



# Mutual Fund Distributors Certification

## Summary of the Syllabus

Powered by:



Institute Of Financial Markets Of Pakistan

## OBJECTIVE OF THE EXAMINATION

This Certification Exam is specifically designed to meet the minimum qualification needs of the mutual fund distributors working either directly with a fund management company or through a distribution agent. It intends to ensure that they are competent to provide investment advice to the investors.

## TARGET AUDIENCE

This exam has been mandated for Sales Staff of Mutual Fund Companies/ Collective Investment Schemes and their distributors.

## SYLLABUS STRUCTURE

The curriculum is divided into elements and these are broken down into a series of learning objectives. Each learning objective begins with one of the following prefixes: **know**, **understand**, **be able to calculate** and **be able to apply**. These words indicate the different levels of skill to be tested. Learning objectives prefixed:

- **know** require the candidate to recall information such as facts, rules and principles
- **understand** require the candidate to demonstrate comprehension of an issue, fact, rule or principle
- **be able to calculate** require the candidate to be able to use formulae to perform calculations
- **be able to apply** require the candidate to be able to apply their knowledge to a given set of circumstances in order to present a clear and detailed explanation of a situation, rule or principle

## EXAMINATION SPECIFICATION

Each examination paper is constructed from a specification that determines the weightings that will be given to each element. The specification is given below.

It is important to note that the numbers quoted may vary slightly from examination to examination as there is some flexibility to ensure that each examination has a consistent level of difficulty. However, the number of questions tested in each element should not change by more than plus or minus 2.

<b>Examination Specification</b> <b>100 multiple choice questions</b>		
<b>Element number</b>	<b>Element</b>	<b>Questions</b>
1	<b>Introduction to Financial Services and Products</b>	<b>10</b>
2	<b>Introduction to Mutual Funds</b>	<b>10</b>
3	<b>Regulatory Framework</b>	<b>10</b>
4	<b>Fund Features and Mechanics</b>	<b>20</b>
5	<b>Fund Accounting and Performance Measure</b>	<b>20</b>
6	<b>Retirement Planning and Pension Funds</b>	<b>5</b>
7	<b>Islamic and Shariah Compliant Funds</b>	<b>5</b>
8	<b>Ethics, Disclosures and Best Practices</b>	<b>10</b>
9	<b>Economics and Finance</b>	<b>10</b>
	<b>Total</b>	<b>100</b>

## ASSESSMENT STRUCTURE

- This will be a 150 minute examination of 100 Multiple Choice Questions.
- All questions will carry equal marks.
- There will be no negative marking.

# **SUMMARY OF THE SYLLABUS**

## ELEMENT 1

# Introduction to Financial Services and Products

On completion, the candidate should:

- 1.1 *know* the function of the financial services industry in the economy – transferring funds between individuals, businesses and government
- 1.2 *know* the main institutions/organizations – markets, retail institutions, wholesale institutions
- 1.3 *know* the role of the Securities Market and Financial System including
  - Stockbrokers
  - Stock exchanges
  - Retail/commercial banks
  - Investment banks
  - Pension/mutual funds
  - Insurance companies
  - Fund managers/asset management companies
  - Custodians
  - Industry trade bodies
- 1.4 *understand* the relationship of Securities Market and Economic Development
- 1.5 *know* the products and asset classes including:
  - Cash deposits
  - Government securities and Corporate Bonds
  - Equities
  - Real estate
  - Commodities & Derivatives
  - Foreign exchange
- 1.6 *know* the Investor Population including retail and institutional investors
- 1.7 *understand* the role and functions of Primary Market
- 1.8 *understand* the role and functions of Secondary Market

## ELEMENT 2

# Introduction to Mutual Funds

On completion, the candidate should:

- 2.1 *know* the Concept and Role of Mutual Funds including:
  - Emergence of Mutual Funds
  - Importance of Mutual Funds in the Financial Markets
  - Concept of Mutual Funds
  - Advantages Mutual Funds
- 2.2 *know* the structure of Mutual Funds
- 2.3 *know* the benefits of Mutual Funds
- 2.4 *know* the evolution of Mutual funds in Pakistan including:
  - Types of Funds
  - Significance of various types of Funds
- 2.5 *know* the differences between Mutual Funds and Bank Deposits.
- 2.6 *know* the Categories of Mutual Funds including:
  - Equity Funds
  - Debt Funds
  - Money Market Funds
  - Sector Funds
  - Balanced Funds
  - Index Funds
  - Pension Funds
- 2.7 *know* the Risks associated with Mutual Funds including:
  - Market Risk
  - Credit Risk
  - Liquidity Risk
  - Inflation Risk
  - Interest Rate Risk
  - Currency and Exchange Rate Risk
  - Settlement Risk

