

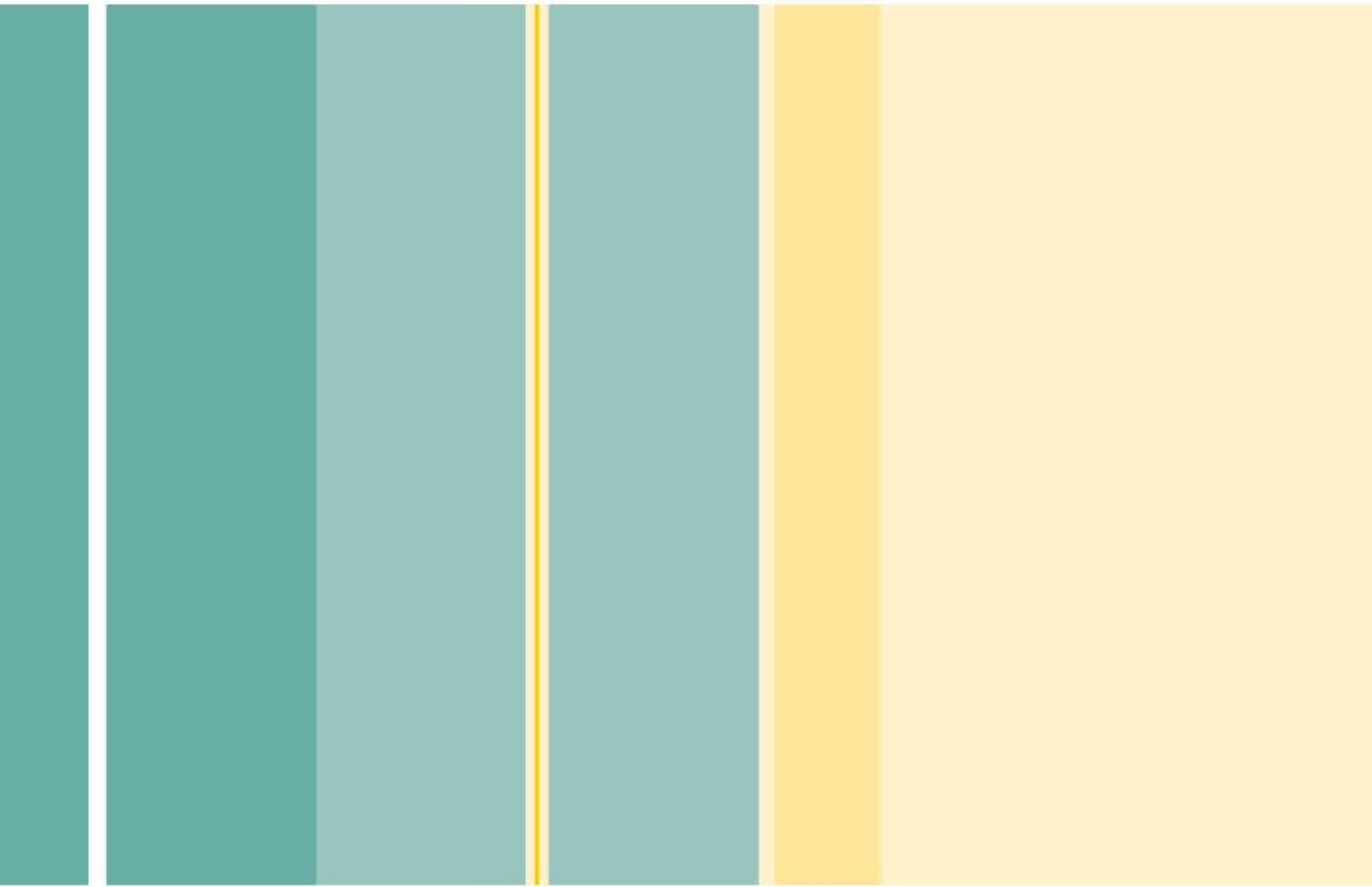
NiSM NATIONAL INSTITUTE OF
SECURITIES MARKETS
An Educational Initiative by SEBI

Annual Report

2010-2011



NISM
BHAVAN



Preface

The National Institute of Securities Markets was established by the Securities and Exchange Board of India. It is a public trust registered under the Bombay Public Trusts Act, 1950. It is governed by its Memorandum of Association and Rules & Regulations.

The primary purpose of NISM is to enhance the quality of Indian securities markets through knowledge initiatives. NISM addresses a number of constituencies in the securities markets such as investors, issuers, intermediaries, students who seek a career in the securities markets, regulatory staff and members of academia who wish to study the securities markets.

The target audience of NISM is diverse. Hence, NISM is required to approach each constituency differently in terms of the programme/product design, delivery and pricing of its products. As the target group is large, it is not possible to reach all of them without active help from the players in the securities markets and without active collaboration with the larger educational system. NISM is also required to utilize a variety of delivery mechanisms to reach its educational initiatives to a wide segment of users in a cost effective manner.

Considering the limited resources at its disposal, and also the difficulty of pricing many of its products at full cost, NISM has been seeking to garner financial support from various entities that have abiding interest in making knowledge interventions in the securities markets.

This Annual Report states the activities of NISM undertaken during 2010-2011. During the year the emphasis was placed on certification, corporate governance, long duration educational programmes for students and executive education.

During the year, considerable effort was directed towards infrastructure building, enhancement of staff strength, putting in place systems and processes and generally taking steps to steer the Institute during its formative phase.

BOARD OF GOVERNORS¹

MR. U. K. SINHA

Chairman, SEBI
(Chairman, Board of Governors²)

MR. M. S. SAHOO

Whole Time Member, SEBI

DR. K. M. ABRAHAM

Whole Time Member, SEBI

DR. K. R. S. MURTHY

Former Director IIM,
Bangalore

DR. K. P. KRISHNAN³

Secretary
Prime Minister's Economic Advisory Council
New Delhi

MR. Y. C. DEVESHWAR

Chairman, ITC Ltd.

MR. M. B. N. RAO

Former Chairman & Managing Director
Canara Bank

MR. PRATIP KAR

Consultant, Global Corporate Governance Forum,
International Finance Corporation

DR. MOHAN GOPAL

Director, National Judicial Academy, Bhopal

MR. RAFIQ DADA

Senior Advocate, Mumbai

MR. P. K. NAGPAL⁴

Executive Director, SEBI

PROF. G. SETHU

Officer on Special Duty, NISM

1. As at 31.3.2011

2. Mr.C. B. Bhave was Chairman, Board of Governors till February 17, 2011. Mr. U.K.Sinha took over as Chairman, SEBI on February 18, 2011. Consequently he became the Chairman of NISM Board on February 18, 2011.

3. With effect from 4th June, 2010

4. With effect from 13th July, 2010

ACADEMIC COUNCIL⁵

DR. PRITAM SINGH

Professor of Eminence,
Management Development Institute,
Gurgaon

PROF. R. VAIDYANATHAN

Professor of Finance
Indian Institute of Management
Bangalore

DR. SANJAY KALLAPUR

Senior Associate Dean, Faculty and Research,
Indian School of Business,
Hyderabad

DR. AJAY SHAH

Professor
National Institute of Public Finance and Policy
New Delhi

PROF. G. SETHU

Officer on Special Duty & In-Charge,
NISM (Chairman, Academic Council)

MR. M. L. SONEJI

Registrar, NISM
Secretary to the Board and Committees

5. As at 31.3.2011

ADVISORY COUNCIL⁶

MR. U.K. SINHA

Chairman, SEBI
(Chairman, Advisory Council)

DR. MARTI G. SUBRAHMANYAM

Charles E Merrill Professor of Finance,
Economics and International Business
Stern School of Business, New York University

DR. S. SADAGOPAN

Director,
International Institute of Information Technology (IIIT),
Bengaluru

MR. COLIN GRASSIE

Chief Executive Officer
Deutsche Bank, London

MR. CYRIL SHROFF

Managing Partner
Amarchand & Mangaldas & Suresh A. Shroff & Co.,
Mumbai

MR. P. K. CHOUDHURY

Vice Chairman & Group CEO ICRA Ltd.,
Gurgaon

MR. UDAY KOTAK

Vice Chairman & Managing Director
Kotak Mahindra Bank Ltd.,
Mumbai

MR. VENU SRINIVASAN

Chairman and Managing Director
TVS Motor Company Ltd.,
Chennai

PROF. ANDREW SHENG

Former Chairman
Hong Kong Securities and Futures Commission

PROF. EISUKE SAKAKIBARA

Director
IIES, Waseda University,
Japan

6. As at 31.3.2011

MR. T.V. MOHANDAS PAI

Member of the Board Infosys Technologies Ltd.,
Bengaluru

SIR HOWARD DAVIES

Director,
The London School of Economics and Political
Science,
London

PROF. G. SETHU

Officer on Special Duty & In-Charge of NISM

Introduction

NISM is organized into six schools on the basis of customer segments. Line activities have been categorized into projects. Within each school, there are a number of individual projects. Similar projects have been placed under one group. There are 18 projects. These are as follows:

- 1 SCHOOL FOR INVESTOR EDUCATION AND FINANCIAL LITERACY (SIEFL)**
 - Investor education through web-based delivery (SIEFL/2008/1)
 - Investor education through outreach programmes (SIEFL/2008/3)
 - Financial literacy programmes through schools (SIEFL/2008/4)

- 2 SCHOOL FOR CORPORATE GOVERNANCE (SCG)**
 - Workshops for media persons (SCG/2008/1)
 - Directors Toolkit workshops (SCG/2008/2)

- 3 SCHOOL FOR SECURITIES EDUCATION (SSE)**
 - Financial Engineering and Risk Management Programme (SSE/2008/1)
 - Securities Markets Programme (SSE/2008/2)

- 4 SCHOOL FOR REGULATORY STUDIES AND SUPERVISION (SRSS)**
 - Executive education for officers of SEBI and market participants (SRSS/2008/1)
 - Executive education for key market participants, etc. (SRSS/2008/2)
 - Round table conference, etc. (SRSS/2008/7)

- 5 SCHOOL FOR SECURITIES INFORMATION AND RESEARCH (SSIR)**
 - Network for Securities Markets Data (SSIR/2008/1)
 - Research workshop for faculty members and doctoral students (SSIR/2008/2)
 - Research projects (SSIR/2009/1)

- 6 SCHOOL FOR CERTIFICATION OF INTERMEDIARIES (SCI)**
 - Development and administration of mandated certificate examinations (SCI/2008/1)
 - Administration of CPE (SCI/2008/2)
 - Development, etc. of non-mandated certificate examinations (SCI/2008/3)
 - Test administration (SCI/2009/1)

The activity report below is presented for each school and, within each school, for each project.

1

SCHOOL FOR INVESTOR EDUCATION AND FINANCIAL LITERACY

Investor education through web-based delivery (SIEFL/2008/1)



SIEFL has developed the website “Investor First” to make financial education easily accessible to all persons living in various parts of the country. While the website would be open to all and does not require any registration, there is a provision for visitors to voluntarily register and furnish their email ID so that they could be kept updated about new content, events, etc. The website also has a mechanism to conduct an online survey to gather feedback from individual investors on a regular basis.

A marketing plan for promotion of the site is being prepared. Discussions are underway with potential partners for further enhancing the content of the website. NISM is also in the process of developing a team of content writers and editors and technical staff to manage the website effort.

Content was developed and reviewed for factual accuracy internally as well as by SEBI resources nominated for the purpose. Training was provided to NISM staff on the use of content management system for the website. A 'private beta' version of the website was launched. Site passwords were provided to a select group of people for soliciting their feedback. The public beta version of InvestorFirst.in was made live and available to general public on September 1, 2010.

While most visitors of the site were from India, the site also attracted sizeable interest from international community, with visits from persons from around 40 global destinations. The feedback of the website was taken from people with varied profiles that included individual investors, independent financial advisors, trainers, business journalists, senior executives of BFSI companies, personal finance bloggers, staff members of SEBI and NISM as well as SEBI's financial literacy resource persons. Overall, there has been a very positive feedback on the website content, design and usefulness.



MYSTERY#23:
Is your Financial Advisor Really on Your Side?
Evaluate your Advisor [Know More](#)

Search Investor First

[Register Now](#) OR [Login](#)



How can we make finance and investing simple?

[Participate Now](#)

What is Investor First?

Investor First is an initiative to help you gain the right knowledge and skills required to save and invest effectively. It is an effort of NISM (an institution established by SEBI) to offer unbiased investor education.

1 MINUTE INSIGHTS



Why You Must Invest in Stocks



Invest for Long Term



Why did SEBI Abolish Entry Loads in Mutual Funds?

Be Aware, Be Prepared

Sign-up for Updates

Your Email ID



Investor First on Facebook

You like this. Unlike






250 people like Investor First



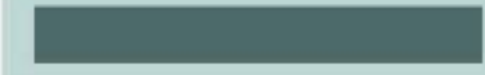




Sivaminathi Gopal Suraj

A survey was conducted to understand user behaviour and investors' expectations from the "Investor First" website. A total of 182 users participated in a formal survey that was conducted. Following is a summary of their answers:

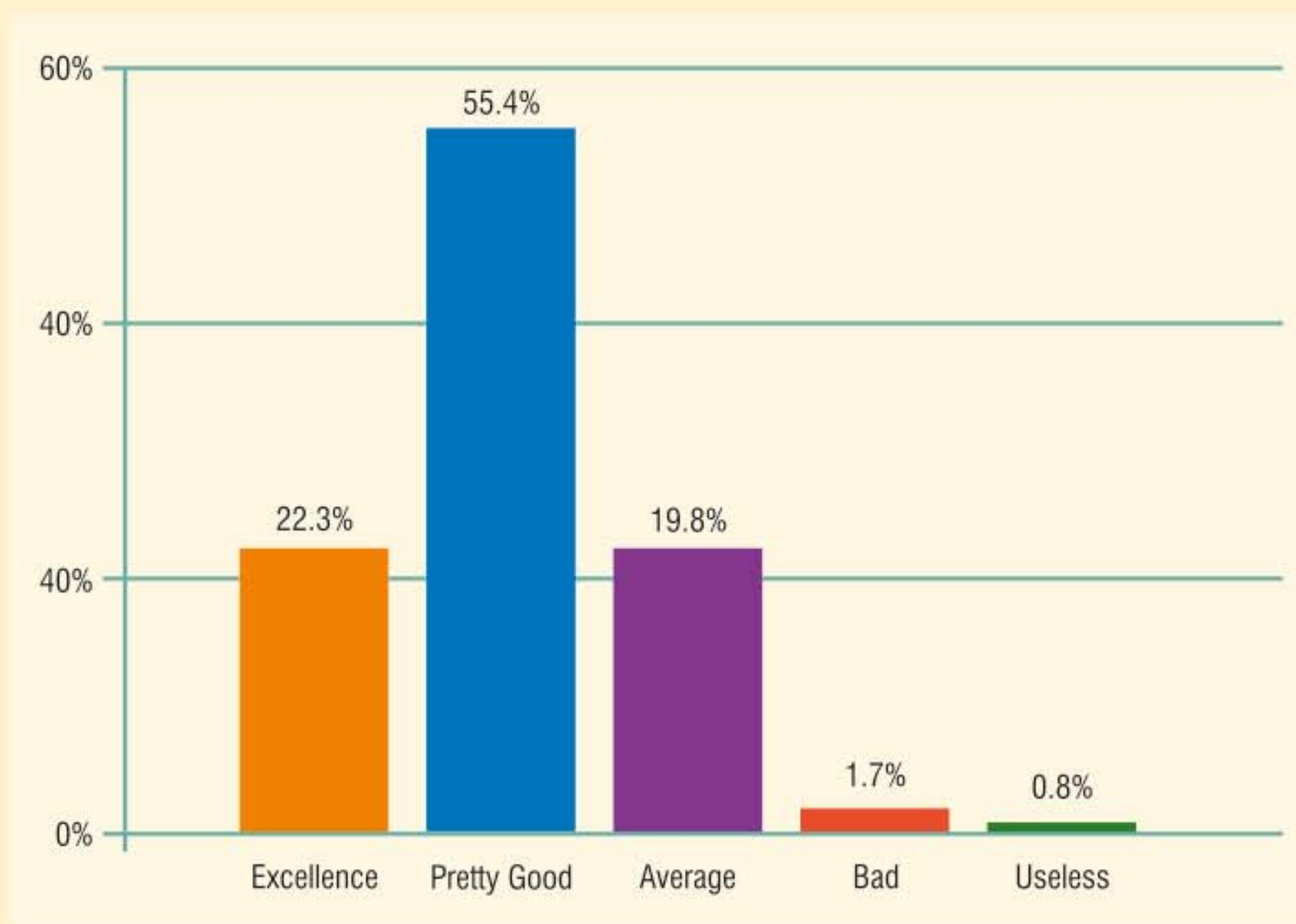
1 If we make financial education content simpler and interesting by using games, humour, anecdotes from sports or films, what will be your reaction? [0 Create Chart](#) [t Download](#)

		Response Percent	Response Count
Great. I will look forward to it		52.7%	96
Sounds Good. I'd definitely like to try		37.4%	68
Not Sure		3.8%	7
I would prefer a somber method		2.7%	5
How can you! Investing is a serious topic		3.3%	6

2 How would you prefer to allocate time towards learning about investing effectively? [0 Create Chart](#) [t Download](#)

		Response Percent	Response Count
About 10 to 20 minutes everyday		52.7%	96
Once a week, a directed session of 1 to 2 hours		22.0%	40
Once a month, a focussed effort of 4 to 6 hours		3.3%	6
A combination of the 3 modes mentioned above		20.9%	38
I don't want to give any time towards it		1.1%	2

While InvestorFirst.in has just begun in beta mode and we have miles to go... what is your initial feedback about our website?



