

annual report

2011-2012



NiSM

NATIONAL INSTITUTE OF SECURITIES MARKETS

An Educational Initiative by SEBI



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 the 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 program/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 2011-2012. During the year the emphasis was placed on wider geographical reach for Pocket Money Program to the Schools- Flagship Program initiated by SEBI for spreading Financial Literacy among school children, certification, spreading of Continuing Professional Educational Programs (CPE) to more cities with the help of network created by national level stock exchanges and other service providers, long duration educational programs 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 from its formative phase. Further, NISM made steady progress according to the strategic direction given by the Board by adding to Securities Market quality through educational initiatives and engaging itself in teaching, research, certification and financial literacy.

BOARD OF GOVERNORS

(From 1st April 2011 to 31st March 2012)

MR. U. K. SINHA

Chairman, SEBI (Chairman, Board of Governors)

MR. PRASHANT SARAN¹

Whole Time Member, SEBI

DR. K. M. ABRAHAM²

Whole Time Member, SEBI

MR. RAJEEV KUMAR AGARWAL³

Whole Time Member, SEBI

MR. RAFIQ DADA⁴

Senior Advocate, Mumbai

MR. Y. C. DEVESHWAR⁴

Chairman, ITC Ltd.

DR. MOHAN GOPAL⁴

Director, National Judicial Academy, Bhopal

MR. PRATIP KAR⁴

Consultant, Global Corporate Governance Forum, International Finance Corporation

DR. K. R. S. MURTHY⁴

Former Director, IIM Bangalore

MR. M. B. N. RAO⁴

Former Chairman & Managing Director Canara Bank

DR. ANIL K. KHANDELWAL⁵

Former Chairman, Bank of Baroda

MS. CHANDA KOCHHAR⁵

Managing Director & Chief Executive Officer, ICICI Bank

MR. M. S. SAHOO⁶

Advocate

MR. UDAY KOTAK⁷

Vice Chairman & Managing Director, Kotak Mahindra Bank Ltd.

MR. R. M. MALLA⁸

Chairman & Managing Director, IDBI Bank Ltd.

DR. K. P. KRISHNAN⁹

Secretary
Prime Minister's Economic Advisory Council
New Delhi

MR. P. K. NAGPAL

Executive Director, SEBI

PROF. G. SETHU¹⁰

Officer on Special Duty, NISM

MR. M. L. SONEJI

Registrar, and Officiating Director (w.e.f. 6th October 2011) NISM
Secretary to the Board and Committees

1. With effect from 8th September, 2011
2. Upto 20th July, 2011
3. With effect from 19th March, 2012.
4. Upto 7th September, 2011.
5. With effect from 12th September, 2011.

6. Upto 13th July, 2011 as WTM, SEBI and re-appointed w.e.f.12th September, 2011.
7. With effect from 15th September, 2011
8. With effect from 18th November, 2011.
9. Upto 7th December, 2011.
10. Upto 5th October, 2011.

ACADEMIC COUNCIL

(From 1st April 2011 to 31st March 2012)

DR. PRITAM SINGH

Director General,
International Management Institute (IMI),
New Delhi

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. SETHU¹

Officer on Special Duty, NISM

MR. M. L. SONEJI²

Officiating Director, NISM

1. Upto 5th October 2011.
2. With effect from 6th October, 2011.

BOARD OF GOVERNORS

(As on 31st March 2012)



MR. U.K. SINHA
Chairman, SEBI
(Chairman, Board of Governors)



MR. PRASHANT SARAN
Whole Time Member, SEBI



MR. RAJEEV KUMAR AGARWAL
Whole Time Member, SEBI



DR. ANIL K. KHANDELWAL
Former Chairman, Bank of Baroda



MS. CHANDA KOCHHAR
Managing Director &
Chief Executive Officer, ICICI Bank



MR. M. S. SAHOO
Advocate



MR. UDAY KOTAK
Vice Chairman & Managing Director,
Kotak Mahindra Bank Ltd.



MR. R. M. MALLA
Chairman & Managing Director,
IDBI Bank Ltd.



MR. P. K. NAGPAL
Executive Director, SEBI



MR. M. L. SONEJI
Registrar and Officiating Director, 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 19 projects under 6 schools.

1 SCHOOL FOR INVESTOR EDUCATION AND FINANCIAL LITERACY (SIEFL)

- Pocket Money: Financial Literacy for School Students
- SEBI Financial Education Resource Person Program
- Capacity Building Initiatives

2 SCHOOL FOR CORPORATE GOVERNANCE (SCG)

- Visit of Economic Journalist from Nepal.

3 SCHOOL FOR SECURITIES EDUCATION (SSE)

- Post Graduate Program in Securities Markets (PGPSM)
- Post Graduate Certificate in Securities Markets (PGCSM)
- Certificate in Financial Engineering and Risk Management (CFERM)
- Recognition received by NISM as PhD Centre from Symbiosis International University

4 SCHOOL FOR REGULATORY STUDIES AND SUPERVISION (SRSS)

- Executive education for officers of SEBI and market participants
- India Investment Conference - 2012

5 SCHOOL FOR SECURITIES INFORMATION AND RESEARCH (SSIR)

- Network for Securities Markets Data
- Research Studies undertaken by NISM
- Conference Papers by NISM Academic Team
- Research Publications by NISM Academic Team
- Second Summer School

6 SCHOOL FOR CERTIFICATION OF INTERMEDIARIES (SCI)

- Development and administration of mandated certificate examinations
- Test administration
- Development and Administration of Continuing Professional Education (CPE)
- Investors' Awareness Programs

ADMINISTRATION UPDATE & OTHER MATTERS

- Human Resource
- NISM Premises & update on Patalganga Project for Campus
- Project with World Bank Technical Assistance
- Initiatives on Information and Communication Technology (ICT)

The activity report is presented for each school and, within each school, for each project. Administration update and other matters are given thereafter.

SCHOOL FOR INVESTOR EDUCATION AND FINANCIAL LITERACY (SIEFL)

POCKET MONEY : FINANCIAL LITERACY FOR SCHOOL STUDENTS

Under the Pocket Money program, financial literacy was imparted to school students. NISM's strategies in this regard are conducting Orientation programs for the School Principals, organizing Teachers Training Program, and the teachers, in turn, conducting classes to enable the students to appear for the examination. Examinations are conducted for the students and certificates awarded to them.

During the year 2011-12, SIEFL has conducted 2 Principals' Workshops and 14 Teachers Training Workshops, benefitting a total of 41 School Principals and 631 Teachers. The program was implemented in various Schools and the students were enrolled and examination conducted on financial literacy. The program could reach to 360 schools covering 50,946 students during the year.

Also, Pocket Money program was penetrated deeply to Municipal Schools of Mumbai, Navi Mumbai and Thane. Programs were conducted in Ahmedabad, Chennai, Jalgoan and Rajkot.

Besides, the POCKET MONEY resource book was translated in Tamil, Gujarati and Hindi and now the book is available in five languages viz. English, Hindi, Marathi, Gujarati and Tamil.

SEBI FINANCIAL EDUCATION RESOURCE PERSON PROGRAM

NISM has been providing capacity building support to SEBI for implementing the Financial Education Resource Person Program in the country. NISM's role is to identify, empanel and train the resource persons in the four regions viz. West, East, North and South. During the year 2011-12, NISM could identify 168 Resource Persons spread across all the four regions. The region wise breakup of the activities carried out during the year is furnished below.

