

**NISM XXI-A PMS –
DISTRIBUTORS EXAM**



NiSM NATIONAL INSTITUTE OF
SECURITIES MARKETS
An Educational Initiative of SEBI

So Far – my Journey



1. Delivered **NISM XXI - A** session for

1. **Axis Bank** - 500+ Employees
2. **Axis Mutual Fund**
3. **SBI MF** - All Employees
4. **DBS Bank** - All 170 Wealth Management Team
5. **Motilal Oswal AMC Ltd**
6. **ASK Investment Managers.**
7. **HSBC BANK LTD**
8. **NJ India Invest** - 7500+ Partners + All Cluster Heads and BMS
9. **White Oak PMS**
10. **HDFC PBG**
11. **ICICI GPC**
12. **IIFL Wealth**
13. **Sundaram Alternate**
14. **ICICI Direct - Premiere team employees**
15. 1500 Distributors across Country

2. Has been visiting industry faculty at leading management institute like IIM Ranchi / SDA Bocconi MBA / IIT Mumbai (SJM School of management) / IISWBM.

3. Romit is also a trainer member at APMI and working closely with regulators to draft and moderate PMS and AIF regulations documents.

4. Romit Barat is also a Board of Director at American Academy of Financial Management (AAFM).

American Academy Of Financial Management® India

5. Romit is also an academic and strong knowledge enthusiast and currently sits into the board on NMIMS.

Today every body who sells PMS an AIF (alternates) across the country that includes Wealth Management outfit, Distributors, Banks - has been trained by me. More than 15000+ professionals has been trained on the new Regulatory guidelines.

Schedule of our forthcoming session

Axis Leadership team



Date	Part	Coverage	Topic
13 July 2024	1	7-8-9	Chapters
20 July 2024	2	10-11-12	Chapters
27 July 2024	3	4-5-6	chapters
03 August 2024	4	1-2-3	Chapters

Schedule of our forthcoming session

Axis Leadership team



Date	Part	Coverage	Topic
21 July 2024	1	1-2-3	Chapters
27 July 2024	2	4-5-6	Chapters
28 July 2024	3	7-8-9	chapters
03 August 2024	4	10-11-12	Chapters

SEBI Regulations



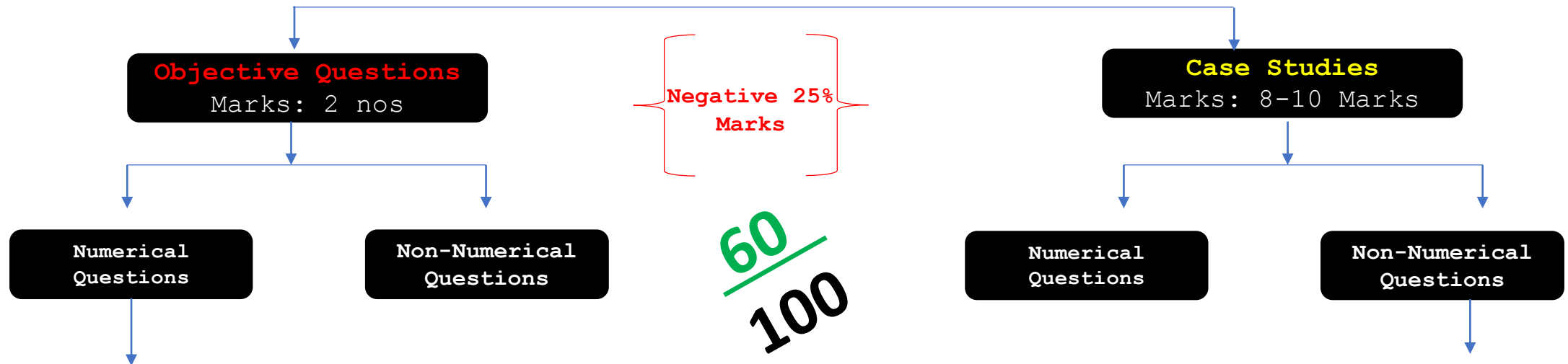
The screenshot displays the SEBI website's 'LEGAL' section. The main heading is 'Notification under Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007- NISM-Series-XXI-A: Portfolio Management Services (PMS) Distributors Certification Examination'. The date is 'Sep 07, 2021 | Gazette Notification'. A sidebar on the left lists various legal documents, with 'Gazette Notification' selected. The main content area shows the beginning of the notification text in Hindi and English, including the title '[भाग III—द्वय 4] भारत का राजपत्र : अध्यादेश 3' and the start of the regulation: 'NISM-Series-XXI-A: Portfolio Management Services (PMS) Distributors Certification Examination within two years from the date of this notification:'. Below this, it states: 'Provided that a portfolio manager, who engages or employs any such associated person who is a distributor of the Portfolio Management Services, after the date of this notification, shall ensure that such person obtains certification by passing the NISM-Series-XXI-A: Portfolio Management Services (PMS) Distributors Certification Examination within one year from the date of their employment:'. It further specifies: 'Provided further that an associated person, who being a distributor of the Portfolio Management Services, has obtained any of the following registration/ certification as on the date of this notification-'. The list includes: 'a) a valid AMFI Registration Number (ARN)' and 'b) NISM Series-V-A exam certification'.