NISM is now in the process of strengthening its content writing and designing capabilities to further augment content of the website. Once the team is in place, more content can be added and the website can be promoted to make it reach to a wider audience. NISM has also started engaging with users on online social media networks like Facebook, Twitter and LinkedIn to spread the word and answer queries from the users. A plan to create awareness about the website among investors is under preparation. Discussions are underway with potential partners for further enhancing the content of the website.

Investor education through outreach programmes (SIEFL/2008/3)

NISM, on behalf of SEBI, has been involved in the process of empanelling resource persons across the country for SEBI's nationwide investor outreach programmes. These resource persons would be responsible for conducting financial literacy sessions for different categories of investors.

Training for resource persons (through Train the Trainers Programme) for the Western Region was held by NISM in two batches: from June 7-13; and June 14-20, 2010. The training programme was attended by 44 persons. Each programme was of 7 days duration. The participants were trained on various aspects of financial education, both theory/concepts and practical case studies including sessions on communication and presentation skills. Several experienced professionals from the industry were invited to deliver sessions to the trainees. Standardized reading material, books, training of trainers toolkit and workshop presentations to be used by resource persons were developed and distributed to the participants of the training.

The experience gathered during the selection of resource persons for the Western Region was later utilized during the selection of resource persons for Northern, Southern and Eastern Regions. Process is underway for empanelment of financial literacy resource persons from the other three regions. Also, colleges and institutes have been approached by NISM inviting applications for the programme. Applications were invited from interested candidates, the basic criteria being 1) Teaching and educational qualifications in Commerce, Economics or Finance streams & 2) Not associated with any SEBI registered intermediary.

NISM short listed applications received and conducted training programmes in Delhi, Kolkata and Chennai, enabling these trainers to take up and impart financial literacy sessions to investors in their respective geographical areas. Interviews were conducted of eligible candidates prior to the training programme.

Application and interview details are as follows:

Sr. No	Region	Applications received	Eligible candidates	Confirmation received	Appeared for interview/training	Venue
01	Western	111	65	49	44	NISM, Vashi
02	Northern	126	87	52	38	Hotel Regale Inn, New Delhi
03	Southern	85	60	43	35	IMAGE, Chennai
04	Eastern	67	47	42	26	Hotel Hindustan, International, Kolkata

The training details along with the number of resource persons empanelled from each state are as follows:

Sr. No	Region	Interview Date	Training Duration	Number of RPs	States covered (number of RPs)
01	Western	No Interviews	2 batches: June 07-13, 2010 and June 14-20, 2010	40	Maharashtra (16), Gujarat (8), Rajasthan (6), Madhya Pradesh (9), Goa (1)
02	Northern	Feb 19, 2011	Feb 19, 2011	33	New Delhi (7), Haryana (8), Uttar Pradesh (16), Uttarakhand (1), Himachal Pradesh (1)

Sr. No	Region	Interview Date	Training Duration	Number of RPs	States covered (number of RPs)
03	Southern	March 5, 2011	March 6-12-2011	32	Andhra Pradesh (8), karnataka (8), Kerala (7), Tamil Nadu (9)
04	Eastern	March 21, 2011	March 22-28, 2011	24	West Bengal (8), Odisha (6), Bihar (2), Jharkhand (1), Assam (2), Chattisgarh (1), Madhya Pradesh (1), Andhra Pradesh (1), Rajasthan (1), Haryana (1)

The empanelled Resource Persons have been issued a certificate and a letter where it is mentioned that the RP has undergone training and is a Certified Teacher for Financial Education. The validity of the certificate is one year from the date of issue and may be renewed depending on the performance in the year. Financial Education Workshops are being conducted by the empanelled Resource Persons all across the country. The empanelled Resource Persons have consented to abide by a code of conduct during their association with SEBI/NISM.

Similar process of empanelling Resource Persons is planned to be carried out in the second half of 2011 so that a larger pool of Resource Persons are available for the cause of spreading financial awareness to the masses.

Financial literacy programme through schools (SIEFL/2008/4)

The "Pocket Money" programme has been developed to impart basic financial skills to school students (Classes VIII upwards). This programme has been developed by IMS Pro School as an eight session course. Each session is of 90 minutes. It is a joint effort of NISM and SEBI. The SEBI-NISM pilot initiative has been launched in various locations with the assistance of SEBI regional offices and partner organizations such as the Ahmedabad Stock Exchange, Madras Stock Exchange, Calcutta Stock Exchange, Rotary Club of Madras and Rotary Club of Kolkata.

The SEBI Investor Protection and Education Fund (IPEF) has agreed to fund the expenses related to printing of student kits for the school programme. NISM revised and redesigned the material including cover pages. A revised brochure for the programme has also been prepared. 10,000 copies of Pocket Money have been printed. Distribution of these new books to the schools has already begun. As of now 33 schools have joined this programme and 4585 students have participated. In addition to schools above, 1081 students from 10 colleges have been covered.

Two teachers' training workshops have been conducted during this period, one each at Kolkata on September 10, 2010 and in Nagpur on November 27, 2010. The teachers training at Kolkata was conducted at Apeejay School, with 50 teachers participating in the workshop. The training at Nagpur was conducted at Hadas High School, and attended by a gathering of more than 60 Principals and teachers. Chairman, SEBI inaugurated the programme, and spoke about the programme objectives, the programme vision and its implementation. This was followed by a detailed presentation by NISM on the Pocket Money programme.

2

SCHOOL FOR CORPORATE GOVERNANCE

Workshops for media persons (SCG/2008/1)

- **Workshops for business journalists (NISM, Global Corporate Governance Forum, CII & Thomson Reuters Foundation)**

NISM, in collaboration with GCGF, CII and Thomson Reuters Foundation, organized two workshops on “Reporting on corporate governance in India”. The first was held in Delhi and the other in Mumbai in the month of March 2011. The objective of the workshop was to train media persons on reporting standards on corporate governance through insights learnt from various cases across the world.

The workshops included presentations by industry stalwarts like Mr. V. Balakrishnan, CFO, Infosys Technologies Limited, Mr. Parvatheesam Kanchinadham, Company Secretary and Compliance Officer of Infosys, Mr. P.R. Ramesh and Mr.N.Venkatram, partners of Deloitte Haskins & Sells, Mr. Roger Jeal, freelance business journalism trainer and desk editor at Reuters and Mr. Pratip Kar, consultant to the IFC's Global Corporate Governance Forum and to the World Bank.

The Mumbai media workshop was held on March 28, 2011 and the Delhi workshop was organized on March 30, 2011. The full day workshops were well received by the journalist community and they appreciated the content and the manner in which the workshop had been conducted.

- **Seminars for business journalists (NISM, CFA Institute & IAIP)**

NISM, in collaboration with CFA Institute and the Indian Association of Investment Professionals (IAIP), organized a seminar in New Delhi on January 4, 2011 on the topic “Understanding and Analyzing Financial Statements”. Dr. Thomas R. Robinson CFA (Managing Director, Education, CFA Institute) conducted the sessions covering the areas of:

- Understanding accounting and basic financial statements
- Analyzing financial statements
- Accounting and Financial Scandals – How to spot warning signals?

Another seminar was conducted by Dr. Thomas R. Robinson along with Dr. Wendy Guo CFA (Head Education Asia Pacific, CFA Institute) on January 8, 2011 in Mumbai on “Private Wealth Management”. The following key topics were covered in this session:

- Introduction to wealth management
- Asset allocation and security selection
- Performance measurement and evaluation

Directors Toolkit workshops (SCG/2008/2)

• Training of Trainers Workshop on Corporate Governance

March 9-12, 2011, Navi Mumbai

NISM in collaboration with Global Corporate Governance Forum (GCGF), Confederation of Indian Industry (CII) and Indian Institute of Management Calcutta organized a Training of Trainers Programme (TOT) for Corporate Governance at Fortune Select Exotica in Vashi (Navi Mumbai) from 9th to 12th March 2011.

The ToT Programme aimed at building capacity of existing corporate governance trainers to further enhance their knowledge, understanding and teaching techniques. This three-day interactive workshop trained the trainers of directors in adult learning skills and techniques; in the familiarization and use of the GCGF's Resources Kit; in helping other trainers and in global developments in corporate governance.

The faculty for the programme consisted of Dr. Mary Jo Larson, PhD., an experienced trainer and co-author of the Kit and expert in adult education, Prof. Chris Pierce, Chief Executive and Founder of Global Governance Services Ltd., a UK based firm providing a variety of governance related services to a wide range of clients worldwide and Mr. Pratip Kar, former Executive Director Securities and Exchange Board of India and Member Advisory Council, Forum.

• Alumni Reunion of ToT programme

An alumni reunion for the participants of the ToT programme (held during January 21-24, 2010, in Mumbai) was organized on July 22, 2010 in Vashi. Fourteen alumni attended the reunion. Speakers and facilitators from GCGF, Mr. Eugene Spiro - (Senior Projects Officer-GCGF) and Mr. Pratip Kar - (Consultant, GCGF) lead the programme.

