



# CONTENTS

	PAGE
<i>Foreword</i>	I-3
<i>Acknowledgement</i>	I-5
<i>About NISM Certifications</i>	I-7
<i>About the Certification Examination for Mutual Fund Distributors</i>	I-9
<i>Syllabus Outline with Weightages</i>	I-17

## CHAPTER 1

### INVESTMENT LANDSCAPE

1.1	Investors and their Financial Goals	1
1.2	Savings or Investments	6
1.3	Different Asset Classes	9
1.4	Investment Risks	14
1.5	Risk Measures and Management Strategies	19
1.6	Behavioural Biases in Investment Decision Making	20
1.7	Risk Profiling	23
1.8	Understanding Asset Allocation	23
1.9	Do-it-yourself versus Taking Professional Help	26

## CHAPTER 2

### CONCEPT AND ROLE OF A MUTUAL FUND

2.1	Concept of a Mutual fund	29
2.2	Classification of Mutual Funds	39
2.3	Growth of the mutual fund industry in India	52

### CHAPTER 3

#### LEGAL STRUCTURE OF MUTUAL FUNDS IN INDIA

3.1	Structure of Mutual Funds in India	55
3.2	Key Constituents of a Mutual Fund	57
3.3	Organization Structure of Asset Management Company	62
3.4	Role and Support function of Service Providers	65
3.5	Role and Function of AMFI	70

### CHAPTER 4

#### LEGAL AND REGULATORY FRAMEWORK

4.1	Role of Regulators in India	73
4.2	Role of Securities and Exchange Board of India	74
4.3	Due Diligence Process by AMCs for Distributors of Mutual Funds	90
4.4	Investor Grievance Redress Mechanism	91
4.5	AMFI Code of Conduct for Intermediaries	92

### CHAPTER 5

#### SCHEME RELATED INFORMATION

5.1	Mandatory Documents	95
5.2	Non-Mandatory Disclosures	115

### CHAPTER 6

#### FUND DISTRIBUTION AND CHANNEL MANAGEMENT PRACTICES

6.1	The role and importance of mutual fund distributors	119
6.2	Different kinds of mutual fund distributors	120
6.3	Modes of distribution	122
6.4	Pre-requisites to become Distributor of a Mutual Fund	126

	PAGE	
6.5	Revenue for a mutual fund distributor	130
6.6	Commission Disclosure mandated by SEBI	138
6.7	Due Diligence Process by AMCs for Distributors of Mutual Funds	138
6.8	Difference between distributors and Investment Advisors	139
6.9	Nomination facilities to Agents/Distributors and Payment of Commission to Nominee	142
6.10	Change of distributor	144

## CHAPTER 7

### NET ASSET VALUE, TOTAL EXPENSE RATIO AND PRICING OF UNITS

7.1	Fair Valuation Principles	147
7.2	Computation of Net Assets of Mutual Fund Scheme and NAV	153
7.3	Dividends & Distributable Reserves	164
7.4	Concept of Entry and Exit Load and its impact on NAV	165
7.5	Key Accounting and Reporting Requirements	167
7.6	NAV, Total expense ratio and pricing of units for the Segregated Portfolio	167

## CHAPTER 8

### TAXATION

8.1	Applicability of taxes in respect of mutual funds	172
8.2	Capital Gains	173
8.3	Dividend income (IDCW option)	178
8.4	Stamp Duty on Mutual Fund Units	179
8.5	Setting off of Capital Gains and Losses under Income-tax Act	180
8.6	Securities Transaction Tax	181
8.7	Tax benefit under section 80C of the Income-tax Act	182
8.8	Tax Deducted at Source	183
8.9	Applicability of GST	184