[Click Here to read the Notice!!](#)

About the Certification Examination for Portfolio Management Service Distributors

The examination seeks to create a common minimum knowledge benchmark for distributors of Portfolio Management Services (PMS). The certification aims to enhance the quality distribution and related support services in the PMS.

Questions patterns



Assume that there is a bond on the market priced at ₹ 850 and that the bond comes with a face value of ₹1,000 (a common face value for bonds). On this bond, yearly coupons are ₹150. The coupon rate for the bond is 15% and the bond will reach maturity in 7 years. What is the YTM?

What is the Common objective of Derivative trading?

1. Speculation
2. Arbitrage
3. Hedging
4. All of the above

Few Statistics – Exam and Results



Aoccdrnig to a rscheearch at Cmabrigde Uinervtisy, it deosn't mttar in waht oredr the ltteers in a wrod are, the olny iprmoetnt tihng is taht the frist and lsat ltteer be at the rghit pclae. The rset can be a toatl mses and you can sitll raed it wouthit porbelm. Tihs is bcuseae the huamn mnid deos not raed ervey lteter by istlef, but the wrod as a wlohe.

If you can read this, then there is **high chance** that you will attempt a questions **wrongly**

Sample Questions



Q) How many categories of Mutual funds are there under regulatory framework?

- 1
- 3
- 5
- 11

Q) What is the minimum investment required to start a PMS Business¹ ?

- 50 Lakhs
- 25 Lakhs
- 1 Cr
- 5 Cr

Q) Day count convention for Treasury Bill (T-Bill) /money market⁴:

- 30 / 360
- Actual / Actual
- Actual / 360
- Actual / 365

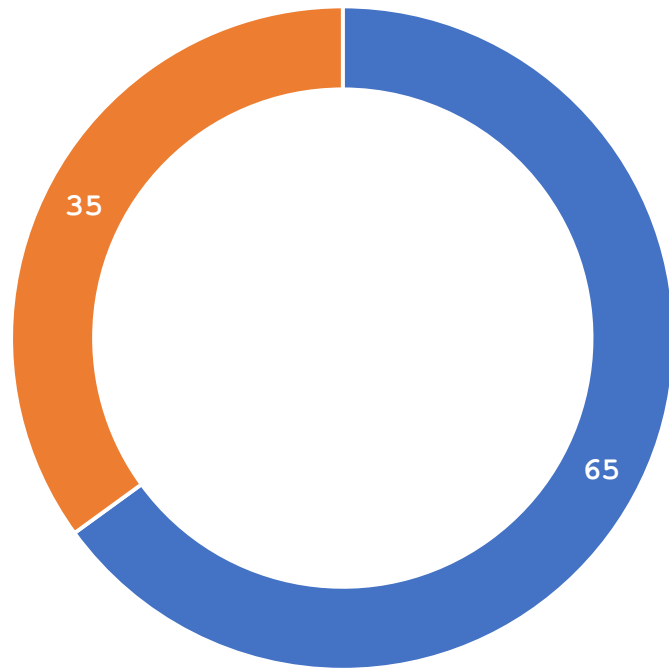
Q) Day count convention for Bond in Indian Market¹:

- 30 / 360
- Actual / Actual
- Actual / 360
- Actual / 365

NISM XXI A – at a Glance

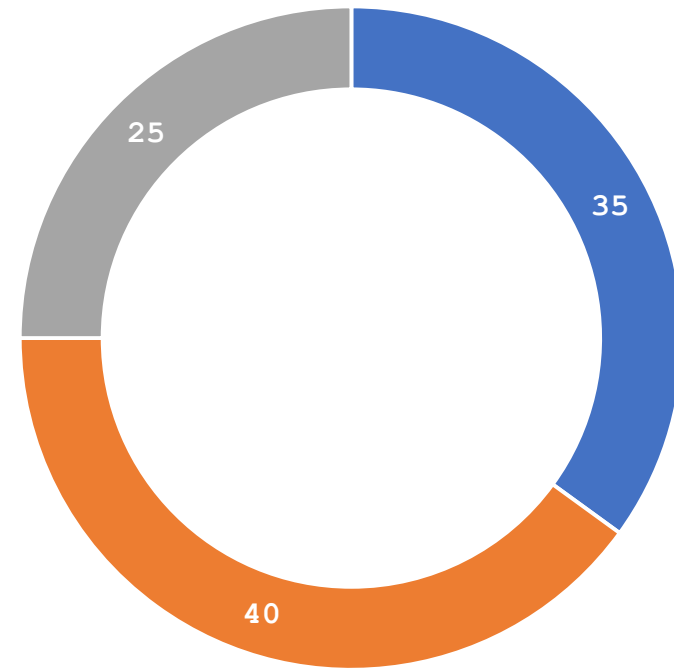


Subject Orientation



■ Knowledge - Concept ■ Experience - Existing

Question Orientation

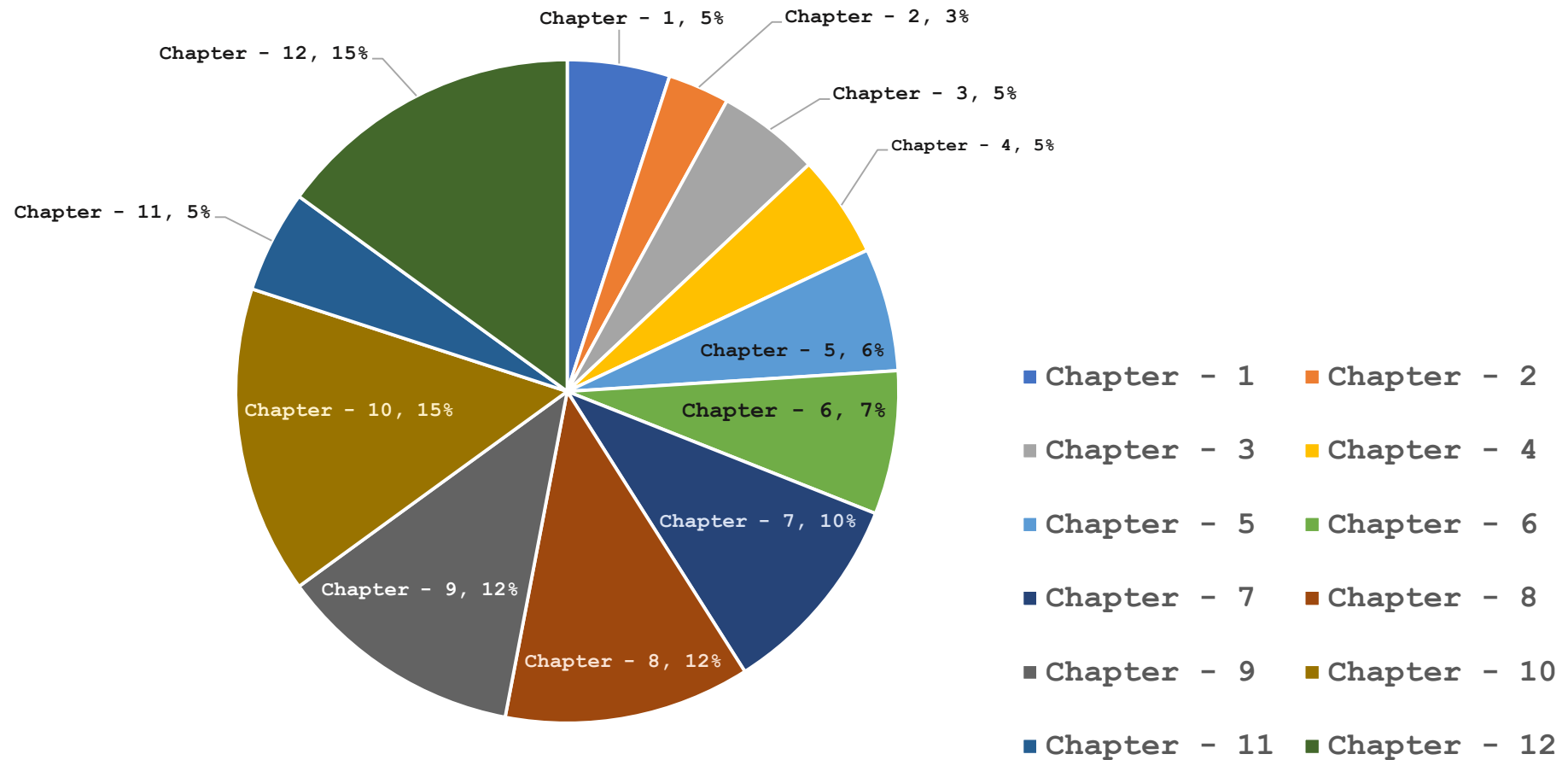


■ Theory ■ Theory with Sums ■ Only Sums

Chapter wise – At a glance



Exam Topic Spread



Chapter wise – At a glance



Chapter	Exam Allocation
Chapter 1	5%
Chapter – 2	3%
Chapter – 3	5%
Chapter – 4	5%
Chapter – 5	6%
Chapter – 6	7%

Chapter	Exam Allocation
Chapter – 7	10%
Chapter – 8	12%
Chapter – 9	12%
Chapter – 10	15%
Chapter – 11	5%
Chapter – 12	15%

Sample Case Study



Case Study 4:

A portfolio manager invested Rs. 100 lakhs of an investor's wealth in equity shares of 4 companies, A, B, C, and D, and as per the mandate he had to invest equal amounts in each of the stock.

The prices of each of the stock at the time of investment was Rs.1000, Rs. 500, Rs. 200 and Rs. 2000.

The investor wanted to liquidate the investment at the end of first year.

During the year, each of the stocks A, B, C, and D, paid a dividend of Rs.20, Rs.10, Rs. 4 and Rs. 40 respectively.

The prices at which the portfolio manager liquidated the stocks were 1100, 700, 400, and 1600 respectively.

The investor has been educated by the Portfolio Manager that he needs to develop his expected return based on CAPM. So the investor collects the necessary information for the estimation.

The Betas of the stocks A, B, C, and D are 2.5, 1.2, 1.5, and 2 respectively. The relevant risk free rate for one year investment horizon is 8%, and the market premium is 12%

1. What is the expected rate of return on stocks C and D?

- (a) 26 percent and 32 percent
- (b) 14 percent and 16 percent
- (c) 24 percent and 20 percent
- (d) 14 percent and 32 percent

2. By how much did stock B exceed the expected return? [Calculate simply based on the return number.]

- (a) 22.40 percent

- (b) 19.60 percent
- (c) 87.50 percent
- (d) 40 percent

3. What is the expected return of the investor on the entire portfolio, once the investor comes to know about the stocks which the portfolio manager has selected? Round off the answer to two decimal points.

