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**Training Under the FIRE Project**

Financial Institutions Reform and Expansion  
(FIRE) Project

US Agency for International Development  
(USAID/India)

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## ACRONYMS

ACE	AMFI Code of Ethics
AMC	Asset Management Company
AMBI	Association of Merchant Banks of India
AMFI	Association of Mutual Funds of India
BSE	Bombay Stock Exchange
CE	Continuing Education
FIRE	Financial Institutions Reform and Expansion Project
FISE	Federation of Indian Stock Exchanges
HR	Human Resources
HRD	Human Resource Development
ICI	Investment Management Company (US)
ICAI	Institute of Chartered Accountants of India
ICFAI	Institute of Chartered Financial Analysts of India
IIM	Indian Institute of Management
MF	Mutual Fund
NSDL	National Securities Depository Ltd.
NSE	National Stock Exchange
NYIF	New York Institute of Finance
OTCEI	Over the Counter Exchange of India
PPI	Private Participation in Infrastructure
RFP	Request for Proposal
SEBI	Securities and Exchange Board of India
SEC	US Securities and Exchange Commission
SRO	Self Regulatory Organization
TA	Technical Assistance
UTI	Unit Trust of India
UTI-ICM	UTI Institute of Capital Markets

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Annex A: List of People Interviewed

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## 1. Executive Summary

An assessment of training activities under the FIRE project was conducted in March 1997. The assessment sought to:

- Determine whether the project was meeting its training goals--in terms of numbers and in terms of technology transfer;
- Determine what training activities, other than those identified in the Third Annual Workplan, should be undertaken in the short-term (e.g. within the remaining 15 months of the project) and in the long-term (e.g. beyond the remaining 15 months of the project) to meet the needs of the industry; and
- Determine how local capacity to deliver practical training for capital markets beyond the completion of the project can be institutionalized.

### 1.1 Findings

The assessment found that the project is meeting its goals in terms of numbers of people trained. If the pace of training continues as before, the Third Annual Work Plan goals will be met. This means that the project will be able to fulfill almost 90% of the original requirements for in-country training and over 100% of the US-based participant training requirements. This has been accomplished primarily by requiring every consultant/specialist brought over to India by FIRE to deliver training in addition to technical assistance. The quality of these programs has been praised by participants.

But training is reactive, and not linked to specific organizational development goals or integrated into broader workforce management policies. **Institutions are glad to receive the training offered by the project, but show relatively little initiative in identifying training needs at each department and staff level and in developing a training program to address these needs.** In this context, it is likely that once the project ends, so will interest and capacity to deliver quality programs in key areas such as surveillance, compliance and enforcement, among others.

Associations such as the Association of Merchant Bankers of India (AMBI) and the Association of Mutual Funds of India (AMFI), as well as the stock exchanges, can play an important role in the development and dissemination of materials to professionalize the industry and educate investors. However, they need more direction on how to do this. **The project can contribute to the organizational development and sustainability of trade associations by providing support in the area of information and training program development and management.**

## 1.2 Short-Term Recommendations

The assessment makes both short-term and long-term recommendations to address each of the issues identified above. Short-term recommendations (activities that can be implemented in the **next 15 months**) include:

- Strengthen the commitment and capacity of client institutions to address internal training needs. This includes building the awareness (through workshops for each of the client institutions) of the need for and benefits (as well as costs) of internal training. It is expected that as an outcome of the workshops several client institutions will at least appoint an experienced manager to oversee internal training. **The project can then provide support to those managers in the form of training and technical assistance in areas such as needs assessment, curriculum design, and outsourcing.**
- Strengthen the capacity of self-regulating, professional and trade organizations to professionalize the industry and educate investors. **The project should encourage institutions such as AMFI and AMBI to create Training Committees, and appoint staff, to oversee internal and external training activities.** The project can then provide guidance in the design of curricula and outsourcing strategies, and can sponsor research into investor perceptions. It can also provide guidance and advice on the design and delivery of training for brokers and other sales agents.
- Strengthen the capacity of local training providers to respond to the needs of practicing professionals. The project will do this in part by helping client institutions improve their ability to identify and articulate training needs. **It can also work more closely with local institutions to design and develop research on training needs and programs.**