Western Region

The empanelment interview for candidates from the western region was conducted on 20th August 2011 and 50 candidates were selected and enrolled as SEBI Financial Education Resource Persons. The statewise representation is Maharashtra (25), Gujarat (12), Madhya Pradesh (08), Rajasthan (04), Chattisgarh (01), and Goa (01). The workshop for the new Resource Persons was held in Navi Mumbai during the period August 21-27, 2011.

Northern Region

For northern region, the empanelment interview was conducted on 3rd September 2011 at New Delhi and 23 candidates were empanelled as SEBI Financial Education Resource Persons. The state wise representation of the resource persons are Uttar Pradesh (13), Haryana (3), Uttarakhand (2), J&K (2), Delhi (2), Punjab (1). The workshop for northern region was held during Sept 04-10, 2011 at New Delhi.

Southern Region

For southern region the empanelment interview was conducted on 24th September 2011 at Chennai and 60 candidates were empanelled. The state wise representation of the resource persons is Tamilnadu (30), Andhra Pradesh (14), Karnataka (10), and Kerala (6). The workshop for the newly empanelled Resource Persons was held during Sept 25-October 1, 2011 at Chennai.

Eastern Region

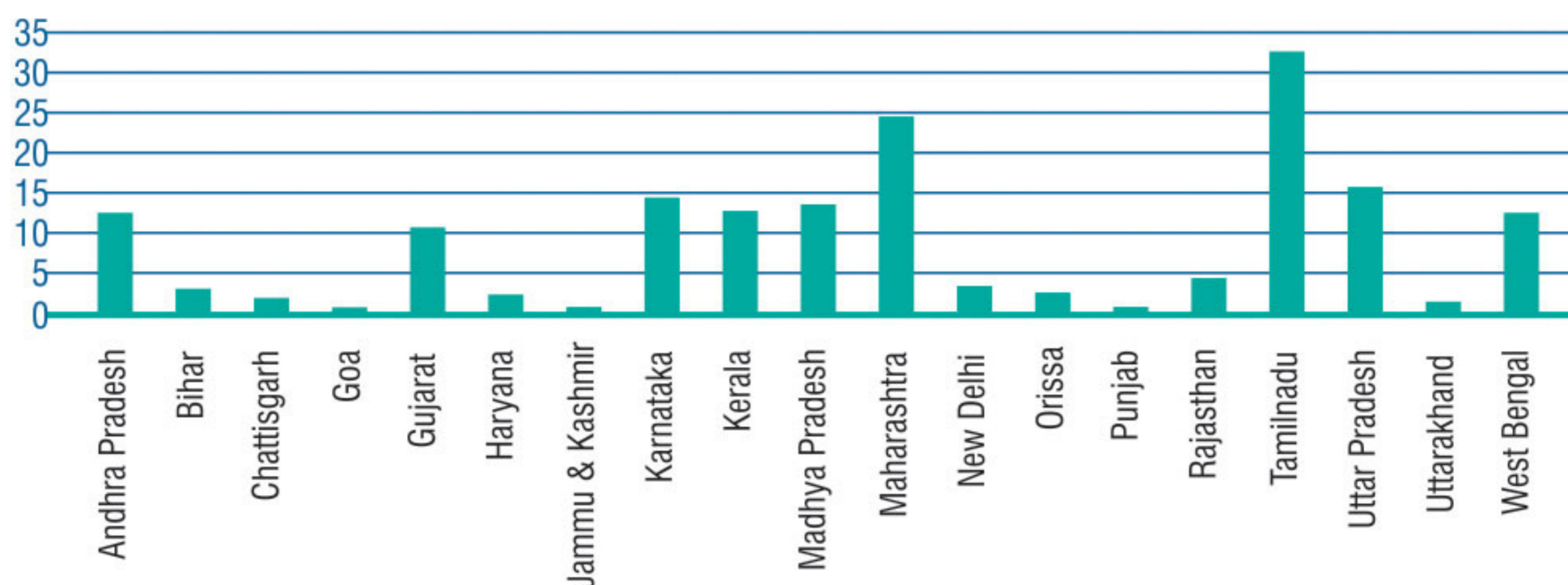
For the empanelment of resource persons at Eastern Region, an opportunity was given to all those aspirants from all regions who could not participate in the empanelment interviews conducted in their respective regions. Accordingly, the empanelment interview was conducted in Kolkata on 10th December 2011. Thirty five resource persons were empanelled during the process and the workshop was held during December 11-17, 2011 at Kolkata. The statewise representation of the newly empanelled resource persons is West Bengal (13), Bihar (4), Orissa (3), U.P (3), Tamil Nadu (3), Chattisgarh (2), Delhi (2), Kerala (2), Maharashtra (1), Rajasthan (1) and Madhya Pradesh (1). Mr. P K Nagpal, Executive Director, SEBI and Member, Board of Governors NISM, attended the valedictory session and distributed certificates to the newly empanelled resource persons.

Empanelment of Resource Persons (RPs) for SEBI Financial Education

During 2011-12 Statewise

■ Andhra Pradesh	14
■ Bihar	04
■ Chattisgarh	03
■ Goa	01
■ Gujarat	12
■ Haryana	03
■ Jammu & Kashmir	02
■ Karnataka	10
■ Kerala	08
■ Madhya Pradesh	09
■ Maharashtra	25
■ New Delhi	04
■ Orissa	03
■ Punjab	01
■ Rajasthan	05
■ Tamilnadu	33
■ Uttar Pradesh	16
■ Uttarakhand	02
■ West Bengal	13
Total	168

State wise RPs Representation



Review Workshop

During the year 2011-12, the School has organized a refresher workshop for the SEBI Financial Education Resource Persons of Western Region. The 2 days refresher training for the SEBI Certified Financial Education Resource Persons of western region was held at NISM premises during July 30-31, 2011. 26 resource Persons participated in the program. The refresher training program took review of the existing financial education programs carried out by the Resource Persons in western region and the issues, challenges and opportunities were discussed. Sessions were handled by experts on investment education to make the Resource Persons recollect and relate to the financial education program they undertake. Practitioners from Investment market also addressed the participants.

OTHER CAPACITY BUILDING INITIATIVES

During the period, the SIEFL has organized a workshop for SEBI Helpline and SCORE Staff to keep them abreast of the developments in capital market. A 5 days training program was organized at NISM premises during Dec 19-23, 2011. 30 candidates participated in the program. The various sessions included in the training are Introduction to capital market, primary market operations, secondary market operations, trading and post trading activities, depository services, mutual funds, soft Skills, how to handle investors' grievances, demat account holders' grievances and information sought by investors. Examination was administered on the participants to test their knowledge and all the participants got through the examination.

A Consensus Building Workshop on Financial Literacy in School Curriculum was conducted by NISM in New Delhi on 16th August 2011. Representatives from SEBI, RBI, IRDA, PFRDA, NISM, BSE, NSE, and CBSE attended the program. Shri Prashant Saran, Wholetime Member, SEBI, Shri Ramesh Krishnamoorthy, Director-Capital Markets, Ministry of Finance, and Prof. G Sethu, OSD, NISM, attended the program and guided the proceedings. NISM could sensitize the participants the need for introducing financial literacy in school curriculum. As a follow up of the workshop, Central Board of Secondary Education (CBSE) has constituted a committee to look into the aspect of introducing financial literacy in CBSE syllabus.

NISM has also conducted a Brainstorming Session on 'Financial Literacy Topics for School Curriculum' on 30th March 2012 wherein NISM and SEBI representatives participated and deliberated on the topic. The session could bring out broad topics to be included in the syllabus of financial literacy in School curriculum.