- (a) 29.10 percent
- (b) 22.40 percent
- (c) 29.60 percent
- (d) 15.20 percent

4. Stock B surpassed the expected rate of return because of?

- (a) The proportion of wealth allocated to each asset it in
- (b) The beta of the portfolio
- (c) Market Premium used in the CAPM
- (d) The market price of its stock

5. During market boom, which of the above stocks will generate highest return?

- (a) A and D
- (b) A and B
- (c) B and D
- (d) Can't Say

Sample Case Study



As the investor expected 50% return on her total investments, which Investment generated the desired result?

- Stock A
- Stock B
- Stock C
- Stock D

Assuming that there is no income tax on dividends and Capital Gains are taxed at 10%, Calculate the tax adjusted return on company D 's stock

- 09%
- 12%
- 16%
- 18%

Identify the TRUE statement with respect to tax treatment on Capital Gains.

- Tax on capital gains will be deducted by the portfolio manager at the source
- Tax on capital gains will be deducted by the company whose shares are bought and sold, at the source
- Tax on capital gains will be paid by the investor
- Tax on capital gains will be paid by the portfolio manager and later collected from the investor.

Portfolio Return



Investor
Romit Barat

(Investment Amount)



Diversified Portfolio



25%

Allocation



25%

Allocation



25%

Allocation



25%

Allocation



Expected Return



Actual Return



Solution - Examination Question



Name of the stock	Buying Price	Dividend	Selling Price	Beta (B)	Holding period Return	Risk free Return (Rf)	Market Premium	Expected Return (Er) = Rf + B*(Rm-Rf)	Exceed return
Stock - A	₹ 1,000.00	₹ 20.00	₹ 1,100.00	2.5	12%	8%	12%	38%	-26%
Stock - B	₹ 500.00	₹ 10.00	₹ 700.00	1.2	42%	8%	12%	22%	20%
Stock - C	₹ 200.00	₹ 4.00	₹ 400.00	1.5	102%	8%	12%	26%	76%
Stock - D	₹ 2,000.00	₹ 40.00	₹ 1,600.00	2	-18%	8%	12%	32%	-50%

Sample Exam Questions



Case Study 2:

You are provided with following information about ten funds.

	AUM (Rs. Cr)	Benchmark	Alpha	Tracking Error
1	11234	Sensex	0.21	0.0124
2	10980	Sensex	0.56	0.0098
3	5670	Sensex	0.76	0.0087
4	12050	Sensex	0.98	0.1245
5	680	Nifty 50	0.29	0.0012
6	1180	Nifty 50	0.54	0.0211
7	1250	Nifty 50	0.43	0.2341
8	13400	Nifty 50	0.98	0.4598
9	9870	Nifty 50	0.35	0.5431
10	2400	Nifty 50	0.26	0.0012

- How would you rank these funds on performance if they are passively managed?
 - On the basis of information ratio
 - On the basis of Alpha
 - On the basis of Tracking error
 - On the basis on AUM
- Suppose these funds are index funds, which fund has performed the best?
 - Fund no. 5 & 10 as they have the lowest tracking error
 - Fund no. 9 as it has the highest tracking error
 - Fund no. 8 as it has the highest AUM
 - Fund no. 8 and 4 as they have generated the highest alpha
- Calculate the information Ratio for Fund no. 1:
 - 16.93
 - 0.002604
 - 0.5904
 - Information ratio can't be calculated as the information provided is not sufficient
- What is the best way of ranking these funds for performance if they are actively managed?
 - On the basis of information ratio
 - On the basis of Alpha
 - On the basis of Tracking error
 - On the basis on AUM
- Which of the ten funds have generated highest "beta adjusted excess return".
 - Fund no. 9
 - Fund no. 8
 - Fund no. 4
 - Fund 8 & 4