## 1.3 Long-Term Recommendations

The assessment also identified a number of initiatives that are desirable, but will require more resources and time to implement than are currently available under the project. Longer-term initiatives could include:

- **Technical assistance and training to select academic institutions** (such as the IIM's) in capital markets and financial analysis. Capital markets diploma courses and even IIM's own offerings in these areas are somewhat outdated and do not go much beyond high level accounting. But changing curricula at well established academic institutions is a process that requires not just re-thinking the topics that will be offered, but recruiting new and/or at least re-training existing faculty, acquiring new materials, establishing new examinations processes, etc.
- **Training and technical assistance to law schools in the design and development of programs on enforcement and other areas relevant to the regulator.** While there may be some aspects that can be tackled under the current project (e.g. assessing current curricula, designing a short orientation course for judges) addressing the needs in this area is a longer-term endeavor.

- **Support research and training in corporate governance.** This is a critical ingredient in terms of creating transparent markets and generating investor confidence. ***In India, it is also a topic that is greatly misunderstood.*** While the FIRE project could start supporting some research and training in this area (research on current disclosure practices, short workshops on world class practices), it may be best to leave the bulk of the work for a future project or activity.
- Development of courses, materials, and syllabi in the area of private participation in infrastructure (PPI), including building regulatory capacity. Meeting training needs in these areas will have a significant effect on the overall development of capital markets in India, but is clearly a huge undertaking. Again, the FIRE project can start supporting some limited activities in this area (e.g. overview workshops to help policy makers understand key decision issues and options and key linkages between PPI and capital market development). However, the bulk of the work must be left to a future project.

## 2. Objective of Report

This report is a result of an assessment of training activities under the FIRE project carried out in March 1997. The objective of the assessment was to:

- Determine whether the project is meeting its training goals--in terms of numbers and in terms of technology transfer;
- Determine what training activities, other than those identified in the Third Annual Workplan, should be undertaken in the short-term (e.g. within the remaining 15 months of the project) and in the long-term (e.g. beyond the remaining 15 months of the project) to meet the needs of the industry;
- Determine how local capacity to deliver practical training for capital markets beyond the completion of the project can be institutionalized.

### 2.1. Assessment Methodology

The assessment relied primarily on interviews with organizations that receive and provide training. In particular the assessment included:

- A review of training that has taken place since the beginning of the project and the type and quantity of training that is projected to take place between now and the end of the project in mid 1998 (see text box 1).
- A review of outlines and materials developed and delivered by the project.
- A review of participant evaluations and feedback on the training conducted to date.
- Interviews with organizations that have received training under the FIRE project, to identify their capability to address internal training needs after the project ends.
- Interviews with providers of training services to the industry, to determine their interest, commitment and capability to contribute to the professionalization of the industry by providing practical training and research.

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#### Text Box 1: FIRE Third Annual Workplan Training Objectives

- Develop training institutions in India to serve as permanent resources for the training and development of market intermediaries.
- Implement a research and dissemination program to support policy development.

#### Person Weeks of Training Projected

<i>US-based participant training:</i>	384
<i>In-country training:</i>	1,020

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### 2.2. Organization Of The Report

Section 3 of the report summarizes key findings. Section 4 provides short-term recommendations, focusing on activities that are achievable and can have an impact in the next

12 to 15 months, and which utilize a modest amount of technical assistance and training resources. Section 5 outlines long-term recommendations: activities that are desirable, but whose scope and timing require that they be considered as part of a longer-term plan to build a more professional and efficient capital market.

### **3. Findings**

#### **3.1. The Project Is Meeting Its Goals In Terms Of Numbers**

The FIRE project has come close to delivering the number of person weeks of training required by the project. Project training goals are being met by ensuring that every consultant and specialist brought to conduct technical assistance (TA) under the project also identifies, designs and delivers at least one workshop/seminar/round table while in-country. These consultants have also helped to identify needs and opportunities for US-based training. By working closely with the target institutions, the consultants are in the best position to identify existing and emerging training needs in their client organization.