## **CHAPTER 9**

### **INVESTOR SERVICES**

<b>9.1</b>	The NFO process	<i>188</i>
<b>9.2</b>	New Fund Offer Price/On-going Offer Price for subscription	<i>189</i>
<b>9.3</b>	Investment Plans and Services	<i>190</i>
<b>9.4</b>	Allotment of Units to the Investor	<i>193</i>
<b>9.5</b>	Account statements for investments	<i>195</i>
<b>9.6</b>	Mutual Fund Investors	<i>196</i>
<b>9.7</b>	Filling the Application Form for Mutual Funds	<i>199</i>
<b>9.8</b>	Financial Transactions with Mutual Funds	<i>203</i>
<b>9.9</b>	Cut-off Time and Time Stamping	<i>216</i>
<b>9.10</b>	KYC Requirements for Mutual Fund Investors	<i>221</i>
<b>9.11</b>	Systematic Transactions	<i>231</i>
<b>9.12</b>	Operational aspects of Systematic Transactions	<i>235</i>
<b>9.13</b>	Non-Financial Transactions in Mutual Funds	<i>240</i>
<b>9.14</b>	Change in Status of Special Investor Categories	<i>246</i>
<b>9.15</b>	Investor transactions – Turnaround times	<i>250</i>

## **CHAPTER 10**

### **RISK, RETURN AND PERFORMANCE OF FUNDS**

<b>10.1</b>	General and Specific Risk Factors	<i>255</i>
<b>10.2</b>	Factors that affect mutual fund performance	<i>270</i>
<b>10.3</b>	Drivers of Returns and Risk in a Scheme	<i>272</i>
<b>10.4</b>	Measures of Returns	<i>282</i>
<b>10.5</b>	SEBI Norms regarding Representation of Returns by Mutual Funds in India	<i>288</i>
<b>10.6</b>	Risks in fund investing with a focus on investors	<i>288</i>
<b>10.7</b>	Measures of Risk	<i>292</i>
<b>10.8</b>	Certain Provisions with respect to Credit risk	<i>296</i>

**CHAPTER 11****MUTUAL FUND SCHEME PERFORMANCE**

<b>11.1</b>	Benchmarks and Performance	305
<b>11.2</b>	Price Return Index or Total Return Index	306
<b>11.3</b>	Basis of Choosing an appropriate performance benchmark	307
<b>11.4</b>	Benchmarks for equity schemes	308
<b>11.5</b>	Benchmarks for Debt Schemes	309
<b>11.6</b>	Benchmarks for Other Schemes	310
<b>11.7</b>	Quantitative Measures of Fund Manager Performance	313
<b>11.8</b>	Tracking Error	316
<b>11.9</b>	Scheme Performance Disclosure	316

**CHAPTER 12****MUTUAL FUND SCHEME SELECTION**

<b>12.1</b>	Scheme Selection based on Investor needs, preferences and risk-profile	323
<b>12.2</b>	Risk levels in mutual fund schemes	326
<b>12.3</b>	Scheme Selection based on investment strategy of mutual funds	331
<b>12.4</b>	Selection of Mutual Fund scheme offered by different AMCs or within the scheme category	339
<b>12.5</b>	Selecting options in mutual fund schemes	343
<b>12.6</b>	Do's and Don'ts while selecting mutual fund schemes	344
<b>Appendix 1:</b>	Fifth Schedule of Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 [Regulations 18(22), 25(16), 68(h)]	347
<b>Appendix 2:</b>	AMFI Code of Ethics	349
<b>Appendix 3:</b>	AMFI's Code of Conduct for Intermediaries of Mutual Funds	355
<b>Appendix 4:</b>	Format of Scheme Information Document (SID)	364
<b>Appendix 5:</b>	Format of Statement of Additional Information (SAI)	386
<b>Appendix 6:</b>	Format of Key Information Memorandum	395

	PAGE
<b>Appendix 7:</b> KYC Form for Individual	<i>400</i>
<b>Appendix 8:</b> KYC Form for Non-Individuals	<i>404</i>
<b>Appendix 9:</b> KYC Details Change Form for Individuals	<i>408</i>
<b>Appendix 10:</b> KYC Details Change Form for Non-Individuals	<i>410</i>
<b>Appendix 11:</b> Process for Aadhaar e-KYC of investors (resident) in the securities markets	<i>412</i>
<b>Appendix 12:</b> Procedure for Transmission of Units on Death of a Unitholder	<i>415</i>
<b>Appendix 13:</b> Easy guide for New Distributors	<i>422</i>
<b>Appendix 14:</b> Indian and Global mutual fund industry	<i>424</i>
<b>Appendix 15:</b> Additional knowledge resources	<i>425</i>