Asset	AUM	Benchmark	Alpha	Tracking Error	Information Ratio (IR) = (Alpha)/TE
1	11234	Sensex	0.21	0.0124	16.935
2	10980	Sensex	0.56	0.0098	57.143
3	5670	Sensex	0.76	0.0087	87.356
4	12050	Sensex	0.98	0.1245	7.871
5	680	Nifty 50	0.29	0.0012	241.667
6	1180	Nifty 50	0.54	0.0211	25.592
7	1250	Nifty 50	0.43	0.2341	1.837
8	13400	Nifty 50	0.98	0.4598	2.131
9	9870	Nifty 50	0.35	0.5431	0.644
10	2400	Nifty 50	0.26	0.0012	216.667

Sample Exam Questions



Mr. Chetan Sharma is a high net worth individual and is interested in investing Rs. 2 crore with Beta Advisory LLP , a portfolio manager. Both of them signed an agreement and decided the terms on how the funds will be managed. Mr. Chetan Sharma gave full freedom to Beta Advisory LLP to invest funds in sectors and stocks with a desired hurdle rate. To check the performance, a benchmark was also chosen for comparison. The hurdle rate agreed was benchmark return + 2%.

After some months, Beta Advisory LLP suggested that some of the funds should be invested in very promising unlisted shares and these can give good returns. Mr. Chetan Sharma was not convinced about this as he was unclear if SEBI allowed the same and so he asked Alpha Investment to not to do the investments in unlisted shares.

When one year was completed, a performance report was submitted by the portfolio manager. Mr. Chetan Sharma found that interest income was deducted from the returns generated. On further investigating into this, he found that the portfolio manager had borrowed funds and leveraged the investments to generate higher returns. He also found that an expense for investment advisory charges was debited to his account. Beta Advisory LLP had also charged performance fees on the excess return generated on the benchmark.

Mr. Chetan Sharma refused investments in unlisted shares. Was he correct in this decision or did he lose a good investment opportunity?

- No, Mr. Chetan Sharma was wrong and he lost a good investment opportunity
- Yes, Mr. Chetan Sharma was correct as performance of unlisted shares cannot be compared to the selected benchmark
- Yes, Mr. Chetan Sharma was correct as this was not approved in the original agreement
- Yes, Mr. Chetan Sharma was correct as discretionary portfolio managers cannot invest in unlisted shares

Sample Case Study



Mr. Chetan Sharma should look at which of the following characteristics while approving a benchmark for comparison and evaluation?

- The benchmark should be investible
- The benchmark should have risk return profile which is similar to the portfolio created by the portfolio manager
- The benchmark should clearly define the weights of the constituents in the benchmark
- All of the above

With respect to the interest expenses charged by the portfolio manager, can Mr. Chetan Sharma refuse to pay the same?

- No, Mr. Chetan Sharma will have to pay the interest expenses as the returns generated were higher than the hurdle rate
- No, Mr. Chetan Sharma will have to pay the interest expenses as the original agreement was of discretionary style management
- Yes, Mr. Chetan Sharma can refuse the payment of interest expenses as SEBI rules does not approve of leverage of the portfolio or borrowing of funds
- Yes, Mr. Chetan Sharma can refuse the payment of interest expenses as the intention of the portfolio manager was to increase his performance fees by charging the interest expenses to the investor

With respect to Investment Advisory Charges, should Mr. Chetan Sharma accept the same or refuse?

- Yes, Mr. Chetan Sharma has to accept the Investment Advisory Charges as the returns generated were higher than the hurdle rate
- Yes, Mr. Chetan Sharma has to accept the Investment Advisory Charges as it was a discretionary portfolio management agreement
- No, Mr. Chetan Sharma should not accept the Investment Advisory Charges as no permission was taken by the portfolio manager regarding seeking advice of another fund manager
- No, Mr. Chetan Sharma should not accept the Investment Advisory Charges as SEBI does not approve investment of client's funds based on another fund managers advice

Sample Case Study



Mrs. Nandi has given Rs 1 crore to PMS Portfolio Managers LLP for investments. As per the agreement between them, Mrs. Nandi has given complete freedom to the portfolio managers to invest the funds as per their discretion. The agreement was for 3 years.