SCHOOL FOR CORPORATE GOVERNANCE (SCG)

VISIT OF ECONOMIC JOURNALIST FROM NEPAL

As part of a training program conducted by Indian Institute of Public Administration (IIPA), New Delhi, 16 journalists from various economic and national newspapers of Nepal visited NISM on Thursday, June 16, 2011 for a one-day training program on Capital Markets. The group was led by Prof. Nand Dhameja of IIPA and Mr. Binaya Dev Acharya, Deputy Director, Corporate Finance Department, Securities Board of Nepal.

The visit by the journalists of Nepal was sponsored by the Ministry of External Affairs, Government of India.

SCHOOL FOR SECURITIES EDUCATION (SSE)

The SSE conducts in-classroom programs, pitched at the Master's level for capacity building in securities markets industry. Under this school, three programs are currently being conducted.

POST GRADUATE PROGRAM IN SECURITIES MARKETS (PGPSM)

Post Graduate Program in Securities Markets (PGPSM) is a full-time program of about one year duration.

Batch I in respect of Academic Year 2010-11 concluded with Convocation on September 9, 2011 and an inspiring address by Dr C Rangarajan, Chairman, Prime Minister's Economic Advisory Council.

Admissions for **Batch II** in respect of Academic Year 2011-12 were announced and SSE will have a class of 28 students from an all-India pool of 434 applicants. They are in the process of internship-cum-placements. So far, around 20 of the 28 students have obtained internship/placement opportunities. Some of the recruiters include Asit C Mehta Intermediaries, AK Capital, Arjun Parthasarathy (www.investorsareidiots.com), Credit Suisse, ICRA Management Consultants, Indian School of Business, JMN Investments, Markit, Nomura, Systemix Corporation etc.

Admissions for **Batch III** in respect of Academic Year 2012-13 garnered 408 applications from an all-India pool. The quality of students has improved further, in relation to the first two batches. SSE has short-listed 50 students in Merit List I (of which around 20 have accepted) and 25 students in Merit List II. It is expected that the class size will ultimately settle around strength of 25 to 35 students.

POST GRADUATE CERTIFICATE IN SECURITIES MARKETS (PGCSM)

Following the successful launch of the PGPSM, NISM was approached by ICICI Bank to conduct a similar program, for training for recruitment into the Treasury & Risk function at ICICI. The MoU between NISM and ICICI was signed on June 9, 2011 and the launch attracted over 2000 applications from all over India. **Batch I** in respect of Academic Year 2011-12 commenced with 21 students. At the launch on July 29, 2011, the senior officers of ICICI appreciated NISM endeavours and its faculty members for designing a 'fabulous' curriculum. Students of Batch I are currently in their internship with ICICI.

Batch II, in respect of Academic Year 2012-13 was also launched in April 2012 and attracted more than 3000 applications. The interview panel-members from ICICI appreciated the contribution of NISM in adding value to ICICI. This batch is expected to have 21 to 22 students.

Both PGPSM and PGCSM will commence their new Academic Year 2012-13 on June 25, 2012.

The quality of our programs can also be gauged from the results of our students in the CFA (USA) exams. 11 of 17 cleared CFA Level I exams in December 2011 and 5 of 5 cleared the CFA Level II exams in June 2011.

CERTIFICATE IN FINANCIAL ENGINEERING AND RISK MANAGEMENT (CFERM)

NISM launched **Batch III** in respect of Academic Year 2011-12. 36 students were admitted for the Basic Module, of which 25 successfully transitioned to the Advanced Module. **Batch IV** in respect of Academic Year 2012-13 has been launched and 78 applications have been received, of which 76 are of good quality and short-listed for the interviews. There are also some outstanding candidates, some of whom are already holding GARP-FRM, CFA or MBA qualifications and seek knowledge additions.

DOCTOR OF PHILOSOPHY (PhD)

NISM has received recognition from Symbiosis International University (SIU), Pune, as a Centre for PhD studies. This provides NISM an opportunity to engage doctoral students on theses on securities markets and related areas. A process to get approval as guide for those meeting the eligibility criteria is undertaken. A similar arrangement is likely to be finalized with Goa University. The research vision is to provide support towards market strengthening and development and also to produce first-rate academicians specializing in securities markets.

Some of the Academic Team Members of NISM have been pursuing their PhD studies on the following subjects:

- "An Econometric and Computational Modeling of Option Pricing" at the Department of Economics, University of Mumbai
- In mathematics and computing in the area of mathematical finance.
- In the area of Behavioural Finance, decision making theories of Expected Utility and Bounded Rationality to measure risk attitudes of investors.

4

SCHOOL FOR REGULATORY STUDIES AND SUPERVISION (SRSS)

EXECUTIVE EDUCATION PROGRAM

NISM successfully conducted the following programs:

- SEBI Induction - I from June 15 - July 8, 2011 for the newly recruited officers (batch 2011) at the Centre for Excellence in Telecom Technology and Management (CETTM), MTNL, Powai.
- A comprehensive training program in securities markets for 28 SEBI officials in Grade A and B. The program offered a holistic view of securities markets through classroom sessions, field visits to stock exchanges, depositories and simulation and trading session at ITM, Vashi.

- The Asian Development Bank (ADB) in collaboration with SEBI organized a Regional Seminar on Investigation and enforcement under APEC financial regulators training initiative (FRTI). The seminar was held from 6th to 10th February at Hotel Trident, Mumbai.
- One day training program on Structured Products for SEBI officers (Managers & AGM) was held on 17th February, 2012 at NISM premises at Vashi. The contents of the program was kept at basic to intermediate level. The Program had 20 participants.
- NISM conducted two day workshop on “Basics of Derivatives “for SEBI officers (Managers & AGM).The first batch was conducted on March 2nd & 3rd at NISM premises. This was followed by another batch on March 16th & 17th. The total participants across two batches were 52.
- Leadership Program for Executive Directors & Chief General managers of SEBI:NISM organized a learning intervention by Prof Anton Musgrave on “Leading into the Future” for the Top Management at the Securities and Exchange Board of India in association with Indian School of Business This two day intervention was delivered at ISB campus on the 12th and 13th of March 2012.

INDIA INVESTMENT CONFERENCE - 2012

The Second India Investment Conference, jointly organized by CFA Institute, Indian Association of Investment Professionals (IAIP) and NISM on January 13, 2012 at Mumbai met with excellence response with more than 400 participants attending the session. The theme of the conference was “Positioning Portfolios for Turbulent Times”. Mr. U. K. Sinha, Chairman, SEBI gave the inaugural address. The speakers in the technical sessions of the conference included Lord Meghnad Desai, Emeritus Professor of Economics, London School Economics and Political Science and Dr. Michael Ivonovitch, President, MSI Global Inc., Dr. Meir Statman, Glenn Klimek Professor of Finance, Leavey School of Business, Santa Clara University, Mr. Brian D. Singer, CFA, Head of Global Macro Strategies, William Blair & Company, Dr. Clint Laurent, General Manager, Global Demographics Ltd., Mr. Pranay Gupta, CFA.

These sessions were followed by panel discussion moderated by Mr. Vivek Law of UTV Bloomberg which was telecast live. The panel is included eminent professionals from Banking, Mutual Fund and Securities Industry.

5

SCHOOL FOR SECURITIES INFORMATION AND RESEARCH (SSIR)

NETWORK FOR SECURITIES MARKETS DATA (NSMD)

NISM has renewed the Agreement with National Stock Exchange of India (NSE) on 27th September, 2011 for sourcing the NSE Data for NSMD project.