If the Third Annual Work Plan goals are met, the project will be able to fulfill almost 90% of the original requirements (in terms of in-country training) and over 100% of the US-based participant training requirements. (See Table 1 on the next page for summary of person weeks provided and to-be-provided by institution).

**Table 1**  
**Distribution of Training Activities Under FIRE**  
**(First, Second and Third Annual Workplans)**

<b>Institution/Target Audience</b>	<b>Completed</b>	<b>% of Total</b>	<b>Projected to PCD</b>	<b>% of Total</b>
	<b>(1994-Oct 1996, in pw)</b>	<b>(for projected period)</b>	<b>(Nov 1996-April 1998)</b>	<b>(for projected period)</b>
<i>SEBI</i>		18.30%		4.02%
General	5.8	0.80%	0	0.00%
Lic and certification	73.5	10.17%	20	1.96%
Surveillance etc.	4	0.55%	18	1.76%
Enforcement & SRO	49	6.78%	3	0.29%
Rules and regs (funds, credit agencies)	0	0.00%	5	0.49%
<i>NSDL/SHCIL (depository)</i>		23.21%		10.44%
General	149.8	20.72%	47.5	4.66%
Surveillance, Compliance		0.00%	5	0.49%
BCP	1	0.14%	12	1.18%
General rules and regs	11.2	1.55%	11	1.08%
OD	5.8	0.80%	15	1.47%
Other		0.00%	16	1.57%
<i>Exchanges</i>		38.73%		26.96%
General	3	0.42%	0	0.00%
Surveillance		0.00%	61	5.98%
Enforcement & SROs	31	4.29%	34	3.33%
Products (derivatives, debt)	204.6	28.30%	20	1.96%
Data security	41.4	5.73%	40	3.92%
Licensing and certification	0	0.00%	40	3.92%
Designing investor information	0	0.00%	40	3.92%
Other (connectivity, C&S)	0	0.00%	40	3.92%
<i>Industry associations/other players</i>		19.75%		58.09%
Brokers/sub-brokers	35	4.84%	50	4.90%
AMFI	3.9	0.54%	72.5	7.11%
AMBI/investment bankers	34	4.70%	200	19.61%
Investors	53	7.33%	145	14.22%
Bankers	0	0.00%	20	1.96%
Policy makers/general public	16.87	2.33%	105	10.29%
<b>TOTAL</b>	722.87	100.00%	1020	100.00%

### 3.2. Training Has Been Well-Received And Effective

A review of the course materials prepared and the participant course evaluations available suggests that the in-country training delivered by project consultants has been very well received. Participants acknowledged the expertise of the consultants provided by the project and have been grateful to have the opportunity to exchange views and ideas with them in a variety of fora. Courses that are closely tailored to meet the participants' needs (such as the Baruch College course created primarily for SEBI) have been the most successful.

### 3.3. Training Continues To Be Supply Driven

The approach described in section 3.1 of having each visiting TA consultant also engage in training activities has been extremely effective in terms of meeting the project's numeric goals, and should be continued. But this approach **does not** effectively contribute to meeting institutionalization goals. The topics identified, and the materials provided, have been a function of the types of technical consulting being provided by the project. Client institutions have shown no inclination to take control of the training agenda, or to place the training programs in the context of broader institutional and staff development goals.

Since institutions are not involved in the design and delivery of their training, there is relatively little follow up after the consultant leaves. This lack of involvement adversely affects the project's ability to accomplish other important tasks. In this context it is very likely that once the project ends, so will the capacity to identify, design and deliver practical and appropriate training for the staff in these institutions.

### 3.4 Institutionalization Goals Are Not Being Met

The client organizations interviewed (a list of these is presented in Annex A to this document) have neither understood nor established an internal training function. The benefits of internal training are poorly understood by senior management and their institutions do not understand the need to invest in this activity. They also do not understand how continuing education (CE) can be linked to broader career development and workforce management tools. Getting institutions to realize the need to take charge of the training function will be critical if project training resources are to be leveraged fully and if training is to benefit the **organizations** and not just the individuals.