## ELEMENT 3

# Regulatory Framework

On completion, the candidate should:

- 3.1 *understand* the scope, core functions and powers of the Securities and Exchange Commission of Pakistan (SECP) as conferred in SECP Act, 1997
- 3.2 *understand* the NBFC and Notified Entities Regulations 2008 including:
  - Section 2: Definitions
  - Section 3: Application of this part
  - Section 17: Maximum exposure of NBFC to a single person, or group
  - Section 19: Restrictions on certain types of transactions
  - Section 37: Terms and conditions to undertake asset management services
  - Section 38: Obligations of the Asset Management Company
  - Section 39: Registration of Trust and Appointment of Trustee
  - Section 44: Registration of Open End Scheme or Closed End Scheme
  - Section 47: Conditions applicable to Investment Company
  - Section 48: Appointment of Asset Management Company
  - Section 49: Custody of assets
  - Section 50: Conditions applicable to custodian
  - Section 51: Maintenance of books of accounts and other records
  - Section 52: Periodical reports to shareholders, etcetera
  - Section 55: Investment policy and diversification
  - Section 57: Pricing, issue and redemption of units
  - Section 59: Transactions with connected person and employees
  - Section 61: Remuneration to Asset Management Companies
  - Section 65: Conversion or cancellation or winding-up of Closed End Fund
  - Section 66: Calculation of net assets
  - Section 66A: Sale and Distribution of units of Collective Investment Schemes
  - Section 67: Managing discretionary and non-discretionary client portfolio
- 3.3 *understand* the NBFC Rules 2003
- 3.4 *understand* the Investment Companies and Investment Advisers Rules, 1971
- 3.5 *understand* the Voluntary Pension System Rules, 2005
- 3.6 *understand* the Real Estate Investment Trust Regulations 2015
- 3.7 *understand* and interpret the SECP Directives to Fund Management Companies on Conduct of Business, Investor Warnings, etc.

## ELEMENT 4

# Fund Features and Mechanics

On completion, the candidate should:

- 4.1 *understand* the structure and importance of Regulatory Documents including
  - Prospectus/Offering Documents
  - Trust Deed
- 4.2 *know* Investor Services and requirements including:
  - Account Statements
  - Electronic Issuance and Certificates
  - Minimum Balance Requirements
  - Fund Expenses
  - Transaction Costs
  - Sales and Purchase of Units/ Offer and Redemption
  - Registration of Unit Holders/ Investors
- 4.3 *know* the requirements for delisting from the stock exchanges
- 4.4 *understand* the factors leading to funds being suspended or placed on the Defaulters' Counter.
- 4.5 *understand* the investment planning and various funds asset allocation strategy



## ELEMENT 5

# Fund Accounting and Performance Measure

On completion, the candidate should:

- 5.1 *understand and be able to calculate* the Net Asset Value (NAV) of the Fund and units
- 5.2 *know* the Zakat applicability, exemption and should *be able to calculate* Zakat on Units/ investment
- 5.3 *understand* the Fund Redemption and Transfer procedure including:
  - Payment of redemption proceeds
  - Partial redemption
  - Partial transfer
  - Verification of redemption form
  - Verification of transfer form
- 5.4 *understand* the Fund Valuation and Taxation including:
  - International Accounting Standards (IAS) applicability
  - Various accounting treatments
  - Taxation on Fund Units
  - Taxation on Dividends and Bonus
  - Tax Exemptions, Rebates and Allowances
- 5.5 *know* the Mutual Fund ratings, Fund Manager ratings and benchmarks
- 5.6 *understand* the Fund performance measurement methods and tools including:
  - Alpha and Beta
  - Sharpe and Sortino Ratio
  - STDV

## ELEMENT 6

# Retirement Planning and Pension Funds

On completion, the candidate should:

- 6.1 *know* the purpose, benefits and financial protection provided by Pension Funds,
- 6.2 *know* the type and categories of Life assurance products available through Mutual Funds,
- 6.3 *know* the Income protection policies attached with Pension Funds,
- 6.4 *Understand and be able to calculate* the Tax treatment of pensions,
- 6.5 *Know* Legislation and taxation benefits on Pension Funds.

