



# CONTENTS

	PAGE
<i>Foreword</i>	<i>I-3</i>
<i>Acknowledgement</i>	<i>I-5</i>
<i>About NISM Certifications</i>	<i>I-7</i>
<i>About the Certification Examination for Securities Markets Foundation</i>	<i>I-9</i>

## CHAPTER 1

### UNDERSTANDING SECURITIES MARKETS AND PERFORMANCE

1.1	Securities Markets and Securities: Definition and Features	1
1.2	Securities Markets: Structure and Participants	6
1.3	Role of Securities Markets as Allocator of Capital	15

## CHAPTER 2

### SECURITIES: TYPES, FEATURES AND CONCEPTS

2.1	Equity and Debt Securities	19
2.2	Features of Equity Capital	20
2.3	Features of Debt Capital	22
2.4	Choice between Equity and Debt Financing	24
2.5	Investing in Equity	25
2.6	Equity Analysis and Valuation	28

	PAGE	
2.7	Commonly Used Terms in Equity Investing	30
2.8	Risk and Return from Investing in Equity	32
2.9	Basic Features of a Debt Instrument	33
2.10	Types and Structures of Debt Instruments	34
2.11	Concepts and Terms Relating to Debt Securities	41
2.12	Benefits and Risks of Investing in Debt Securities	45
2.13	Choosing between Debt and Equity Investment Avenues	46
2.14	Hybrid Instruments	48

## **CHAPTER 3**

### **PRIMARY MARKETS**

3.1	Primary Market: Definition and Functions	57
3.2	Types of Issues	61
3.3	Issuers	62
3.4	Regulatory Framework for Primary Markets	64
3.5	Types of Investors	69
3.6	Types of Public Issue of Equity Shares	70
3.7	Pricing a Public Issue of Shares	72
3.8	Public Issue Process	74
3.9	Prospectus	77
3.10	Applying to a Public Issue	78
3.11	Listing of Shares	81
3.12	Rights Issue of Shares	82
3.13	Public Issue of Debt Securities	83
3.14	Private Placements in Equity and Debt	85

## **CHAPTER 4**

### **SECONDARY MARKETS**

4.1	Role and Function of the Secondary Market	91
4.2	Market Structure and Participants	93

	PAGE	
4.3	Brokers and Client Acquisition	97
4.4	Trade Execution	102
4.5	Settlement of Trades	114
4.6	Market Information and Regulation	121
4.7	Risk Management Systems	125
4.8	Rights, Obligations and Grievance Redressal	127

## **CHAPTER 5**

### **MUTUAL FUNDS**

5.1	Meaning and Description of a Mutual Fund	133
5.2	Terms and Concepts Related to Mutual Funds	135
5.3	Working of a Mutual Fund	142
5.4	Regulation of Mutual Funds	144
5.5	Types of Mutual Fund Products	146
5.6	Processes for Investing in Mutual Funds	156
5.7	Systematic Transactions	161
5.8	Reading Mutual Fund Information	164
5.9	Benefits and Costs of Investing in Mutual Funds	165

## **CHAPTER 6**

### **DERIVATIVE MARKETS**

6.1	Definition of Derivatives	171
6.2	Concepts of Underlying Derivatives	174
6.3	Types of Derivative Products	177
6.4	Structure of Derivative Markets	180
6.5	Trading and Settlement Process: Equity Futures	183
6.6	Risk Management in Derivative Markets	188
6.7	Costs, Benefits and Risks of Derivatives	191
6.8	Market Indicators	192

## **CHAPTER 7**

### **FINANCIAL PLANNING AND SECURITIES MARKETS**

<b>7.1</b>	Overview of Financial Planning	<i>197</i>
<b>7.2</b>	Steps in Financial Planning	<i>200</i>
<b>7.3</b>	Asset Allocation and Diversification	<i>206</i>
<b>7.4</b>	Investing for Financial Planning	<i>208</i>
	<b>Glossary of Financial Terms</b>	<i>213</i>