The alumni shared their experiences of six months since they attended the TOT programme: how they benefitted from the toolkit through its practical implementation in their respective professions as well as through the workshops conducted by them for directors; suggestions for further evolving the toolkit; to make it even more adaptable to the practical business scenario.

• Risk management workshop

National Institute of Securities Markets (NISM), in association with the International Finance Corporation (IFC) and the Confederation of Indian Industry (CII), organized a two-day workshop on "Risk Management and Board of Directors" in Mumbai during September 7-8, 2010.

In the recent economic crisis, it was believed that failed risk management/governance was an important factor that contributed to the loss of value by shareholders, debt holders and stakeholders. However, taking risks and facing uncertainty are an essential part of doing business and effective oversight of such risk-taking is one of the board's key responsibilities. Risk and uncertainty management are complex and dynamic activities and it was observed that often directors lack the knowledge and risk vocabulary to effectively engage and oversee the executives.

This Risk Management Workshop was organized with an objective to provide the participating directors with the tools needed for effective oversight of the risk-taking in their firms and to enhance the risk oversight structures, processes and competence of boards. The workshop was highly interactive, drawing heavily on the experiences of the speakers and participants. Risk governance lessons were drawn from real life events.

The programme facilitators included Professor Oliviero Roggi (Chair of the International Risk Management Conference, Visiting Professor at New York University and Professor at the University of Florence, author of Risk and Value), Professor Torben Andersen (Copenhagen Business School, author of Strategic Risk Management) and Mr. Koushik Chatterjee (Group CFO, Tata Steel).

The programme was attended by members of boards in large and medium-sized companies and financial institutions, heads of risk management function, CEOs, CFOs, senior accountants, senior finance officers, legal professionals, senior managers and senior auditors and regulators.

3

SCHOOL FOR SECURITIES EDUCATION

Certificate Programme in Financial Engineering and Risk Management (SSE/2008/1)

NISM launched the CFERM programme on August 30, 2009. The CFERM programme addresses the needs of aspiring finance professionals to further their careers in the field of financial engineering and risk management. It opens up career options in the financial sector in India and abroad. CFERM offers an in-depth understanding from the point of view of sellers, buyers, analysts and regulators as opposed to the current 'black-box' approach.

NISM had planned to offer the CFERM in three different formats to enable minimal disruption of work schedules for working professionals.

Format A: Weekend programme in Vashi. Participants are required to attend 9 hours of classroom sessions during each weekend (i.e. Saturdays and Sundays) for a period of 9 months. This format is suitable for participants who prefer to attend classes during weekends. Location: National Institute of Securities Markets, Vashi, Navi Mumbai.

Format B: Weekday evening programme in Nariman Point, Mumbai. Participants would be required to attend classroom sessions during weekdays (Monday to Friday after 6:30 pm) for a period of 9 months. This format is suitable for working executives who prefer to attend evening sessions. Location: National Institute of Securities Markets, Mittal Court, Nariman Point, Mumbai

Format C: Residential programme in Vashi. Participants are required to be present at NISM for attending classroom sessions on four occasions during the period of one year. Each occasion would be for a period of 9 (nine) days starting from a Saturday of the previous week to the Sunday of current week. In all, a participant would be required to take a total leave of 20 days during the year i.e. five days each (Monday - Friday) in each quarter for four times in year. Location: National Institute of Securities Markets, Vashi, Navi Mumbai.

Response for Format B was very poor and those students who opted for this format were asked to opt for either Format A or C, or wait for the next offering of CFERM.

- Total no of applications received for seeking admission: 63
- First round of interviews were held on June 12, 2010
- No of candidates appeared for interview: 28
- No of candidates selected and offered admission in the first round: 16
- Second round of interviews were held on July 10, 2010
- No of candidates appeared for interviews: 26
- No of candidates selected and offered admission in the second round: 14

- Total no of candidates offered admission : 30
- Total no of candidates joined the course: 22
- Format A : 14
- Format C : 8

The second batch of CFERM was inaugurated on July 24, 2010. The foundation module of the programme has ended. It is a qualifying module for continuing with the remaining modules. Only 6 students out of 22 cleared the foundation module.

Certified Securities Markets Professional Programme (CSMP) (SSE/2008/2)

The Certified Securities Markets Professional Programme (CSMP) is an eleven month full-time certificate programme. NISM has designed the CSMP programme to develop and groom talent that will serve the various segments of the securities markets. The programme is aimed at preparation for a career in security analysis and equity research, investment banking, fund management, corporate re-structuring & consulting, investment advisory services, equity & debt market broking and related fields.

The programme is an ideal blend of conceptual and practical inputs, using multiple pedagogies. Participants are provided with research based inputs, real life illustrations and practical insights from the academic environs of NISM. The programme is divided into four phase, namely:

- Conceptual Phase
- Application Phase
- Industry - Interaction Phase
- Advanced Application Phase

CSMP is a rigorous programme divided into four terms covering 600 hours of teaching. During the first two terms and in the fourth term, students study a total of 24 papers consisting of 19 full credit papers and 5 half credit papers. The courses include Economics for Securities Markets, Quantitative Methods, Corporate Finance, Investment & Portfolio Management, Financial Institutions & Markets, Venture Capital & Private Equity, Behavioural Finance, etc. In the third term, students undertake an internship project with an organization in the securities industry.

The applicants for the programme should be post graduates from an Indian university or graduates from Indian university or equivalent with minimum of two years of experience.

NISM announced admissions to the first batch, CSMP 2010-2011 in February 2010. Following are the admission statistics:

- Total applications received for seeking admission to PGPSM: 328
- On line test was held on April 25, 2010 in 27 centres in different cities
- No of candidates appeared for online test: 278
- No of candidates shortlisted for interviews based on the test: 179
- No of candidates offered admission in the first list: 74
- No of candidates offered admission in the second list: 23
- No of candidates joined the course: 47

The programme commenced on June 22, 2010. The batch consisted of students with diverse educational qualifications, including MBA, CA, ICWA, CS, M Tech and BE/B. Tech, with about 2 years of work experience. Faculty indicated that the quality of class participation was high. Outstation students were given residential facilities at NISM Niwas, premises owned by SEBI and leased to NISM.

In order to provide the fullest possible practical training together with classroom rigour, NISM has organized the following:

- Training on Simulated Securities (TOSS) involving screen-based trading, technical analysis and experiential learning in the equity, foreign exchange and commodity markets
- Fundamental Analysis and Modeling, using EXCEL
- Debt Market game
- Guest lectures by practitioners and visiting academicians from leading Indian and overseas institutes
- Workshop on Financial Advisory Services encompassing Personal Finance & Wealth Management (as opposed to product pushing)

As a result of the value-added exposure, the students have also got acquainted themselves well in the campus placement interviews. The overall feedback from industry on the quality of the students has been very positive.

The programme has now been renamed as the Post Graduate Programme in Securities Markets (PGPSM). The admission process for the second batch of PGPSM (June 2011- April 2012) has already commenced.

4

SCHOOL FOR REGULATORY STUDIES AND SUPERVISION (SRSS)

Executive education for officers of SEBI and market participants (SRSS/2008/1)

• Forensic Accounting, Analysis and Audit

NISM conducted a 5-day residential training programme during April 12-16, 2010 for fifteen officers of SEBI on "Forensic Accounting, Analysis and Audit". The objective of the programme was to provide a conceptual framework and practical insights into the latest developments in the field of forensic accounting. The emphasis was on frauds in financial statements.

Prof. Sunder Ram Korivi (NISM) and Dr. S. Rachappa (NMIMS) anchored the training programme. Guest speakers during the programme were S B Mainak (NIA and ED-LIC of India), Neeta Potnis (Deloitte, Haskins & Sells), Babu Jayendran (BDO Haribhakti), Gaganpreet Puri (KPMG) and J N Gupta (SEBI). The participants of the programme participated enthusiastically. The feedback was encouraging.

• Building an investment advisory business

During July 15-16, 2010, a programme was conducted at Vizag for UTI distributors on the theme "Building an investment advisory business". The duration of the workshop was two days.

• IFRS training for analysts

Financial reporting in India will undergo a paradigm shift, both in form and content, w.e.f. FY 2011-12.

NISM, in collaboration with Deloitte, designed and launched 2-day programmes, titled 'IFRS for Analysts' during July 30-31, 2010, August 13-14, 2010 and August 27-28, 2010 with an objective to provide a detailed understanding on the impact of convergence of existing Indian Accounting Standards with the globally accepted IFRS, changes in significant accounting standards, measurement principles, related disclosure norms, etc., as prescribed under IFRS.

The IFRS training programme content was broad as well as deep. It provided the rationale, convergence, implementation roadmap, formats, content, principles and applications to specific sectors. Over time, the NISM-Deloitte team has been able to seamlessly weave all these aspects into a 2-day programme.

The first programme was conducted in Mumbai on July 30-31 for 22 participants. The programme received good feedback. On August 27-28, a programme was conducted with 22 participants from various organizations. Subsequently, a customized

programme was conducted on October 9 & 23, for the employees of Kotak Mahindra AMC, covering 26 participants. Thus far, a total of 70 analysts have been trained by NISM, on IFRS. The design, content and delivery have been widely appreciated.