A key question guiding the assessment was how FIRE can enhance the internal capacity of client institutions to identify and meet on-going training needs. During this assessment, the managing directors and executives responsible for human resources development (HRD) at key clients (SEBI, BSE, NSE, OTCEI, NSDL) were interviewed. The function of HR and training in the organization was evaluated (see text box 2) and recommendations regarding institutionalization are made in section 4 below.

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#### Text Box 2: Assessment Of The HR Function And Capacity

The interviews sought to determine:

- Who is responsible for HR and training?
  - What staff support does HR have?
  - What are the basic work force management policies and tools in place (e.g. recruitment, placement, career development, personnel evaluation and motivational systems)?
  - How does training and re-training of staff support the organization's work force policies?
  - How are training priorities currently established?
  - How is it determined which training programs are produced in-house and which are outsourced?
  - How is a training budget established, what is that budget, and who manages the budget?
-

### **3.5 Organizations Important In Material Development And Dissemination**

Associations such as AMBI and AMFI, as well as the stock exchanges, can play an important role in the development and dissemination of materials to professionalize the industry and educate investors, but need direction in terms of how to do this. Developing and disseminating information to members and the industry are among the most important roles of trade associations such as AMFI and AMBI. These activities are also attractive because they can generate revenue and positive exposure for the associations. As initiatives such as broker/sub-broker testing, licensing and certification gain momentum, their involvement and support, as vehicles for helping to publicize, promote and train for the exam become very important. The project has a good opportunity to contribute to the organizational development and sustainability of trade associations by providing support in the area of information and training program development and management.

Trade and professional associations and SROs like the stock exchanges have an important role to play in terms of general investor education. The Securities and Exchange Board (SEBI), the regulator, requires that stock exchanges have some sort of investor outreach/investor education program in place. Some are making progress in this area. For example, AMFI has developed a brochure to educate investors on mutual funds as investment vehicles, and has asked the FIRE project for assistance in developing and implementing an investor education program to complement these materials. The Institute of Chartered Accountants of India (ICAI) has also begun to move towards educating the general public on disclosure requirements and understanding financial statements, both actions which can have a very positive effect on general investor education. The Institute of Chartered Financial Analysts of India (ICFAI) has developed a general investor information course, but has lacked a general strategy for disseminating these materials effectively. The Bombay Stock Exchange Institute has an on-going course for investors and the Bangalore Stock Exchange conducts weekly orientation sessions for investors. But many stock exchanges have not responded to SEBI's requirements.

The above suggests that while there are varied initiatives, most represent generally modest and incomplete steps, given the very substantial investor education needs. In light of the above, it is important that the project consider ways to help institutions develop more effective education and information packages for investors and more effective large scale dissemination vehicles.

### **3.6 Local Training Institutions Have Relatively Weak Links With The Industry**

On the surface, India seems to have a wealth of training institutes ready, willing and able to serve the needs of the industry. An increasing number of universities and institutes are offering or seeking to offer capital markets diplomas.

On the other hand, there seems to be relatively little cooperation between the industry players who participate in these programs and the training providers. For example, when questioned, SEBI and the exchanges agree that the quality of the programs provided by local institutions is good in terms of theory, but sadly lacking in terms of practical application. Few institutes and educational establishments encourage their faculty to undertake outside consultancies. The result is that much of the research and the course materials produced are academic in nature, and research is not linked to actual practical training (text box 3 describes some of the exceptions). The project needs to be more proactive encouraging training institutions to establish closer links with industry.

Few of the training courses provided under FIRE have been delivered in meaningful collaboration (on course design and materials preparation) with local institutes. Local training institutes have been primarily involved in the course logistics not content. The FIRE project also needs to reconsider its strategy for collaborating with local institutions, seeking to bring them much more aggressively into the design process.

### **3.7 The Project Has Not Been Very Effective In Sponsoring Research On Capital Markets**

One of FIRE's goal is to facilitate research on capital markets. But the project has been reactive rather than proactive, waiting to receive research proposals from academic institutions. The result has been a slow and cumbersome process, since the proposals are rarely entirely appropriate. This means that there is usually a very long period of back-and-forth consultations between the project and the institutions, and relatively little research has been funded to date. The project will have to become more proactive if it is to produce the type of applied practical research the industry needs, and if it is to carry out its ambitious research agenda within the remaining 15 months of the project.

