



Institute of Financial Markets of Pakistan

Mutual Funds Basic Certification

Summary of the Syllabus

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.

Examination Specification 100 multiple choice questions		
Element number	Element	Questions
1	Introduction to Financial Services and Products	20
2	Introduction to Mutual Funds	30
3	Regulatory Framework	10
4	Fund Features and Mechanics	20
5	Ethics, Disclosures and Best Practices	20
	Total	100

ASSESSMENT STRUCTURE

- This will be a 150 minutes examination of 100 multiple choice questions.
- All questions will carry equal marks.
- There will be no negative marking on any wrong answer.

SUMMARY OF THE SYLLABUS

ELEMENT 1

Introduction to Financial Services and Products

On completion, the candidate should:

- 1.1 *know* the role of the Securities Market and Financial System including
 - stock exchanges
 - retail/commercial banks
 - pension/mutual funds
 - insurance companies
 - fund managers/asset management companies
 - custodians
 - industry trade bodies (MUFAP)

- 1.2 *know* the products and asset classes including:
 - Cash deposits
 - Government securities and Corporate Bonds
 - Equities
 - Commodities

- 1.3 *know* the difference between retail and institutional investors

- 1.4 *understand* the role and functions of Primary Market

- 1.5 *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:
 - 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 types 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 Pension Funds
 - 2.7.1 *know* the purpose, benefits and financial protection provided by Pension Funds
 - 2.7.2 *know* the type and categories of Life assurance products available through Mutual Funds
 - 2.7.3 Understand and be able to calculate the Tax treatment of pensions
 - 2.7.4 Know Legislation and taxation benefits on Pension Funds
- 2.8 *know* the Risks associated with Mutual Funds including:
 - Market Risk
 - Credit Risk
 - Liquidity Risk

- Inflation Risk
- Interest Rate Risk
- Settlement Risk

2.9 know the types of Shariah compliant Islamic Mutual Funds including:

- *Shariah Compliant Equity Fund*
- *Shariah Compliant Money Market and Income Funds*
- *Commodity Fund*
- *Hybrid Funds*

ELEMENT 3

Regulatory Framework

On completion, the candidate should:

- 3.1 Briefly *understand* the scope, core functions and powers of the Securities and Exchange Commission of Pakistan (SECP)
- 3.2 *understand* the NBFC and Notified Entities Regulations 2008 including:
 - Section 38: Obligations of the Asset Management Company
 - Section 49: Custody of assets
 - Section 52: Periodical reports to shareholders, etcetera
 - Section 55: Investment policy and diversification
 - Section 57: Pricing, issue and redemption of units
 - Section 61: Remuneration to Asset Management Companies
 - Section 66A: Sale and Distribution of units of Collective Investment Schemes
- 3.3 *understand* 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 *understand* the investment planning and various funds asset allocation strategy
- 4.4 *understand* the Net Asset Value (NAV) of the Fund and be able to calculate the return of the Fund as per MUFAP Total Return Methodology
- 4.5 *know* the Zakat applicability, exemption and should *be able to calculate* Zakat on Units/ investment
- 4.6 *understand* the Fund Redemption and Transfer procedure including:
 - Payment of redemption proceeds
 - Partial redemption
 - Partial transfer
 - Verification of redemption form
 - Verification of transfer form
- 4.7 *understand* the Fund Valuation and Taxation including:
 - Taxation on Fund Units
 - Taxation on Dividends and Bonus
 - Tax Exemptions, Rebates and Allowances
- 4.8 *know* the Mutual Fund ratings, Fund Manager Ratings and benchmarks

4.9 *Understand and be able to calculate* the Tax treatment of pensions,

4.10 *Know* Legislation and taxation benefits on Pension Funds.

ELEMENT 5

Ethics, Disclosures and Best Practices

On completion, the candidate should:

- 5.1 *know* the methods of information dissemination and disclosure requirements
- 5.2 *know* the requirements and importance of NAV announcement related to:
 - Matching investments and redemption
 - Cut-off and market timings
 - Performance
- 5.3 *understand* the disclaimers, policies and their disclosure requirements related to Investments and Risks
- 5.4 *understand* the duty to investors relating to mis-selling under and overselling
- 5.5 *understand* the importance and methods of investor profiling for affordability and suitability
- 5.6 *know* the importance of maintenance of investor records
- 5.7 *understand* the confidentiality related to:
 - Clients' Information
- 5.8 *know* the relevant sections of Anti Money Laundering Ordinance and KYC/CDD requirements
- 5.9 *know* the requirements of Fair Dealing including:
 - Risks & Rewards of Investing
 - Maintenance of Records
 - Time Stamps
 - Misstatements & Mis-selling/ False Selling
- 5.10 *know* the process and handling of Investor Complaints

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. Code of Corporate Governance, 2012
2. SECP Act, 1997
3. Securities Act, 2015
4. Securities Brokers (Licensing and Operations) Regulations, 2016
5. Securities (Leveraged Markets and Pledging) Rules, 2011
6. Stock Exchange Members (Inspection of Books and Record) Rules , 2001
7. Securities & Exchange Rules, 1971
8. Voluntary Pension System Rules, 2005
9. NBFC Regulations 2008