RESEARCH STUDIES UNDERTAKEN BY NISM

NISM undertook a research study for SEBI on “Efficient algorithm/technique to identify clusters/networks of deceiving groups”. The objective of this research was to develop a technique and further, software to identify suspicious groups of people involved in price manipulation by colluding. Data on stock market trades, KYC information, OTC deals, and synchronized trades were examined to arrive at a possible heuristic algorithm. The algorithm was subjected to a variety of robustness checks in identifying the network(s). The empirical results were compared actual findings with excellent results. Phases I and II have been successfully completed and delivered and installed at Integrated Surveillance System at SEBI. Phase III (final) is ongoing and would be implemented by January, 2013.

NISM has consultancy arrangement for the Financial Services Legislative Reforms Commission (FSLRC). 4 members from the NISM academic team participate in the meetings of the Commission, research groups and study groups.

CONFERENCE PAPERS BY NISM ACADEMIC TEAM

Details of the conference papers presented by some of the NISM Academic Team Members

Title of the Paper	Conference details
Optimization of Lifetime in Sensor Networks	Study Group Mathematics with Industry (SWI 2012) by EURANDOM at Technische University, Netherlands between Jan 30 and Feb 3, 2012.
Competition, Comparative Advantage or Regulation: What drives Mergers and Acquisitions	On October 14, 2011 at Law and Economics Workshop at IGIDR
Fight Cartels or Control Mergers? On the Optimal Allocation of Enforcement Efforts within Competition Policy	For the International Review of law and Economics in September 2011
Private Placements to Owner Managers: Theory and Evidence	At the Emerging Market Conference IGIDR on Dec 21, 2011
Corporate Governance, Product Market Competition and Firm Performance: Empirical Analysis of Indian Corporate	At the Money and Finance Conference on April 7, 2012.
Competition or Comparative Advantage: What Determines Mergers and Acquisitions?	Accepted for presentation at the European Economics and Finance Society, (EEFS) 12th Annual Conference which will take place in Istanbul (Koç University) on 14-17 June 2012.
Risk attitudes and Personal Values - Experimental Approach	At the 2011 Beelab Behavioral and Experimental Economics Conference, University of Florence, Italy on April 29-30, 2011. The paper was selected for "Best Paper Award" at the COSMAR conference for PhD scholars at the Indian Institute of Science, Bangalore in October 2011.
Measuring Risk Attitudes and Personal Values - Bounded Rationality Approach	Society for Advancement in Behavioral Economics (SABE) conference to be held at Granada, Spain from July 12-15, 2012 Academy of Behavioral Finance (AOBF) conference to be held at NYU, USA from Sept. 18-21, 2012

RESEARCH PUBLICATIONS BY NISM ACADEMIC TEAM

Details of research publications by some of the NISM Academic Team Members:

Research Paper	Publication
Global markets exposure and price efficiency: An empirical analysis of order flow dynamics of NYSE-listed Indian firms	Dec 2011 issue of Journal of International Financial Markets, Institutions and Money, Vol 21(5), 2011. (Rated A by international universities)
Uses and Abuses of Credit Default Swaps in the Sub-prime Crisis Period - A Critique	Insurance Markets and Companies: Analyses and Actuarial Computations", from Ukraine, Europe, Issue 4, 2011, after a double-blind refereeing process
G Sec Auctions - A Study on the Price Discovery Process	International Economics & Finance Journal (IEFJ), a peer-reviewed journal listed in EconLit by the American Economic Association (AEA). ISSN: 0973 - 5259
Prosecuting Corruption: Evidence from a High-Growth State	Publication in India Development Report, published by Oxford University Press.

SECOND SUMMER SCHOOL

The School for Securities Information and Research (SSIR) conducted its second summer school on "Essential Econometrics for Research in Finance" during April 30 to May 10, 2011. Designed for research scholars and young faculty in finance, the program offered inputs on empirical research methods for undertaking research in finance. The summer school had participants drawn from IIT, IIM, ICFAI, Central and State Universities and other Mumbai based Business School.

6

SCHOOL FOR CERTIFICATION OF INTERMEDIARIES (SCI)

DEVELOPMENT AND ADMINISTRATION OF MANDATED CERTIFICATION EXAMINATIONS

NISM is mandated to develop Certification Examinations for various segments of the market as per powers conferred by sub regulation (3) of regulation 7 of the Securities and Exchange Board of India (Certification of Associated Persons in Securities Markets) Regulations 2007.

Examinations available

Currently available examinations include the following:

NISM Examination (Mandatory)	
1.	NISM Series-I: Currency Derivatives Certification Examination
2.	NISM Series-II-A: Registrars and Transfer Agents (Corporate) Certification Examination
3.	NISM Series-II-B: Registrars and Transfer Agents (Mutual Fund) Certification Examination
4.	NISM Series-IV: Interest Rate Derivatives Certification Examination
5.	NISM Series-V-A: Mutual Funds Distributors Certification Examination
6.	NISM Series-V-A: Mutual Funds Distributors Certification Examination (Hindi)
7.	NISM Series-V-A: Mutual Funds Distributors Certification Examination (Gujarati)
8.	NISM Series-VI: Depository Operations Certification Examination
9.	NISM Series-VII: Securities Operations and Risk Management Certification Examination
NISM Examination (Non-Mandatory)	
10.	Certified Personal Financial Advisor (CPFA)

Examinations Reviewed

As a part of its periodic examination review, NISM launched revised exams for three certification examinations. These are:

- NISM-Series-I: Currency Derivatives Certification Examination,
- NISM-Series-VI: Depository Operations Certification Examination, and
- NISM-Series-II-A: Registrars and Share Transfer Agent-Corporate Certification Examination

The aforementioned examinations were reviewed in order to keep the examination updated with the market changes and regulatory updates. The review of the examinations included a review of the test objectives, syllabus outline with assigned weightages and workbook. The question bank was also revised based on the changes in the test objectives, assigned weights and workbook. The review was conducted with the assistance of respective Examination Committees that include various representatives from different market infrastructure institutions /intermediaries who provided their inputs on the examinations. In order to provide candidates enough time to prepare for the revised examinations, NISM announced an appropriate window period as per the enrolment data and inputs from the Examination Committee.

EXAMINATIONS AWAITING REGULATORY APPROVAL

NISM has completed the development of the following certification examinations and will launch the examination after receiving required approvals:

Certification Examination for Compliance (Non-Fund)

Securities Market Intermediaries are required to adhere to certain regulatory compliances specified in various Acts, Bye-laws, Regulations and Guidelines issued by Regulatory and Self Regulatory Organizations. These requirements depend to a great extent on the set of functions performed by various intermediaries. On the basis of function, the intermediaries in the Indian securities market, may be divided in two categories:

1. First, those intermediaries who do not perform any fund based activity, such as the Stock Brokers, Sub-brokers, Depository Participants, Merchant Bankers, Underwriters, Bankers to the Issue, Debenture Trustees and Credit Rating Agencies etc.
2. Second, intermediaries who perform fund based activities such as Mutual Funds, Portfolio Managers, Venture Capital Funds and Collective Investment Schemes etc.

A third set of compliance related requirements exist for the issuer companies which are listed on the Stock Exchanges.

NISM is considering the development of certification examinations related to the compliance functions in all three of the above categories.

The first such examination proposed to be launched is the certification examination focused on the compliance role of the first category of intermediaries i.e. those involved only in non-fund activities. This examination will seek to create a common minimum knowledge benchmark for all persons engaged in compliance function with any intermediary registered with SEBI as Stock Brokers, Sub-brokers, Depository Participants, Merchant Bankers, Underwriters, Banker's to the Issue, Debenture Trustees and Credit Rating Agencies.

