



CONTENTS

	<i>Page</i>
<i>Foreword</i>	<i>I-3</i>
<i>About NISM Certifications</i>	<i>I-5</i>
<i>Acknowledgement</i>	<i>I-7</i>
<i>About the Certification Examination for Fixed Income Securities</i>	<i>I-9</i>

CHAPTER 1

OVERVIEW OF THE INDIAN DEBT MARKET

1.1	Role of the Debt Market	2
1.2	Importance of Debt Markets	5
1.3	The Bond Market Ecosystem	6
1.4	Role of Regulators	9
1.5	Role of Credit Rating Agencies	9
1.6	Role of Monetary Policy in Debt Markets	14
1.7	Evolution of Debt Markets	18
1.8	Market Dynamics	19

CHAPTER 2

TYPES OF FIXED INCOME SECURITIES

2.1	Classification of fixed income securities based on the Type of Issuer	28
2.2	Classification of fixed income securities based on Maturity	30
2.3	Classification of fixed income securities based on Coupon	31
2.4	Classification of fixed income securities based on Currencies	34
2.5	Classification of fixed income securities based on Embedded Options	35

	<i>Page</i>
2.6	Classification of fixed income securities based on Security 38
2.7	Other fixed income securities in India 39

CHAPTER 3

RISKS ASSOCIATED WITH INVESTING IN FIXED INCOME SECURITIES

3.1	Risks associated with fixed income securities 47
3.2	Risk Mitigation Tools 56

CHAPTER 4

PRICING OF BONDS

4.1	Concept of “Par Value” 61
4.2	Time Value of Money 62
4.3	Determining Cash Flow, Yield and Price of Bonds 69
4.4	Pricing of Different Bonds 71
4.5	Price-Yield Relationship 83
4.6	Price Time Path of a Bond 85
4.7	Pricing of a Floating Rate Bond 86

CHAPTER 5

YIELD MEASURES AND TOTAL RETURN

5.1	Understand the Sources of Return 90
5.2	Traditional Yield Measures 93

CHAPTER 6

TERM STRUCTURE OF INTEREST RATES

6.1	Yield Curve and Term Structure 107
6.2	Relationship between Spot and Forward Rates 131
6.3	Determinants of the Shape of the Term Structure 132

CHAPTER 7**MEASURING INTEREST RATE RISK**

7.1	Price Volatility Characteristics of Option Free Bonds and Bonds with Embedded Options	135
7.2	Understand the Concept of Duration	139
7.3	Difference between Modified Duration and Effective Duration	150
7.4	Price Value of Basis Point (PV01)	151
7.5	Convexity Measure	151
7.6	Modified Convexity and Effective Convexity	157
7.7	Taylor's Expansion and Its Application in Approximating Bond Price Changes	158

CHAPTER 8**INDIAN MONEY MARKET**

8.1	Introduction to Money Market	163
8.2	Types of Instruments in Money Market	164
8.3	Trends in the Indian Money Market	169
8.4	Importance of the Call Money Market	170
8.5	Important Rates in the Indian Inter-Bank Call Market	171

CHAPTER 9**GOVERNMENT DEBT MARKET**

9.1	Introduction to Government Debt Market	177
9.2	Types of Instruments in Government Debt Market	181
9.3	Trends in the Indian G-Sec. Market	187
9.4	The Issuance Mechanism	190
9.5	Secondary Market Infrastructure for G-Secs. in India	195
9.6	Clearing and Settlement of Secondary Market Trades	198

	<i>Page</i>
9.7 G-sec. Valuation in India	199
9.8 Key Regulatory Guidelines for the Indian G-Sec. Market	200

CHAPTER 10

CORPORATE DEBT MARKET

10.1 The Indian Corporate Debt Market	203
10.2 Types of Instruments in Corporate Debt Market	206
10.3 Trends in Indian Corporate Debt Market	210
10.4 Issuance Mechanism	214
10.5 Secondary Market Mechanism	217
10.6 Key Regulatory Guidelines for Corporate Debt Market	218
10.7 Corporate Bond Valuation	220