- **Enhancement of Communication and Presentation Skills for SEBI Officers**

Three two day workshops for the CGMs and GMs of SEBI was organized by NISM on 16th and 17th Sept 2010; 20th and 21st Sept 2010 and 22nd and 23rd Sept 2010 on “Enhancement of Communication and Presentation Skills” at the Yashwantrao Chavan Academy of Development Administration, Pune. Mrs. Renu Mattoo was the facilitator for the said three training programmes.

Executive education for key market participants (SRSS/2008/2)

- **Investigation of capital markets fraud**

NISM conducted a three-day training programme for the officers of Mumbai Police on “Investigation of Capital Markets Fraud” in Mumbai during 2-4 August 2010. The programme covered an overview of capital markets, capital market frauds, role of SEBI in regulating the markets, investigative techniques for capital markets frauds, and case studies of capital market frauds. Visits to a stock exchange and depository were organized. The programme was inaugurated by the Commissioner of Police, Mumbai. About 75 officers attended.

- **Training for CBI officers**

The School for Regulatory Studies and Supervision (SRSS) conducted a two day training programme for CBI officers on 'Investigation of Capital Markets Fraud' at CBI Academy, Ghaziabad during 18-19, October, 2010. The programme sensitized investigating officers at CBI on all capital market issues and the role of SEBI and stock exchanges as regulators. The sessions were structured to offer an overview of the financial and regulatory system in the capital markets, primary and secondary market activities and understanding of the various intermediaries in the securities markets. Further, the sessions provided understanding of investigations of economic crimes through case studies. Senior officers from SEBI and CBI, professionals from the securities markets and senior persons from NISM addressed the participants.

- **Training programme in Securities Markets for Indian Revenue Services (IRS) officers**

NISM, in collaboration with SEBI, conducted one day programme for IRS officers at SEBI Bhavan on February 23, 2011 and March 09, 2011 on request from the National Academy of Direct Taxes (NADT).

The programme was part of the induction training process given to the 63rd batch of IRS officers. The programme was designed to give firsthand exposure to the working of securities markets. The sessions were structured to give an overview of the Indian securities markets, regulatory challenges to securities markets and various issues in investor protection. The programme was attended and well received by 115 IRS officers.

- **Training Programme for Officers of Indian Administrative Services (IAS) - Batch 2010**

On request of Securities and Exchange Board of India (SEBI), NISM conducted a one day training programme for officers of Indian Administrative Services- Batch 2010 on January 14, 2011. The training programme was designed to give the participants a holistic view of the Indian Capital Markets and the role of market regulator, Securities and Exchange Board of India (SEBI).

The programme was attended by 14 IAS officers. The panel of speakers included Prof. Sunder Ram Korivi, Dean, NISM; Mr. J. N. Gupta, Executive Director, SEBI; Mr. Sanjay Puro, Deputy General Manager, SEBI and Mr. Rajendran, General Manager, SEBI. The sessions were interactive.

The programme helped the participants in understanding the regulatory challenges in securities markets. The participants appreciated the content and delivery of the programme. However, they felt that a one day training for such a complex programme was insufficient. The participants were awarded certificates of participation at the end of the programme.

Round table conference, etc. (SRSS/2008/7)

• India Securitization Summit 2010

NISM hosted the India Securitization Summit 2010 on August 10, 2010 in Mumbai. About 150 delegates attended. The Summit was inaugurated by Smt. Shyamala Gopinath, Deputy Governor, RBI. She spoke about the complexity of international markets, recent trends in the Indian securities markets, growth in auto loans and the need for dissemination of pool level information and current performance details.

Mr. Prashant Saran, Whole Time Member, SEBI delivered the keynote address, noting the problems of structured products, incentives to underwriters and shortage of loan orientation. There were two panel discussions, one on "Regulatory Challenges" and the other on "Emerging Assets and Pricing".

• Related Party Transactions Seminar

A seminar titled Related Party Transactions (RPT) was conducted by the CFA Institute-USA, Indian Association of Investment Professionals (IAIP) and NISM on Thursday, October 28, 2010.

The event was hosted by National Stock Exchange at their auditorium. Mr. Vidhu Shekhar, Vice-President, NSE, set the ball rolling, followed by two excellent presentations, one by Mr. Kah Lun Lee and the other by Mr. David Smith.

Mr. Lee provided glimpses of his vast experience on the subject with illustrations from China, Hong Kong, Malaysia, Indonesia, India and other parts of Asia. Mr. Smith explained the technicalities of RPT and how some of the transactions are abusive while others are not. Abusive RPTs are the bane of free market enterprise. The mechanism for empowering small retail investors was also discussed.

This was followed by a panel discussion in which the above speakers were joined by Ms. Fianna Jesover. Ms. Jesover provided the Organization for Economic Cooperation and Development (OECD) context, and also added to the experience-sharing discussion. The panel was ably moderated Mr. Navneet Munot of SBI Mutual Fund. This was followed by a lively question and answer session, where the questions were of a consistently high quality.

The key take-away from the event was that, fair disclosure in the true spirit of corporate governance and vigilant independent directors are the key to protecting shareholder interest. In the long run, well governed corporations gain the trust of shareholders and enjoy access to capital markets to realize their business goals consistently.

• Strategies for Capacity Building in the Securities Markets

The Indian securities markets is one of the oldest in Asia. There have been significant improvements

in the market processes, especially since the 1990s. A greater need is felt towards the professionalization of this sector. The IT sector has grown while riding on the financial sector (which comprises of Banking, Financial Services and Insurance, or 'BFSI'). Whereas the Banking and Insurance sectors have identified their HR needs and training for their cadres, the securities markets need to make a serious assessment of their requirements, quantitatively and qualitatively.

NISM decided to take a lead in this direction. An appropriate forum was conceived, in the form of a theme-based seminar, titled "Strategies for Capacity Building in the Securities Markets".

The seminar was held on 23rd September 2010 in Mumbai. The key speakers at this event were Mr. M. S. Sahoo, Whole Time Member, SEBI and Mr. Ashutosh Bishnoi, Consultant.

A holistic view of the HR requirements was presented in statistical terms. This was followed by a high quality interaction with an audience of 30 professionals across the operations and HR functions in the securities markets. The meeting evoked an extremely positive feedback across the industry.

- **"India Investment Management" Conference**

NISM signed a Memorandum of Understanding with the CFA Institute of USA and the Indian Association of Investment Professionals (IAIP) on June 6, 2009. Under this Memorandum of Understanding, among other things, it has been agreed to organize conferences on relevant themes for market development. Accordingly, NISM, CFA Institute and IAIP organized the "India Investment Management" Conference in Mumbai on January 7, 2011.

Workshops for students of NISM's educational programmes

Workshops on "Interviewee Skills" were organized for the students of PGPSM at NISM on 18th & 19th and 24th & 25th September 2010. Such intervention was in order to upgrade the interviewee skills of the students of the CSMP for the purpose of empowering them with requisite skills to face the selection process. Mrs. Renu Mattoo led the learning initiative.

5

SCHOOL FOR SECURITIES INFORMATION AND RESEARCH

NSMD (Network for Securities Markets Data) (SSIR/2008/1)

Adjusted Price Series: NISM received the raw data of all corporate action flags from NSE for the years 2007, 2008 and 2009. After necessary cross checking, Adjusted Price Series for about top 430 companies has been created. The data is uploaded in alpha-version of NSMD interface (www.nsm-d-nism.org).

Intra-day trade data from BSE: NISM received the BSE intra-day trade data from January 2003 to March 2010. This data was processed to make it available in a researcher-friendly format.

Agreement with the stock exchange: NISM has entered into an agreement with NSE for sourcing the NSE data for NSMD. Discussions are underway with the BSE in this regard.

Research workshop for faculty members and doctoral students (SSIR/2008/2)

• Summer school on “Essential Econometrics for Research in Finance”

NISM held a Summer School on “Essential Econometrics for Research in Finance” during May 31-June 10, 2010 specifically offered for research scholars and young faculty in finance area. The Summer School aimed to offer inputs on empirical research methods for undertaking research in finance. The Summer School offered 60 hours of class room teaching divided in four modules, viz., basic applied statistics (2days); introduction to empirical research methodology in finance and introduction to R (Programming Language) (1day); time series econometrics (3 days) and advanced econometrics across sectional and panel data models (4 days). The Summer School schedule included a one-day visit to NSE and MCX where the participants had a chance to interact with and listen to exchange officials on working of stock exchanges.

The Summer School was well received. There were participants from IIM Ahmedabad, IIT Bombay, central and state universities and other Mumbai based business schools. The focus of the classroom sessions was on giving applied orientation to building concepts, discussion of relevant empirical literature and hands on practice sessions on R (Programming Language).

The resource persons for 75% of the sessions were from NISM faculty and the remaining 25% of the sessions were handled by Prof. Vardhe, Prof. Subrata Sarkar, and Prof. Krishnan. NISM has plans to offer this Summer School programme as an annual event.