Certification Examination for Equity Derivatives

NISM proposes to launch the Equity Derivatives Certification Examination, in order to create a common minimum knowledge benchmark for approved users and the sales persons working in the equity derivatives segment of brokers. It is proposed to have uniform, single approved NISM certification examination for approved users and sales persons in the equity derivatives segment of recognized stock exchanges. While providing a single and uniform standard of minimum knowledge in this area, this certification will aim to enhance the quality of services rendered by the stock brokers and sub-brokers in the area of equity derivatives. NISM has developed this examination with the assistance of Examination Committee consisting of officers of the two national level stock exchanges dealing in the equity derivatives space.

EXAMINATIONS UNDER DEVELOPMENT

NISM is currently developing various certification examinations for market intermediaries, which are in different stages of development. These include:

■ **Certification Examination for Sales function across market intermediaries**

NISM is developing a Common Sales Certification Examination for the professionals engaged in sales activity across various market segments in consultation with SEBI and industry experts. Common sales examination will enable a candidate to clear a single examination and become eligible to perform the sales function across various product segments such as Currency Derivatives, Interest Rate Derivatives, Mutual Funds, Equity Derivatives, Equities and Portfolio Management Services. NISM has formed the Examination Committee for the Common Sales examination with officers/officials from market infrastructure institutions/associations of relevant industry. The workbook is under development.

■ **Certification Examination for Mutual Fund Advisers**

NISM currently has the NISM Series-V-A: Mutual Funds Distributors Certification Examination. NISM is further developing a higher level examination in the mutual fund advice/distribution space. The Series V-B: Mutual Fund Advisers Certification Examination will provide an opportunity to mutual fund advisers to differentiate themselves on the basis of knowledge from those who meet only the basic minimum requirements. NISM has established the Examination Committee for this examination with officials from Industry Association. The workbook has been developed and the question bank is under development.

■ **Certification Examination for Sales function in the Equities Segment**

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 advise customers on equity products. An Examination Committee was formed with officers from two national level stock exchanges. The workbook has been developed and is currently being reviewed by the Committee. The question bank is under development.

■ **Certification Examination for Compliance for Issuers**

NISM has initiated the development of the content outline for the Certification Examination for Issuers Compliance for companies that are listed or are to be listed on Stock Exchanges. The Examination Committee for this examination was formed of the Members of the Institute of Company Secretaries of India (ICSI) and the industry. For this, NISM has carried out the job analysis and developed the test objectives which have been reviewed by the examination committee. The final draft of the workbook is being reviewed by the committee. The question bank is under development.

■ **Certification Examination for Merchant Banking**

NISM is developing a uniform certification examination for persons employed with Merchant Bankers. This examination is intended for those persons who will be joining the merchant banking industry and examination will therefore focus on enhancing and testing entry level knowledge. NISM has established an Examination Committee in association with the Association of the Industry. NISM has conducted the job analysis study and has developed the detailed test objectives and the draft workbook which are being reviewed by the examination committee.

EXAMINATIONS IN REGIONAL LANGUAGES

Currently NISM-Series-V-A: Mutual Fund Distributors Certification Examination is also being conducted in Hindi and Gujarati Languages.

The Hindi and Gujarati version of the NISM-Series-VII: Securities Operations and Risk Management Certification Examination workbook have been made available to candidates.

Currently, NISM is also translating the NISM-Series-I: Currency Derivatives and NISM-Series-II-B: RTA (Mutual Funds) Certification Examination into Hindi and Gujarati languages. The translations of the examinations include, translation of the Workbook and the question bank in regional languages.

MARKET CONFERENCE AND TRAINING ON CERTIFICATION

NISM organized a Market Conference and Training on Certification Examinations on May 18, 2011 at Leela Kempinski. Dr. Tina Freilicher, Director of Psychometrics and Training and Ms. Neelima Pargaonkar, Director, International Affairs and Services, Financial Industry Regulatory Authority (FINRA), USA, were the key speakers in which Dr. Tina Freilicher and Ms Neelima Pargaonkar highlighted the importance of Uniform Certification Examination in the Securities Market and role of examinations in ensuring professionalism in market. The seminar was attended by participants from SEBI, NSE, BSE, MCX-SX, FTKMC, BSE Broker's Association, FPSB, CDSL, NSDL, IRDA and NISM Resource Persons. NISM also arranged training programs on Examination and Question Development for invitees from NSE, BSE, MCX-SX, CDSL, NSDL, FPCIL and NISM Resource Persons.

TEST ADMINISTRATION

NISM implemented on-line testing system and launched its own testing centers, at its offices at Vashi and Nariman Point in this financial year. The centers are a modern testing facility and equipped with state of the art technology and infrastructure. These centers have a seating capacity of 78 candidates and 40 candidates respectively. NISM has launched testing facility for all examinations, including 7 of its certification examinations.

As on March 31, 2012, 29664 candidates passed various certification examinations out of 75078 candidates who appeared for these examinations (Mandatory Certification Examination). NISM also conducts Certified Personal Financial Advisor Examination (Non Mandatory Certification Examination) which is cleared by 327 candidates out of 639 candidates appeared for the examination. The statistics regarding the number of candidates who have enrolled /appeared and passed the NISM certification Examinations for the financial year 2011-12 are given overleaf:

NISM Examination (Mandatory)	Total Candidates Enrolled	Total Candidates Appeared	Total Candidates Passed
Currency Derivatives	12987	12178	4540
RTA - Corporate	1191	1024	686
RTA - Mutual Funds	2395	2316	1296
Interest Rate Derivatives	284	222	41
Mutual Fund Distributors	54359	51077	18855
Mutual Fund Distributors - Gujarati	323	255	47
Mutual Fund Distributors - Hindi	363	282	53
Depositories Operations	5493	4997	2034
Securities Operations and Risk Management	2959	2727	2112
Total for examinations	80354	75078	29664
NISM Examination (Non-Mandatory)			
Certified Personal Financial Advisor (CPFA)	690	639	327

DEVELOPMENT & ADMINISTRATION OF CONTINUING PROFESSIONAL EDUCATION (CPE)

Further to SEBI's discussion paper on "Continuing Professional Education" and SEBI's guidance on CPE requirements to be implemented by NISM, NISM announced the CPE requirements for associated persons vide communiqué NISM/ Certification/ CPE General/2011/1 dated December 21, 2011.

As per the detailed CPE requirements, associated persons may get their certificates revalidated by successfully completing a related 1 day/2 days CPE Program or passing the relevant NISM Certification Examination during 12 months preceding the date of expiry of the certificate.

The CPE program shall be approximately of 12-hour duration to be conducted over 2 training days. CPE Program can be successfully completed by a candidate by either attending the relevant CPE Program on two consecutive days or with a gap but within the validity period.

NISM has accredited four CPE Providers viz., Centre for Investor Education and Learning Private Limited (CIEL), Financial Technologies Knowledge Management Company (FTKMC), National Securities Depository Limited (NSDL) and National Stock Exchange of India Limited (NSEIL) for the delivery of NISM CPE Programs. In addition to the accredited CPE Providers, NISM also conduct CPE Programs based on need/demand. Besides, in contemplation of more number of CPE Programs that will become necessary over a period of time, NISM took initiative of having panel of trained trainers, whose services could be availed of as empanelled trainers for conducting various NISM CPE Programs. In addition, NISM took initiative of screening officers associated with CPE Providers to consider them as approved trainers for such CPE Provider.