#### **Text Box 3: Finding Training Vendors in Tune with The Industry Needs in India**

The Management Development Institute (MDI) in the outskirts of Dehli, relies primarily on case studies to teach management and finance. It is developing an extensive library of Indian case studies to meet its needs, though it also relies extensively on the Harvard system. MDI has a very aggressive program of tailored executive management courses, many of them for the banking sector.

MDI's practical orientation is explained in part by its origins. It was established and supported for many years by an important Indian industrial group to train its managers. What had started as an institute to train managers in a specific set of industries has today blossomed into a graduate school of business. Its programs includes mid-career offerings for experienced managers as well as a traditional MBA program. MDI's faculty are expected to participate in practical consultancies.

ICFAI as well seems to have created a relatively practical set of offerings. Its faculty are mostly part-time practitioners, who are by definition rooted in the practical world. It has over 200 case studies in its library, many of them developed locally.

### **3.8 Participant Training Produces Good Results When It Is Carefully Tailored**

Participant training is expensive, and in most cases the benefits rarely go beyond the participating individual. Carefully structured participant training can be an important catalyst for organizational and policy change.

The FIRE project has sponsored a significant amount of participant training, especially for the regulator. Much of the earlier participant training relied on sending individuals and groups to pre-existing courses at the New York Institute of Finance (NYIF), the US Securities and Exchange Commission (SEC) and others. Some participants expressed frustration with the lack of focus of these courses.

During the past year more effort has been put into tailoring the courses with very good results. The Baruch College course is generally touted by SEBI and other participants as having been a great success, largely due to careful pre-course training assessments with the client. Greater participation in its design has translated into a greater sense of ownership and commitment in the follow-up. The Chairman of SEBI himself has asked that participants think carefully about how to apply what they learned to their division or department.

## 4. Short-Term Recommendations

As noted earlier, there are many features of the training program under the FIRE project that are very effective. What has been missing is a systematic approach to institutionalization and training program packaging and dissemination. Therefore, the recommendations that follow below focus less on the substance of the training and more on actions necessary to institutionalize local capacity to deliver products that professionalize the industry and educate investors.

In particular, in the next 15 months, the FIRE project should promote institutionalization of local capacity and focus in four areas:

- Strengthen the commitment and capacity to address internal training needs in client institutions.
- Strengthen the capacity of self-regulating and professional organizations and industry and trade associations to professionalize the industry and educate investors.
- Strengthen the capacity of training providers to respond to the needs of practicing professionals.
- Support participant training interventions that are tailored and action-oriented.

Each of these areas is outlined in more detail below in sections 4.1 to 4.4.

### **4.1 Strengthen Commitment And Capacity To Address Internal Training Needs**

The FIRE project can help SEBI, NSE, BSE, OTCEI, and NSDL to take an increasing amount of responsibility for the identification, development and delivery of training appropriate for its professional staff. Steps to do this include:

#### 4.1.1. Workshops To Build Awareness

Most institutions fail to reap the full benefits of training because they lack a systematic approach to staff skills development, and because training is not integrated into broader workforce management tools and structures. As a first step in the development of a strong internal training program at these institutions, senior management should spend some time up front, through a structured workshop discussion, identifying

- a) How internal training contributes to organizational efficiency,
- b) How internal training should be linked to the institution's broader HR management tools, and
- c) The requirements of such a function.

In particular, the workshop would address the following topics:

- What are the objectives of the human resources development function in a public institution like SEBI, or a stock exchange?
- What are the benefits?
- What are the requirements and costs associated with such a function?
- How do other organizations coordinate the internal training function with the Human Resources department?
- What are the requirements for a good HR manager?

#### 4.1.2. Follow-On Support For The Training Manager In Each Of These Institutions

It is expected that as a result of such a workshop, senior management will be comfortable with the notion of hiring a full time HR manager to oversee internal training. The FIRE project could then work with such a person in a variety of areas, described briefly below.