Research projects (SSIR/2009/1)

• Efficient algorithm/technique to identify clusters/networks of deceiving groups

Mr. Suneel Sarswat is working on this project with an objective of developing a technique to identify suspicious groups of people who are involved in price manipulation. Data on stock market trades is being examined to arrive at a possible heuristic algorithm. The algorithm will be subjected to a variety of robustness checks in identifying the network(s).

• Insider trading

Dr. Kiran Kumar is currently working on insider trading which examines (i) Can information content of Insider trading predict future market movement? (ii) Impact of changes in Insider Trading Regulations on Insider Trading. The research project considers 18,276 insider transactions that took place in calendar years 2007 to 2009.

• Research/publication/reports by NISM staff

- Mehra Poonam & Korivi Sunder Ram (2010) "Market Stabilization Fund", submitted to Secondary Markets Advisory Committee, SEBI, April 2010
- Mehra Poonam "Conflict in International Mergers: effect of Firm Size and Market Structure" sent for publication to International Journal of Industrial Organization; under review
- Kiran Kumar, Pradeep Yadav and Ram Thirumallai (2011) "Hiding Behind the Veil: Informed Traders and Pre-Trade Opacity", Revised in March 2010 and submitted to AFA 2011 meetings.
- Anshuman Ravi, Chakrabarti Rajesh and Kiran Kumar (2010), "Trading Activity of FII's and Volatility" presented at NIPFP-DEA Research Meetings, New Delhi during Aug 31- Sept 1, 2010.
- Kiran Kumar and M Patel (2010), "Predictive Ability of Indian Volatility Index: A Time Series Analysis", accepted for presentation at International Finance Conference 2011, IIM Calcutta 9-11 January 2011.
- Kiran Kumar and V Marisetty (2008), "Order Flow Dynamics and Market Efficiency when Local stocks are exposed to Global Markets: A Case of NYSE-listed Indian Firms", received, revised and re-submit comments with minor revisions from Journal of International Financial Markets, Institutions & Money.
- Poonam Mehra, "Supranational Agency: A Solution for Conflict in International Mergers and Acquisitions?", (Forthcoming EURAS Yearbook of Standardization)
- Poonam Mehra, "Cross Border Mergers and Acquisitions and Theory of Comparative Advantage: Evidence from a Developing Country", Accepted for presentation in the following conferences:
 - ▶ International Conference on Economic Asymmetries and Globalization:Challenges and Opportunities, December 16-18, 2010
 - ▶ 47th Annual Conference of the Indian Econometric Society (TIES), January 6-8, 2011.

6

SCHOOL FOR CERTIFICATION OF INTERMEDIARIES

Development and administration of mandated certification examinations (SCI/2008/1)

Examinations developed up to 2009-10

- **Certification Examination for Currency Derivatives**

NISM has developed the Certification Examination for Currency Derivatives. The NISM-Series-I: Currency Derivatives Examination was launched on May 15, 2009. The examination was developed with the Examination Committee that included representatives of exchanges, SEBI, FEDAI and NISM. NISM is updating the current examination to include currency options. The Examination Committee for this examination is being reconstituted to include United Stock Exchange in place of BSE. NISM is further simplifying and rewriting the workbook. The updated workbook will be translated in Hindi and Gujarati.

- **Certification Examination for RTA - Corporate and Mutual Funds**

NISM has revised the NISM - Series- II-A: RTA (Corporate) Examination in March 2011 and the revised examination is available to candidates since March 28, 2011. NISM also revised the NISM-Series- II-B: RTA (Mutual Funds) Certification Examination and the revised examination is available to candidates since January 15, 2011. NISM is also currently translating the NISM-Series- II-B: RTA (Mutual Funds) Certification Examination in Hindi and Gujarati.

Examinations developed during 2010-11

- **Development of Certification Examination for Mutual Fund Distributors**

NISM has developed the Certification Examination for Mutual Fund Distributors. The "NISM-Series-V-A: Mutual Fund Distributors Certification Examination" was launched on June 1, 2010 and notified by SEBI "to be the requisite examination for distributors, agents or any persons employed or engaged or to be employed or engaged in the sale and/or distribution of mutual fund products" on May 31, 2010. NISM has also translated the examination workbook and question banks in Hindi and Gujarati and has launched them.

- **Development of Certification Examination for Interest Rate Derivatives**

NISM has developed the Certification Examination for Interest Rate Derivatives. The "NISM-Series-IV: Interest Rate Derivatives Examination" was launched on May 20, 2010. The examination was developed with the Examination Committee that included

representatives of exchanges, SEBI, FIMMDA and NISM. The examination has been notified by SEBI “as the requisite standard for associated persons in the approved users and sales personnel of the trading members who are registered as such in the currency derivatives segment of a recognized stock exchange and trading in interest rate derivative” on June 29, 2010.

- **Certification Examination for Securities Operations and Risk Management**

NISM has developed the Certification Examination for Securities Operations and risk Management pursuant to SEBI's approval. NISM launched the examination on November 22, 2010, and SEBI has notified the same on December 10, 2010. It is the requisite examination for “associated persons of a registered stock-broker / trading member/clearing member in recognized stock exchanges, involved in (a) assets or funds of investor or clients (b) redressal of investor grievances, (c) internal control or risk management and (d) activities having a bearing on operational risk”.

- **Certification Examination for Depositories Operations**

NISM developed the Certification Examination for Depository Operations in consultation with the NSDL and CDSL. The examination was launched on February 21, 2011 and SEBI notified the same on March 29, 2011 as the requisite examination for the “associated persons engaged or employed by a registered depository participant in (a) dealing or interacting with clients; (b) dealing with securities of clients; (c) handling redressal of investor grievances; (d) internal control or risk management; (e) activities having a bearing on operational risk, or (f) maintenance of books and records pertaining to the above activities”.

Examinations under development

- **Certification Examination for Mutual Fund Advisers**

NISM believes that there is a group of mutual fund intermediaries who would like to differentiate themselves from those who have passed the minimum requirement Mutual Fund Distributor examination. For such individuals NISM is developing a higher level examination (Series V-B, Mutual Fund Advisers Certification Examination) which will emphasise on application of knowledge with a focus on investor services. NISM has finalized the objectives for this examination and started developing the workbook as per the same.

- **Certification Examination for Compliance**

NISM is developing certification examinations for various Securities Intermediaries Compliance functions. The examination for those intermediaries who do not indulge in any fund based activity, such as the stock brokers, depository participants, merchant bankers etc. has been developed. NISM is looking to launch this examination through NISM owned Test Centres where biometric information of all candidates will also be collected. (Please see section 6.4.3. of this report for details)

- **Certification Examination for Equities Derivatives**

NISM has initiated the development of the Certification Examination for Equities Derivatives. This examination will focus on those individuals who interact with investors to sell or to advise on equity derivatives products. The workbook for this examination has been developed and is currently being reviewed. The examination is expected to be ready in 2-3 months.

- **Certification Examination for Equities Sales**

NISM has initiated the development of the Certification Examination for Equities Sales. This examination will focus on those individuals who interact with investors to sell or to advise on equity products. The workbook

for this examination has been developed and is currently being reviewed. The examination is expected to be ready in 2-3 months.

Administration of Continuing Professional Education (SCI/2008/2)

• NISM CPE for Mutual Fund Distributors

NISM has been conducting CPE for Mutual Fund Distributors from June 1, 2010 which was earlier under AMFI. To meet its immediate requirements, NISM had identified Centre for Investment Education and Learning (CIEL) as a CPE Provider and had empanelled CIEL on May 28, 2010 for a period of 6 months. CIEL was offering refresher courses for mutual fund distributors when the refresher courses were under AMFI. The empanelment of CIEL has been further extended up to June 30, 2011.

• NISM policies for accreditation of continuing professional education providers.

Apart from providing mandatory and non-mandatory certifications for securities markets intermediaries in association with various Test Administrators, NISM also has to put in place and implement Continuing Professional Education (CPE) process, procedures and policies for market intermediaries. NISM has reconstituted the "CPE Accreditation Committee" for this purpose. A meeting of the committee was held on July 13, 2010. Based on the inputs provided by the committee members and internal discussions at NISM, the final draft of the NISM's CPE accreditation and administration policy was framed. The same has been submitted to SEBI.

NISM also had discussions with several e-learning solution providers for understanding and assessing feasibility of providing CPE courses through e-learning. NISM has planned to utilize e-learning in CPE at a later date.

• CPE Audit Process

NISM conducts periodic reviews of the process, trainers and study material. A CPE Procedures document was developed and informed to CPE providers. CPE audit processes have been established to ensure quality. As required, NISM staff makes multiple inspection visits to CPE centres and aims at maintaining a 20% inspection cover. Findings from these visits are communicated to CPE providers for necessary action.

To further streamline this process, NISM engages a pool of authorized persons who shall conduct inspection visits to CPE Venues on NISM's behalf. NISM selects some of the SEBI empanelled financial education resource persons for this purpose by empanelling them as "Resource Persons for Inspections".