NISM has launched the two day CPE programs for the following Certification Examinations:

■ **NISM-Series-I: Currency Derivatives Certification Examination**

NISM has specified the CPE Requirements for all approved users and sales personnel of trading members of currency derivatives segments of recognized stock exchanges vide communiqué NISM/Certification/CDCPE/2012/1 dated May 4, 2012. The CPE Programme will be made available by NISM Accredited CPE Providers from May 5, 2012.

■ **NISM-Series-II-B: Registrars to an Issue and Share Transfer Agent-Mutual Funds Certification Examination**

NISM has specified the CPE Requirements for all associated persons employed or engaged or to be employed or engaged by Registrars to an Issue and Share Transfer Agents for performing any of the activities specified in SEBI Notification No. LAD-NRO/GN/ 2009-10/18/175577 dated September 04, 2009 for mutual funds, vide communiqué NISM/Certification/RTACPE/2012/1 dated April 27, 2012. The RTA - Mutual Funds CPE requirements are effective from May 1, 2012.

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

NISM has specified the CPE Requirements for all associated persons employed or engaged or to be employed or engaged by Registrars to an Issue and Share Transfer Agents for performing any of the activities specified in SEBI Notification No. LAD-NRO/GN/2009-10/18/175577 dated September 04, 2009 for listed companies, vide communiqué NISM/Certification/ RTACPE/2012/1 dated April 27, 2012. The RTA - Corporate CPE requirements are effective from May 1, 2012.

■ **NISM-Series-V: Mutual Fund Distributors Certification Examination**

NISM has revised the Continuing Professional Education (CPE) requirements for NISM-Series-V-A: Mutual Fund Distributors (MFD) Certification Examination for associated persons, including distributors, agents, brokers, sub-brokers or called by any other name, engaged in the selling and/or distributing of mutual fund products vide communiqué NISM/Certification/MFD CPE/2012/1 dated February 15th, 2012. The revised MFD CPE requirements have come into effect from June 1, 2012. Upto 31st May 2012, CPE Program for MF Distributors was for one day.

NISM has initiated the development of the CPE program content of the NISM Series VI: Depository Operations Certification Examination.

During April 1, 2011 to March 31, 2012, 196 CPE programs for Mutual Fund Distributors with 7909 candidates participation, have been conducted by NISM and CPE Provider.

INVESTORS' AWARENESS PROGRAMS CONDUCTED BY NISM DURING DECEMBER 2011 TO APRIL 2012

In order to create awareness about the activities of NISM and its Test Centres for Certification Examinations, following programs were conducted during the year under review December 2011 to 2012 to April 2012.

Theme of the Program: PROFESSIONALIZING THE SECURITIES MARKETS INDUSTRY IN INDIA

Speakers:

Mr. Sundaresan, General Manager, SEBI
Mr. B.Renganathan, SVP, Edelweiss Capital

Venue: NISM Test Centre at Mittal Court, Nariman Point

Date: December 13, 2011

Theme of the Program: SIMPLIFICATION OF IPO PROCESS & COMMON KYC NORMS**Speakers:**

Mr. Aliasgar S Mithwani, Deputy General Manager, SEBI
Mr. Cyrus Khambata, Executive Vice President, CDSL.

Venue: NISM Test Centre at Mittal Court, Nariman Point

Date: March 9, 2012

Theme of the Program: IMPACT OF UNION BUDGET ON CAPITAL MARKETS**Speakers:**

Shri Kanu H. Doshi, Chartered Accountant,
Dean-Finance at Welingkar Institute of Management

Venue: NISM Test Centre at Mittal Court, Nariman Point

Date: March 30, 2012

Theme of the Program: CAREERS IN SECURITIES MARKETS**Speakers:**

Mr. Sekkizhar Balasubramanian, Director-Deloitte, Mumbai
Dr. M. Venkateshwarlu, Associate Professor, NITIE, Mumbai

Venue: NISM Test Centre at Mittal Court, Nariman Point

Date: April 12, 2012

ADMINISTRATION UPDATE & OTHER MATTERS

HUMAN RESOURCE

The Staff strength of 28 as at the end of 31/3/2011 on the payroll of NISM has increased to 43 as at the end of 31/03/2012 to ensure availability of manpower with requisite skill set to meet the needs emanating from new initiatives and scaling up of the activities of the Institute.

NISM PREMISES & UPDATE ON PATALGANGA PROJECT FOR CAMPUS

NISM Premises

- Commenced on-line testing facility and launched its own testing centres at: Mittal Court, Nariman Point, Mumbai and at Vashi, Navi Mumbai.
- NISM has initiated process of setting up on-line testing facility and Test Centre at Chennai.
- NISM has acquired Ground Floor and 2nd to 6th Floors of the building now known as NISM Bhavan (formerly known as UTI Bhavan) from Specified Undertaking Unit Trust of India (SU-UTI) by execution of Deed of Assignment and Sale with SU- UTI on 7th February, 2012

Patalganga Project

Agreement to Lease was executed by NISM with MIDC for the plot no. IS-1 & IS-2 at Patalganga industrial area for construction of campus.

PROJECT WITH WORLD BANK TECHNICAL ASSISTANCE

During the year 2011-12, NISM has completed following 2 assignments under the World Bank Technical Assistance:

- Assistance to National Institute of Securities Markets in the areas of certification. The assignment undertaken with Financial Industry Regulatory Authority (FINRA), US, was completed during the year with the visit of US Team to India during May, 2011.
- Securities Market Simulator for Training

The simulator assignment contract was awarded to Dun & Bradstreet Information Services India Pvt. Ltd. (D&B) by Ministry of Finance (MoF) where NISM was made a key interlocutor to oversee the assignment undertaken by D&B. The assignment was completed by D&B with submission of report in 2 Phases highlighting the need for simulator for training purposes, its user requirements and technical details for establishment of such a simulator as a tool for class room training to mimic securities markets.

INITIATIVES ON INFORMATION AND COMMUNICATION TECHNOLOGY

a Network for Securities Market Data (NSMD)

A project to develop High quality Information and Communication Technology Infrastructure was completed to provide access to processed Securities Market Data to designated stakeholders, by having NISM owned system and relocation of system + application software to Mumbai.

b Online Registration, Enrolment and Testing System (ORETS)

A sophisticated application software for Online Registration, Enrolment and Testing was developed and implemented. This software is being used since September 2011 to conduct all certification examinations online for various types of intermediaries in the securities market, including facility of online payment gateway.

c Online Testing Centers

Two test centers were setup-One in NISM Bhavan/Vashi and another at Nariman Point, with computers, network equipment, sophisticated Audio-visual equipment and electronic monitoring systems (i.e. CCTV).

d Automation of Internal Processes

Modest beginning is made, on a major drive of replacing manual operations to automated ones, to have automated processes in place to bring required accountability, monitoring and thus resulting in better efficiency and effectiveness in service level across the organization. An application has been developed in-house and implemented for employees to register online and track the status of various requests for service from the ICT Department.

e

Networking of NISM Nivas

A robust data network with sophisticated firewall has been setup at NISM Nivas to manage bandwidth and to monitor the content accessed by students on the internet. Also necessary connectivity was setup to monitor the data traffic on the NISM Nivas network from NISM Bhavan.