When PMS Portfolio Managers LLP gave their annual performance report to Mrs. Roy, she found that various expenses like fixed management fee, depository fee, transfer agent fee, brokerage, fund accounting fees, other incidental expenses were charged to fund account of Mrs. Roy.

On the performance front, the value of portfolio grew to Rs 1.4 crore in the first year. It reduced to Rs 1.15 crore in the second year and in the third year the value was Rs 1.55 crore. The hurdle rate agreed between Mrs. Nandi and PMS Portfolio Managers LLP was 25%. A performance fee was charged by the portfolio managers in the third year by computing the fees on Rs. 1.15 crore as base fund value and applying the hurdle on it.

Which expenses should Mrs. Nandi not find as part of other incidental expenses which are booked by the portfolio managers?

- Stamp Duty
- Transfer agent fees
- Courier expenses
- Notary Charges

Sample Case Study



Can Mrs. Nandi contest the method of calculation of the performance fee by the portfolio managers. If yes, then what should be the base net fund value for the calculation in the third year?

- Yes, she can contest as per the High Water Mark principle. The net fund value for the third year should be 1.75 crore
- Yes, she can contest because Rs 1.55 crore is less than what Rs 1 crore should have grown in 3 years. The net fund value for third year should be Rs 1.75 crore
- No, she cannot contest as the agreement was for discretionary portfolio management and in this the portfolio manager can decide the performance fees
- No, she cannot contest because the previous year net fund value is considered to be a fresh investment for a renewed contract with the portfolio manager

What is the upper limit that Mrs. Nandi can apply on the entire operating expenses charged by the portfolio manager?

- 1% per year on the gross portfolio value excluding brokerage
- 1% per year on the average daily AUM excluding brokerage
- 0.5% per year on the average daily AUM excluding brokerage
- 0.5% per year on the average daily AUM including brokerage

When PMS Portfolio Managers LLP gave their annual performance report to Mrs. Roy, following report were shared?

- Performance of the fund manager during the consideration period
- Performance of the client portfolio
- Performance of the benchmark
- All of the Above

Sample Case Study



SAMPLE CASE STUDY QUESTIONS

Case Study 1:

You are an PMS distributor. You are comparing the performance of various funds. The following table gives you the performance of two funds. Comment on their performance by ranking them on various risk and return measures and ratios.

The yield on government bond is 5 percent.

	Large Cap Fund A	Large Cap Fund B
CAGR - GMR	9.97%	9.39%
Standard Deviation	10.26%	14.89%
Beta	1.05	0.29
Semi Standard Deviation	7.53%	11.46%
Tracking Error	3.17%	16.07%
Information Ratio	48.24%	21.39%

- Rank the funds on the basis of Sharpe Ratio:
 - Rank 1 – Fund A & Rank 2 – Fund B
 - Rank 1 – Fund A & Rank 2 – Fund B
 - Both the funds have generated the same risk-adjusted return
 - Cannot calculate the Sharpe Ratio with the given information
- Calculate the Sharpe Ratio of Fund A
 - 0.4844
 - 0.2948
 - 0.4048
 - 0.5467
- Calculate the Treynor Ratio of Fund A
 - 0.0473
 - 0.0948
 - 0.0048
 - 0.0467
- Calculate Sortino ratio for Fund A
 - 0.6600
 - 0.09867
 - 0.9845
 - Cannot calculate Sortino Ratio with the given information

5. Calculate the Alpha for Fund A⁴¹

- 0.01529208
- 0.00029208
- 0.00529208
- 0.09529208

Details	large Cap - A	Large Cap - B
CAGR	9.97%	9.39%
Standard deviation	10.26%	14.89%
Beta	1.05	0.29
Semi Standard Deviation	7.53%	11.46%
Tracking Error	3.17%	16.07%
Information ratio	48.24%	21.39%
Risk Free Return	5.00%	5.00%
Sharpe ratio	48.4%	29.5%
Treynor ratio	0.0473	0.15
Sortino ratio (= (Rp-Rf)/Semi Std Dev)	66.003%	38.307%
Alpha (=IR * Tracking error)	1.5292%	3.4374%

Sample Question??