• Operational risk issues related to investor service processes in mutual funds

A committee of stakeholders was formed including representatives from AMFI, Registrars & Transfer Agents, SEBI and NISM to discuss issues related to Operational Risks in Mutual Fund Investor service processes. The committee sequentially discussed all significant investor service processes and made several recommendations. The report of the committee has been submitted to AMFI and SEBI in April 2010. NISM will develop CPE courses focused on investor services and operational risk issues as the committee report gets implemented.

- **Workshop for Mutual Fund Trustees and Independent Directors of Asset Management Companies.**

SEBI (Mutual Fund) Regulations 1996 require trustees to assume a wide range of responsibilities. This workshop is an effort to provide a forum for Directors of Trustee Companies and Independent Directors of Asset Management Companies to:

- Update them on technical, regulatory and market issues that are critical to their role as trustees of investor funds,
- Share best practices in various areas of the investment management industry,
- Interact with each other, and share their views with the regulators.

NISM expects to offer a series of such workshops to regularly update the trustees and independent directors of asset management companies on various relevant issues. A similar event was conducted in August 2008 in Mumbai.

NISM conducted the 1st Workshop for Mutual Fund Trustees and Independent Directors of Asset Management Companies on September 15, 2010 at the Hotel Taj President, Mumbai. A total number of 169 Trustees and Independent Directors of AMCs attended the workshop which began at 11:00 am with a welcome address by Prof G. Sethu, OSD-Incharge, NISM followed by an inaugural address by Shri C. B. Bhawe, the then Chairman, SEBI.

The 1st session on the day was a panel discussion on the topic "Discharging Fiduciary Duties". The panelists included Mr. H. N. Sinor, CEO, Association of Mutual Funds in India, who was the Panel Moderator and also Ms. D. N. Raval, Trustee, Primerica Mutual Fund, Mr. K. R. Ramamoorthy, Trustee, Fidelity Mutual Fund and Ms. Christine Morgan, Vice President, T Rowe Price Group. This session lasted for 90 minutes and also included interactions with participants on various issues related to the fiduciary duties of the Trustees and Independent Directors.

Mr. Arvind Sethi, Managing Director, CAP-M Consulting undertook the second session "Insight into Debt/Money Markets" which lasted for 90 minutes where he analyzed the impact of debt instruments on fund portfolios. The final session in the workshop "Reviewing Fund Performance beyond Returns" was undertaken by Ms. Roopa Kudva, Managing Director & CEO, CRISIL. The workshop was summed up in the end by Shri Prashant Saran, Whole Time Member, Securities and Exchange Board of India.

On January 11, 2011, NISM conducted the second workshop for Mutual Fund Trustees and Independent Directors of AMCs at Hotel Taj Mahal Palace, Mumbai. It was a half-day workshop. The workshop sessions covered the following topics:

- 1) Risks and Rewards in Derivatives by Dr. Sayee Srinivasan, Head - Product Strategy, Bombay Stock Exchange
- 2) Operational Risk and Analysis of Fund Financial Statements by Shri Sanjay Panse, Partner, S. Panse & Company

Shri Prashant Saran, Whole Time Member, SEBI and Shri K N Vaidyanathan, ED, SEBI also addressed the gathering wherein the regulator's perspective was shared with the audience. About 145 Mutual Fund Trustees and Independent Directors of AMCs attended the workshop covering almost all mutual funds based in India.

- **Collegiums for Trustees and Independent Directors of AMCs**

The workshop model is generally designed for larger group of participants and provides for limited

participant interaction with each other and policy makers and regulators. With the objective to support further close interaction between these groups and allowing for detailed discussions on specific topics, workshops and discussions with smaller groups (called Collegium) would be useful. Hence there is a need for an informal gathering which is an open platform for the trustees to interact with each other as well as with Regulators to discuss and debate relevant topics in greater detail.

The first Collegium of Mutual Fund Trustees was held on February 4, 2011 at SEBI Bhavan, Mumbai. The objective of the Collegium was to present a platform for trustees to meet SEBI and NISM for discussing and debating issues pertaining to the functioning of the trustees. Mr. C. B. Bhave, the then Chairman, SEBI inaugurated the event.

Mr. Prashant Saran, WTM, SEBI, said that the objective of the Collegium was not to discuss changes in the role and responsibilities of the MF Trustees, but to understand how the duties could be discharged effectively. It would also help understand the roadblocks and provide an opportunity to remove those.

During the event, Mr. K. N. Vaidyanathan, Executive Director, SEBI referred to five areas which the trustees should look into while performing their duties. They included Performance review, Compliance and legal, Investor service and communication, Accounting and valuation and Management systems and processes.

The Collegium was attended by 18 trustees.

- **Website for Trustees and Toolkits**

NISM has launched an online forum exclusively for trustees and independent directors of asset management companies. The online forum would provide the following:

1. Discussion Forum for sharing feedback, ideas and suggestions.
2. Events Information where the details about past and up-coming events would be available.
3. Resources for viewing presentations, videos and other knowledge material related to the different Workshops and Collegiums organized by NISM.

Development, etc. of non-mandated certificate examinations (SCI/2008/3)

- **Certification Examination for Financial Advisers**

NISM believes that there is dire need to improve standards in the business of providing financial advice to retail investors. Development of an examination that focuses on these activities and at the same time is within the reach of reasonably large number of advisers will help improve the industry. NISM entered into collaboration with Financial Planning Corporation of India Ltd (FPCIL), for the purpose of jointly developing a certification for financial advisers that meets the above objectives. The Certified Personal Financial Advisor (CPFA) Examination was launched on January 1, 2011.

Test administration (SCI/2009/1)

- **NISM test centres**

Besides appointing test administrators for NISM certification examinations, NISM is also developing its own

infrastructure to facilitate candidates to take an examination from NISM Test Centres. NISM will also be putting in place computer systems, hardware and logistics infrastructure for this purpose. NISM has appointed a suitable vendor (IL&FS) for developing its own ability in directly providing test administration services to be delivered in Mumbai, Navi Mumbai and Chennai test centres, to start with, and across India in the long run. It is expected that this facility will also streamline and enhance NISM's ability to obtain and monitor candidate and examination information from appointed test administrators. The system has already undergone a detailed User Acceptance Testing and is expected to be ready in 2-3 months.

- **Test administration audit**

A Test Administration Procedures document was developed and informed to all TAs.

Test Administration audit processes have been established to ensure the quality and security of the testing process. As required, NISM staff makes multiple inspection visits to test centres in major cities. Findings from these visits are communicated to respective TAs for necessary action. Further, data is requested from Test Administrators on centre-wise performance and analysed to identify potential problem centres. Explanation is sought from TAs where anomalies were found. Appropriate action is taken. To further streamline this process, NISM is looking to develop a pool of authorized persons who shall conduct inspection visits to Test centres on NISM's behalf. NISM may use some of the empanelled financial education resource persons for this purpose.

- **Biometric identification of candidates at test centres**

As discussed in a previous section of this report, it has been suggested that NISM obtain biometric information for candidates applying for the NISM Compliance examinations. NISM had discussions with NSDL Data Management Ltd. (NDML) for using the National Skill Registry (NSR) for the purpose of collecting candidate information including biometric data. NISM and NDML have agreed upon a procedure for the same. Candidates applying for NISM compliance examinations will be required to first register with the NSR by providing all required information including biometric data and obtain the NSR number.

NISM has joined National Skills Registry as a subscriber company to capture biometric details of all candidates appearing for Compliance Examinations.

It is envisaged that the examinations that require collection of biometric information of candidates will be conducted only at NISM owned test centres with POS set up at these locations by NDML.

- **Candidate performance in the certification examinations**

The statistics regarding the number of candidates who have enrolled/appeared and passed the NISM Certification Examination for the financial year 2010-11 is given below:

Series	Name of Examination	Candidates Enrolled	Candidates Appeared	Candidates Passed	Pass Rate (%)
I	Currency Derivatives Certification Examination	12, 735	11,531	4,617	40.04
II-A	Registrars to an Issue and Share Transfer Agents -Corporate Certification Examination	146	125	102	81.60

II-B	Registrars to an Issue and Share Transfer Agents - Mutual Funds Certification Examination	1,464	1,272	750	58.96
IV	Interest Rate Derivatives Certification Examination	198	134	26	19.40
V-A	Mutual Fund Distributors Certification Examination (English)	27,500	24,827	9,518	38.34
	Mutual Fund Distributors Certification Examination (Gujarati)	39	22	9	40.91
	Mutual Fund Distributors Certification Examination (Hindi)	73	59	8	13.56
VI	Depository Operations Certification Examination	31	10	10	100.00
VII	Securities Operations and Risk Management Certification Examination	379	310	271	87.42
	Certified Personal Financial Advisor (Non Mandatory Examination)	71	42	28	66.66
	Total	42,636	38,332	15,339	40.02

Candidate performance in continuing professional education for mutual fund distributors

In all, 118 Continuing Professional Education Programmes were held across 26 centres from June 1, 2010 till March 31, 2011. The number of persons who participated is as follows:

City	Number of Participants
Ahmedabad	616
Amritsar	29
Bangalore	440
Bhopal	126
Bhubaneswar	115
Calicut	50
Chandigarh	82
Chennai	284
Cochin	277
Delhi	541
Guwahati	58
Hyderabad	160
Indore	90

City	Number of Participants
Jaipur	158
Kolkata	478
Lucknow	203
Mumbai	1,221
Mysore	11
Patiala	44
Patna	71
Pune	303
Raipur	44
Surat	48
Trichy	162
Vishakhapatnam	26
Warangal	27
Grand Total	5,664

ADMINISTRATION UPDATE & OTHER MATTERS

Human Resources

The Staff strength which was 18 as at the end of 31/3/2010 on the payroll of NISM increased to 28 as at the end of 31/03/2011 to ensure availability of manpower to meet the scaling up of the activities of the Institute.