Balance Sheet as at 31st March 2012

FY 2010-11 ₹	FUNDS & LIABILITIES	₹	FY 2011-12 ₹
	Trusts Funds or Corpus		
1,352,000,500	Balance as per last Balance Sheet	1,352,000,500	
	Received during the year (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		
5,883,999	For Expenses	10,950,735	
1,270,664	For Advances	94,000	
	For Rent and Other Deposits		
15,812,939	For Sundry Credit Balances	17,502,421	
			28,547,156
	Income and Expenditure Account		
227,349,269	Balance as per last balance Sheet	281,954,383	
	Less: Appropriation, if any		
54,605,114	Add: Surplus as per Income and	66,670,542	
	Less: Deficit Expenditure Account		348,624,925
1,671,922,484	Total		1,744,172,581

Balance Sheet as at 31st March 2012

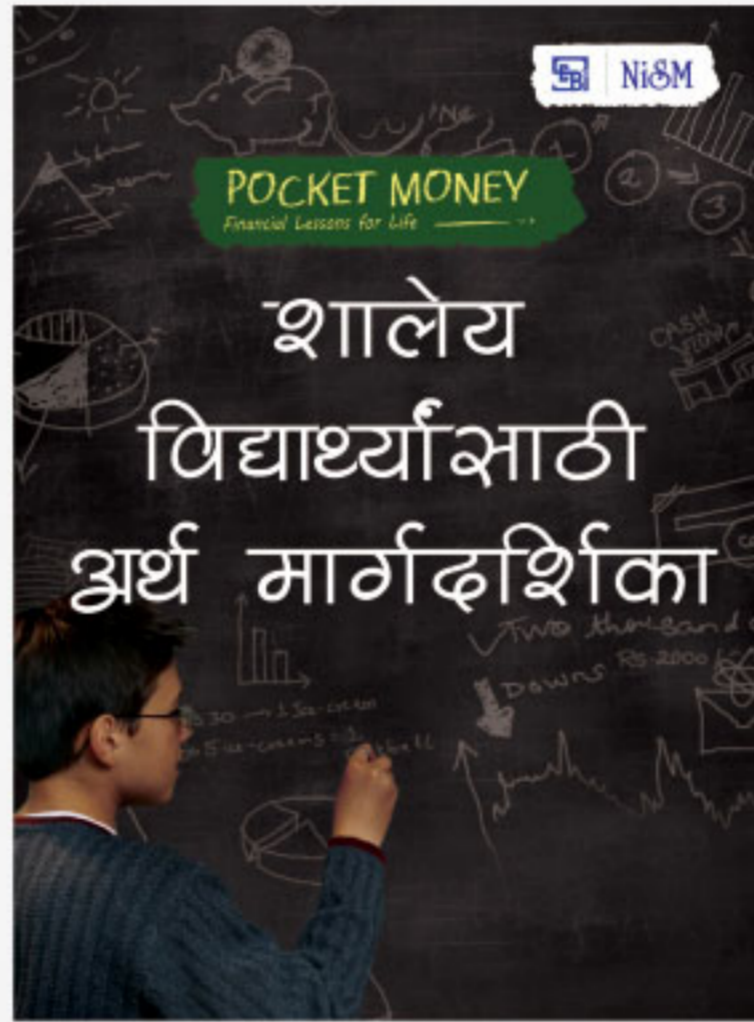
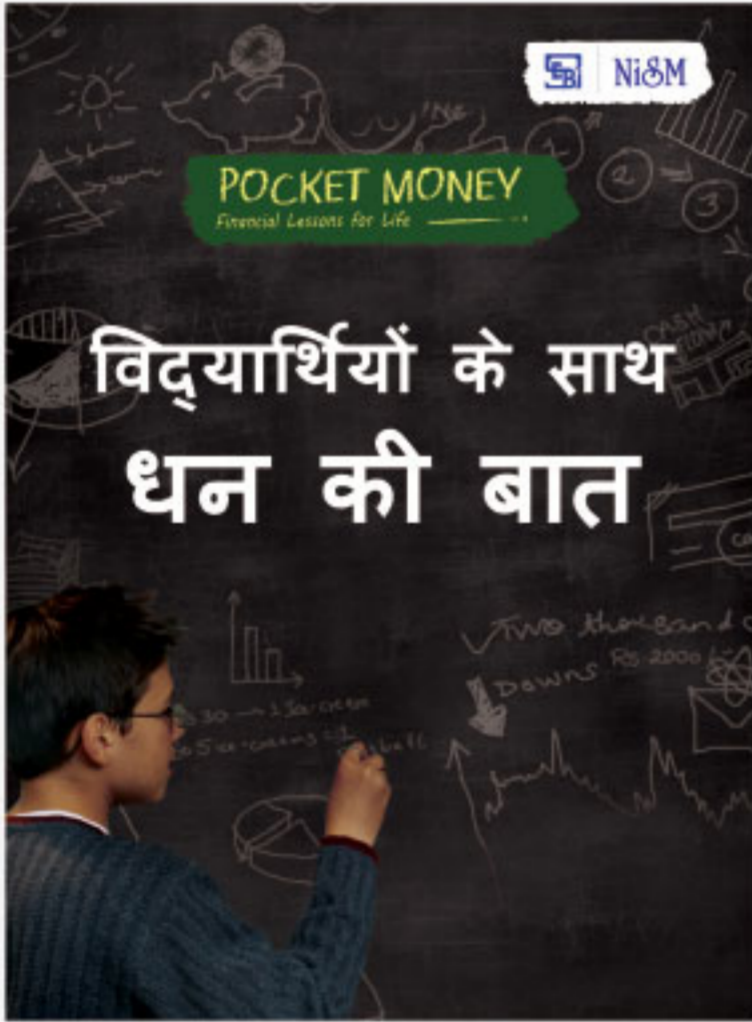
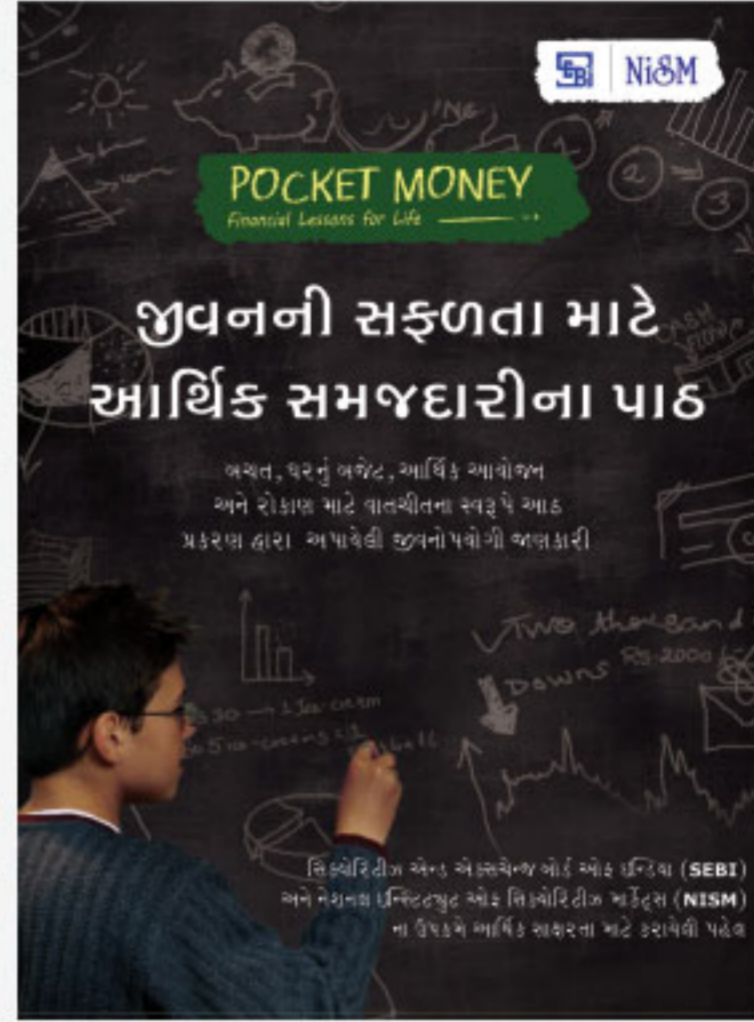
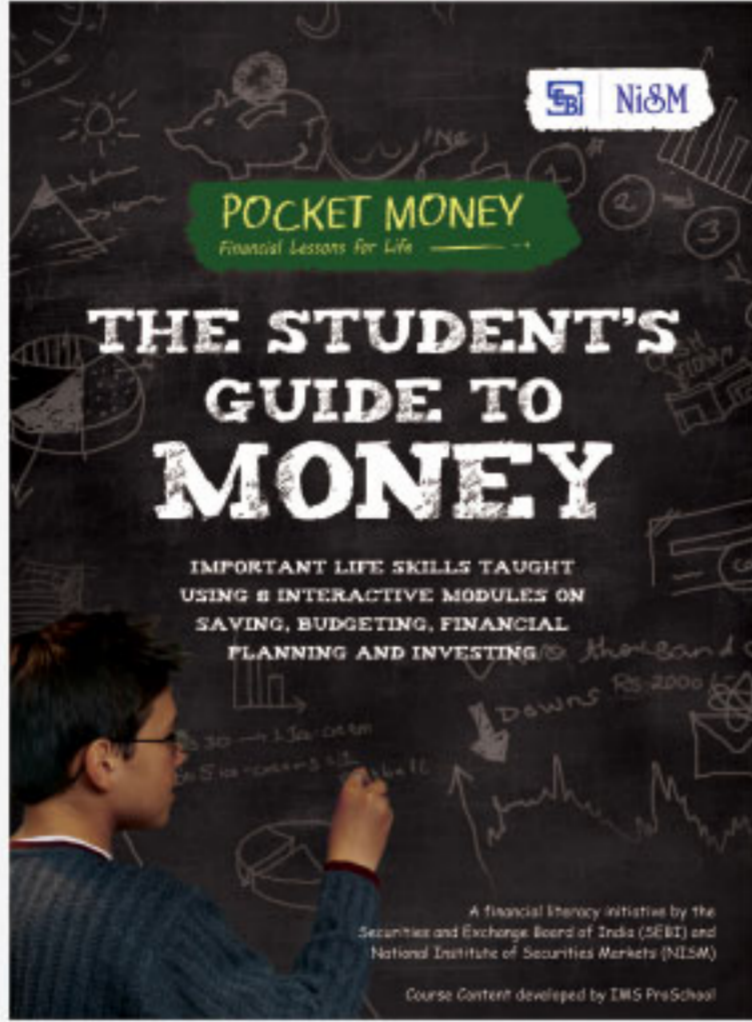
FY 2010-11 ₹	PROPERTY AND ASSETS	₹	FY 2011-12 ₹
	Immovable Properties: (At Cost)		
5,308,492	Balance as per last Balance Sheet	5,308,492	
	Additions during the year	129,941,266	
	Less: Sales during the year		
(984,692)	Depreciation up to date	4,557,831	130,691,927
	Furniture & Fixtures		
568,915	Balance as per last Balance Sheet	1,392,166	
823,251	Additions during the year	13,311,830	
	Less: Sales during the year		
(174,708)	Depreciation up to date	1,618,759	13,085,237
	Office Equipment & Computers		
3,071,178	Balance as per last Balance Sheet	4,746,146	
1,674,968	Additions during the year	12,902,609	
	Less: Sales during the year		
(3,219,075)	Depreciation up to date	9,657,529	7,991,226
	Library Books		
	Balance as per last Balance Sheet	190,967	
190,967	Additions during the year	250,549	
	Less: Sales during the year		
(62,708)	Depreciation up to date	231,887	209,629
1,391,590,708	Investments: Fixed Deposits		1,347,593,124
	Loans (Secured or Unsecured): Good / Doubtful		
	Loans Scholarships		
	Other Loans		
	Advances		
	To Trustees		
	To Employees		
	To Contractors		
	To Lawyers		
	To Others: Service Tax Receivable		
618,049	Others	4,766,893	
8,257,633	Sundry Debtors	23,591,614	
1,166,657	Prepaid Expenses	2,073,690	
7,057,516	T.D.S. Receivable	4,871,037	
78,094,163	To Others: For Purchase of Building		
79,445,600	To Others: For Purchase of Land (P)	79,445,600	
613,535	To Others: For Campus Construction (P)	2,476,711	
306,652	To Others: Compound Wall Construction (P)	426,861	
	To Others: NISM Bhavan (WIP)	7,952,760	
	To Others: Chennai Overseas Tower (WIP)	223,736	
39,904,000	To Others: Deposit for Wall Construction (P)	79,643,000	205,471,902
	Income Outstanding		
57,235,581	Interest Receivable		39,010,952
435,803	(a) In Current Account with Banks	118,583	
	(b) With the Trustees Cash Balance		
	(c) With the Manager		118,583
	Income and Expenditure Account:		
	Balance as per Balance Sheet		
	Less: Appropriation, if any		
	Add: Deficit as per Income and		
	Less: Surplus Expenditure Account		
1,671,922,484	Total		1,744,172,581