Q) What is the minimum contribution required by Sponsor in an AMC?

- 30%
- 40%
- 50%
- 25%

Q) Is appointment of Independent Director mandatory in AMC business?

- Yes
- No
- It depends upon the size of AUM managed by the AMC

Q) What is the proportion of Independent Director mandatory in Trustee?

- 33%
- 50%
- 66%
- NO it is not mandatory to have Independent Directors in trustee







Q) the appointment of the AMC can be terminated by _____ of Investors:

- 33%
- 50%
- 75%
- Investors don't have say in the winding process of the Mutual Fund.

Chapters



1 Investments Basics	2 Securities Markets	3 Investing in Stocks	4 Investing in Fixed Income	5 Derivative	6 Mutual Funds
7 Role of Portfolio Managers	8 Operational Aspects of PMS	9 Portfolio Management Process	10 Performance Measurement and Evaluation of PMS	11 Taxation	12 Regulatory, Governance & Ethics

Vishal Kende Vishal Kende	 Romit Barat	Vinayan Koolot... Vinayan Koolothumkandy	Sujeet kumar K... Sujeet kumar Kesharwani	Surojit Das Surojit Das
Neeraj Gaur Neeraj Gaur	T VeerabahuPra... T VeerabahuPrabuvenkatesh	 RASHIM BAGGA	MOHANASUND... MOHANASUNDARAM MUNIRATH...	 Anil Singhania
 Amiya Ranjan Kumar	SNEHASIS SAHA SNEHASIS SAHA	Ankur Kulkarni Ankur Kulkarni	MURUGANANT... MURUGANANTHAM C	Ravinder Jit Sha... Ravinder Jit Sharma
Ankit Gaurav Ankit Gaurav	Amit Bikram Das Amit Bikram Das	T VeerabahuPra... T VeerabahuPrabuvenkatesh	Kumaresh Bath... Kumaresh Bathe Sathyaprakash	nc banal nc banal
 Siddappa Karenavar	Bhagyesh Joshi Bhagyesh Joshi	 Vinay Jain	Abhishek Shastri Abhishek Shastri	Amit Gupta Amit Gupta

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1/6

Mute Stop Video Security Participants 146 Chat Share Screen Start Summary AI Companion Pause/stop recording Reactions Apps Whiteboards Notes More **End**

Windows taskbar with icons for Start, Search, Task View, Teams, Edge, File Explorer, Outlook, Zoom, and other background applications. System tray shows time 10:12, date 15-06-2024, and network/sound icons.

Narendra Arya Narendra Arya	 Romit Barat	Hitesh Kothari Hitesh Kothari	Siddarth Mehta Siddarth Mehta	 Pratik Damani
Arjun singh Rag... Arjun singh Raghav	 Amit Kumar	Abhilash Choud... Abhilash Choudhary	Dharmendra Pr... Dharmendra Pratap Singh	aman gupta aman gupta
Aditya Singh Aditya Singh	ARJUN SINGH... ARJUN SINGH CHAUHAN	pawan prajapat pawan prajapat	Nilam Dange Nilam Dange	Hemakshi Tewar Hemakshi Tewar
Gaurav Joshi Gaurav Joshi	sakshi vaishnav sakshi vaishnav	Mohd Shadab Mohd Shadab	Romil Jadhav Romil Jadhav	 Prakash Patil
chandan choud... chandan choudhry	Neeraj kumar Neeraj kumar	 Mohd Mobeen	Aman Gupta Aman Gupta	 Yash Shah

Thanks



011 4512 0800



www.aafmindia.co.in



Plot No. B, 403, ITL Twin Towers, 09, Netaji
Subhash Place, New Delhi, Delhi 110034