## ELEMENT 7

# Islamic and Shariah Compliant Funds

On completion, the candidate should:

- 7.1 *know* the structure, functioning and conditions of Shariah compliant Islamic Mutual Funds
- 7.2 *know* the types of Shariah compliant Islamic Mutual Funds including:
  - *Islamic Equity Fund*
  - *Ijarah Fund*
  - *Commodity Fund*
  - *Murabahah Fund*
  - *Mixed Fund*
- 7.3 *understand* the Management and Management Fee of Shariah Funds

## ELEMENT 8

# Ethics, Disclosures and Best Practices

On completion, the candidate should:

- 8.1 *know* the methods of information dissemination and disclosure requirements
- 8.2 *know* the requirements and importance of NAV announcement related to:
  - Matching investments and redemption
  - Cut-off and market timings
  - Performance
- 8.3 *understand* the disclaimers, policies and their disclosure requirements related to Investments and Risks
- 8.4 *understand* the duty to investors relating to mis-selling under and overselling
- 8.5 *understand* the importance and methods of investor profiling for affordability and suitability
- 8.6 *know* the importance of maintenance of investor records
- 8.7 *understand* the Prohibitions and Restrictions related to:
  - Clients' Assets
  - Material information
  - Insiders
- 8.8 *know* the relevant sections of Anti Money Laundering Ordinance and KYC/CDD requirements
- 8.9 *know* the requirements of Fair Dealing including:
  - Risks & Rewards of Investing
  - Maintenance of Records
  - Time Stamps
  - Misstatements & Mis-selling/ False Selling
- 8.10 *know* the process and handling of Investor Complaints

## ELEMENT 9

# Economics and Finance

On completion, the candidate should:

- 9.1 *know* the Taxation laws relevant to capital markets including:
  - Income Tax
  - Capital Gain Tax
  - Capital Value Tax
  
- 9.2 *understand* and interpret the Financial Statements and conduct basic Financial Statement Analysis including:
  - Revenue and profit growth
  - Earnings and Distributions
  - Book value and Intrinsic value
  
- 9.3 *understand* and *be able to apply* basic mathematics and statistics including:
  - Mean, Median and Mode
  - Measure of central tendency, dispersion and regression analysis
  - Time value of money, annuities and perpetuities
  
- 9.4 *know* Principal Factors Affecting Stock Markets & Prices including:
  - Business Cycles and its Indicators
  - Effect of the Business Cycle
  - Money Markets
  - Equities Markets
  - Price/ Earnings & Price/ Book value multiples
  - Dividend
  - Capital gain Yield
  
- 9.5 *know* the Macroeconomic indicators including:
  - GDP
  - Inflation
  - Money Supply
  - The Role of State Bank of Pakistan
  - International/ Regional Economies and Markets

## RECOMMENDED READINGS

The next section of this study guide covers a brief extract from some of the below mentioned documents. Candidates are advised to study the respective documents (in detail and original) which are available free-to-download from IFMP's website and / or the respective organization's websites.

1. Anti-Money Laundering Act, 2010
2. Anti-Money Laundering Ordinance, 2009
3. Anti-Money Laundering Regulations, 2008
4. Anti-Money Laundering Rules, 2008
5. Pakistan Stock Exchange (PSX) Rule Book
6. Book Building Regulations, 2015
7. Broker Agents Registration Rules, 2001
8. CDC Act, 1997
9. CDC Regulations
10. Code of Corporate Governance, 2012
11. Commodity Exchange and Futures Contracts Rules (March, 2005)
12. Debt Securities Trustee Regulations, 2012
13. Directive to Brokers on Conduct of Business (February 7, 2003)
14. Income Tax Ordinance, 2001
15. NCCPL Procedure, 2003
16. NCCPL Regulations, 2003
17. NCEL General Regulations (May, 2007)
18. Real Estate Investment Trust Regulation, 2015
19. Research Analysts Regulations, 2015
20. SECP Act, 1997
21. Securities (Leveraged Market and Pledging) Rules, 2011
22. Securities Act, 2015
23. Securities and Exchange Rules, 1971
24. Stock Exchange Members (Inspection of Books and Record) Rules, 2001