Nism Premises

During the year under review there was significant progress in relation to the Patalganga Campus.

The following major activities have been completed:-

- 1) Road work by MIDC connecting plot of land allotted to NISM with the main road and diversion road, with light fixture.
- 2) Signing of MoU with CPWD.
- 3) Survey of plot measuring 60 acres of land.
- 4) Marking the area for 10 acres of land.

The scrutiny of application for selection of Architects is in the final stages and the architect for the project is expected to be finalized soon based on the design competition among the shortlisted architects.

WORLD BANK TECHNICAL ASSISTANCE FOR NISM

The World Bank offered Technical Assistance to the Ministry of Finance (Capital Market Division) to support development and implementation in three broad areas, namely, (1) capital market development, (2) debt management and (3) pension reforms. The World Bank, through this TA, seeks to utilize its international experience to contribute to the process.

In order to facilitate early initiation of the TA programme, it has been decided to operationalize the loan through Project Preparation Finance (PPF) route. The project preparation advance would be utilized to meet the cost of preparation of terms of reference, setting up project monitoring unit, and securing services of nationally / internationally experienced consultants to manage and coordinate commencement of the project.

The following components of the project which are pertinent to NISM were taken up:

1. Assistance to National Institute of Securities Markets in the areas of certification
2. Securities market simulator for training

- **Assistance to National Institute of Securities Markets in the areas of certification (WB/2010/1)**

NISM signed the contract with Financial Industry Regulatory Authority (FINRA) for this assignment. Five tasks were identified to be completed under the contract. Task 1 involved a senior delegation visit to FINRA office in Washington DC. One representative each from Ministry, SEBI and NISM visited FINRA during June 14-18, 2010.

Task 2 and 3 involved the preparation of a training programme by FINRA for NISM staff as well as visit by NISM staff to FINRA in US for undergoing the training for two weeks respectively. NISM staff underwent training with FINRA in the US during July 26-Aug 6, 2010. Currently, Task 4 is underway and the first draft of Manual has been sent to FINRA for its inputs. The last task is expected to be completed in May 2011 when the FINRA team visits India.

- **Securities market simulator for training (WB/2010/2)**

NISM has submitted all technical and financial evaluation forms pertaining to the simulator assignment and received a no objection certificate from the World Bank. Financial negotiations were held with the shortlisted consultant (consortium of Dun & Bradstreet and Tata Interactive Services) on July 29, 2010. Based on the negotiations, the consultant submitted a revised quotation for the assignment. The assignment was awarded to Dun & Bradstreet. It is in progress.

FINANCIAL STATEMENTS

1. Balance Sheet as at March 31, 2011
2. Income & Expenditure Account for the year ending March 31, 2011

The financial statements, duly audited and approved by the Board of Governors, are attached:

Balance Sheet as at March 31, 2011

FY 2009-10 ₹	FUNDS & LIABILITIES	₹	FY 2010-11 ₹
	Trusts Funds or Corpus		
1,274,000,500	Balance as per last Balance Sheet	1,352,000,500	
78,000,000	Received during the years (give details)		1,352,000,500
	Other Earmarked Funds		
	(Created under the provisions of the trust deed or scheme or out of the income)		
	Depreciation Fund		
	Sinking Fund		
	Reserve Fund		
15,000,000	Any other Fund	15,000,000	15,000,000
	Loans (Secured or unsecured)		
	From Trustees		
	From Others		
	Liabilities		
3,238,689	For Expenses	5,883,999	
	For Advances		
474,240	For Rent and Other Deposits	1,270,664	
633,278	For Sundry Credit Balances	15,812,939	22,967,602
	Income and Expenditure Account		
137,877,507	Balance as per last balance Sheet	227,349,269	
	Less: Appropriation, if any		
89,471,762	Add: Surplus as per Income and	54,605,114	
	Less: Deficit Expenditure Account		281,954,382
1,598,695,976	Total		1,671,922,484

FY 2009-10 ₹	PROPERTY AND ASSETS	₹	FY 2010-11 ₹
4,551,368	Immovable Properties: (At Cost)		4,323,800
5,308,492	Balance as per last Balance Sheet	5,308,492	
	Additions during the year		
	Less: Sales during the year		
(757,124)	Depreciation up to date	984,692	
528,980	Furniture & Fixtures		1,217,458
37,971	Balance as per last Balance Sheet	568,915	
530,944	Additions during the year	823,251	
	Less: Sales during the year		
(39,935)	Depreciation up to date	174,708	
1,477,140	Office Equipment & Computers		1,527,071
61,139	Balance as per last Balance Sheet	3,071,178.00	
3,010,039	Additions during the year	1,674,968	
	Less: Sales during the year		
(1,594,038)	Depreciation up to date	3,219,075	
	Library Books		128,259
	Balance as per last Balance Sheet		
	Additions during the year	190,967	
	Less: Sales during the year		
	Depreciation up to date	62,708	
1,331,635,750	Investments: Fixed Deposits		1,391,590,708
	Loans (Secured or Unsecured): Good / Doubtful		
	Loans Scholarships		
	Other Loans		
167,094,432	Advances		215,463,805
	To Trustees		
	To Employees		
	To Contractors		
	To Lawyers		
900,226	To Others: Service Tax Receivable		
26,500	Others	618,049	
506,206	Sundry Debtors	8,257,633	
1,250,281	Prepaid Expenses	1,166,657	
6,871,455	T.D.S. Recievable	7,057,516	
78,094,163	To Others: For Purchase of Building	78,094,163	
79,445,600	To Others: For Purchase of Land (P)	79,445,600	
	To Others: For Campus Construction (P)	613,535	
	To Others: Compound Wall Construction (P)	306,652	
	To Others: Deposit for Wall Construction (P)	39,904,000	
	Income Outstanding		
42,650,330	Interest Receivable		57,235,581
50,757,976	Cash & bank Balance	435,803	435,803
50,757,976	(a) In Current Account with Banks		
	(b) With the trustees Cash Balance		
	(c) With the Manager		
	Income and Expenditure Account:		
	Balance as per Balance Sheet		
	Less: Appropriation, if any		
	Add: Deficit as per Income and		
	Less: Surplus Expenditure Account		
1,598,695,976	Total		1,671,922,484

Income and Expenditure Account for the year ending 31st March, 2011

FY 2009-10 ₹	EXPENDITURE	FY 2010-11 ₹
	To Expenditure in respect of properties	
	To Establishment Expenses	
	To Remuneration to Trustees	
	To Remuneration (in the case of a math) to the head of the math including his household expenditure, if any	
92,500	To Legal Expenses	63,525
50,000	To Auditors fees	71,695
225,556	To Professional Fees	248,175
	To Contribution and Fees	
	To Amount written off	
	(a) Bad Debts	
	(b) Loan Scholarship	
	(c) Irrecoverable Rents	
	(d) Other Items	
32,230	To Miscellaneous Expenses	28,657
1,849,548	To Depreciation	2,050,087
	To Provision for Tax	
	To Amount transferred to Reserve or Specific Fund	
	To Expenditure on Objects of the Trust	
	(a) Religions	
47,148,404	(b) Educational	121,829,017
	(c) Medical Relief	
	(d) Relief of Poverty	
	(e) Other Charitable Objects	
89,471,762	To Surplus carried over to Balance Sheet	54,605,114
138,869,999	Total ₹	178,896,269

FY 2009-10 ₹	INCOME	FY 2010-11 ₹
469,968	By Rent <u>accrued</u> <u>realised</u>	2,053,983
	By Interest <u>accrued (estimate)</u> <u>realised</u>	
	On Securities	
113,031,758	On Fixed Deposit	97,607,813
289,238	On Bank Account	584,113
	By Dividend	
	By Donations in Cash or Kind	
	By Grants	
	By Income From Other Sources	
24,551,106	By Income from Schools	70,803,349
	By Income from Other Sources (AIG)	7,678,218
469,872	By Balance written off	
58,057	By Miscellaneous Income	168,793
	By Transfer form Reserve	
	By Deficit carried over to Balance Sheet	
138,869,999	Total ₹	178,896,269



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