Income and Expenditure Account for the year ending 31st March, 2012

FY 2010-11 ₹	EXPENDITURE	FY 2011-12 ₹
	To Expenditure in respect of properties	22,597,799
	To Establishment Expenses	7,988,607
	To Remuneration to Trustees	
	To Remuneration (in the case of a math) to the head of the math including his household expenditure, if any	
63,525	To Legal Expenses	211,569
71,695	To Auditors fees	82,725
248,175	To Professional Fees	273,175
	To Contribution and Fees	
	To Amount written off	
	(a) Bad Debts	
	(b) Loan Scholarship	
	(c) Irrecoverable Rents	
	(d) Other Items	
28,657	To Miscellaneous Expenses	29,922
2,050,087	To Depreciation	11,624,823
	To Provision for Tax	
	To Amount transferred to Reserve or Specific Fund	
	To Expenditure on Objects of the Trust	
	(a) Religious	
121,829,017	(b) Educational	139,994,483
	(c) Medical Relief	
	(d) Relief of Poverty	
	(e) Other Charitable Objects	
54,605,114	To Surplus carried over to Balance Sheet	66,670,542
178,896,269	Total	249,473,645

FY 2010-11 ₹	INCOME	FY 2011-12 ₹
	accrued	
2,053,983	By Rent realised	1,245,089
	accrued (estimate)	
	By Interest realised	
	On Securities	
97,607,813	On Fixed Deposit	126,412,666
584,113	On Bank Account	127,642
	By Dividend	
	By Donations in Cash or Kind	
	By Grants	
	By Income From Other Sources	
70,803,349	By Income from Schools	120,824,777
7,678,218	By Income from Other Sources (AIG)	
	By Balance written off	
	By Interest on TDS Refund	265,552
168,793	By Miscellaneous Income	597,919
	By Transfer from Reserve	
	By Deficit carried over to Balance Sheet	
178,896,269	Total	249,473,645

A Financial Literacy Initiative by SEBI and NISM



NiSM

NATIONAL INSTITUTE OF SECURITIES MARKETS

Plot No. 82, NISM Bhavan, Sector-17,

Vashi, Navi Mumbai - 400 703

Phone: +91-22-66735100-05 | Fax: +91-22-66735110

www.nism.ac.in