
| 39                           | Lead-Lag relationship between Equities and Stock Index Futures Market and its variation around Information Release: Empirical Evidence from India     |
| 40                           | On The New Transformation-Based Approach To Measuring Value-At-Risk: An Application To Forex Market In India                                          |
| 41                           | Optimal Hedge Ratio and Hedging Effectiveness of Stock Index Futures : Evidence from India                                                            |
| 42                           | Evaluating Corporate Governance Risk: A Fuzzy logic approach                                                                                          |
| 43                           | Do the S&P CNX Nifty Index and Nifty Futures Really Lead/Lag? Error Correction Model: A Cointegration Approach                                        |
| 44                           | Under-Pricing and long run performance of Initial Public Offerings in Indian Stock Market                                                             |
| 45                           | Price & liquidity effects of stock split: An Empirical evidence from Indian stock market                                                              |
| 46                           | Risk Return Dynamics of Derivative Based Investment Strategies.                                                                                       |
| 47                           | Pricing of Options on Defty                                                                                                                           |
| 48                           | Price Limits Are they Worth the Price?                                                                                                                |
| 49                           | Volatility Persistence and the Feedback trading Hypothesis: Evidence from Indian Markets                                                              |
| 50                           | Dynamic Interaction among Mutual Fund Flows, Stock Market Return and Volatility                                                                       |
| 51                           | Correlation Dynamics in Equity Markets: Evidence from India                                                                                           |
| 52                           | Price Discovery and Arbitrage Efficiency of Indian Equity Futures and Cash Markets                                                                    |
| <i>Papers under Progress</i> |                                                                                                                                                       |
| 1                            | Do Hetrogeneous beliefs affects trading volume and asset prices.                                                                                      |
| 2                            | Imbalance created because of structured products in India equity market                                                                               |
| 3                            | Forecasting Of Indian Stock Market Index Using Artificial Neural Network                                                                              |
| 4                            | Global Stock Futures : A Diagnostic Analysis Of a Selected Emerging And Developed Markets With Special Reference To India                             |
| 5                            | Price Behaviour around Block Trades on the National Stock Exchange of India.                                                                          |
| 6                            | Does the Stock Market Overreact? An empirical evidence of the Contrarian Returns from the Indian Markets                                              |
| 7                            | Dynamic Relationship between Stock Return, Trading Volume and Volatility:Evidence from Indian Stock Market                                            |
| 8                            | Stock Market Seasonality: A Study of the Indian Stock Market                                                                                          |
| 9                            | Determinants and the Stability of Dividends in India:Application of Dynamic Partial Adjustment Equation using Extended Instrumental Variable Approach |
| 10                           | Optimal Investment Horizons for S&P CNX Nifty and its Components                                                                                      |
| 11                           | Forecasting Volatility using High Frequency Data                                                                                                      |
| 12                           | Examining Association between S&P CNX Nifty and selected Asian and US Stock Markets                                                                   |