- Training in needs assessment and curriculum planning and design, training vendor specification and outsourcing.
- Development of standard curricula in priority areas for each of these organizations (particularly those areas in which the project has already made significant investments in training, like surveillance, compliance, enforcement for the SROs, risk management for the NSDL, etc.).
- Training in developing procedures and manuals, aimed primarily at the priority areas identified above.

#### 4.1.3. Encourage Linkages Between Users And Training Providers

The FIRE project can contribute to a more active dialogue between the training community and the capital markets industry by:

- Promoting/supporting dissemination of training needs assessments results in periodic roundtables. For example, if FIRE supports the conduct of training needs assessments for SEBI, it can then encourage the regulator to make the results of such an assessment known to the training industry.
- Including selected participants from local training institutes in the US programs that FIRE designs for the industry. Besides building linkages with the participants from Indian client institutions attending the training, this would give staff from training institutions an

opportunity to build linkages with US providers and see how tailored programs are created.

#### **4.2. Strengthen The Capacity Of Self-Regulating And Professional Organizations And Trade Associations To Professionalize The Industry And Educate The Investors**

AMFI, AMBI and other such trade associations as well as SROs have a major role to play in professionalizing the industry. In addition, SROs, such as the exchanges, can and do have an important role to play in investor outreach and education. Sample activities follow:

##### **4.2.1. Encourage AMFI To Establish A Separate Training/Education Committee**

AMFI should be encouraged to establish a separate Training/Education Committee responsible for providing leadership and follow-up in the identification, design, and marketing/sales of training programs for their members and the industry in general. In the short-term, FIRE can provide technical assistance to this committee through an advisor. The advisor can provide assistance in developing training in needs assessment procedures, as well as in dissemination and pricing strategies, for example.

In addition, should FIRE sponsor a visit of AMFI members to the Investment Company Institute (ICI), the US mutual fund industry association. The program for the Indian participants should include a visit with the ICI's training arm, to allow them to learn more about why and how ICI conducts training for its members and the industry, its outsourcing and course development strategy and its pricing strategies. The FIRE project can also advise AMFI on the requirements and qualifications of a full time Training Director who would serve to support the Committee's various initiatives in the long-term.

##### **4.2.2. Support AMBI's Education and Training Committee**

AMBI has established an Education and Training Committee which is developing a syllabus for a foundation course. The success of such a program may go a long way in revitalizing the image of merchant banking and of AMBI. It may be appropriate for FIRE to have a role in the design, packaging and dissemination of such a course. As a starting point, AMBI has agreed to have FIRE review the draft of the syllabus. Once the FIRE project team has done so, it can make specific recommendations in terms of content, packaging and commercialization of the program.

##### **4.2.3. Develop Local Capacity To Conduct Investor Awareness And Investor Education**

Work to develop local investor awareness and education can proceed on various levels.

- a) Define a role with AMFI that focuses primarily on helping the organization conceptualize the training strategy and outsource its implementation to a local institution. The FIRE project can work with AMFI and the implementing institution to

help guide the work in its initial stages. Please see Annex B for more detailed suggestions in this area.

- b) FIRE can sponsor research into investor perceptions (see section 4.3 below) and disseminate the results to the exchanges.
- c) FIRE can conduct research on how the Bangalore Stock Exchange has developed its own investor information center and conduct workshops with the regional exchanges, co-sponsored by the Federation of Indian Stock Exchanges (FISE), to disseminate information about this experience and the lessons learned.

#### 4.2.4. Equip The Trade Associations, SROs And The Training Providers To Support The Broker/Sub-Broker Certification And Licensing Process More Effectively

SEBI has established a framework for identifying, registering and certifying brokers. FIRE consultants are contributing to that process, working with the Committee on Registration and Certification to develop a syllabus, sample exams, etc. Under the current scheme, there will be an initial test developed by mid year. The test will be offered to all brokers on a voluntary basis. This pilot phase will last two years, at the end of which the test will be compulsory. At this time, SEBI will evaluate the need for additional specialized testing for various types of intermediaries.

There are a number of ways in which the current training can support this process more effectively:

- a) *Create an awareness program.* The test is going to be voluntary. In order to encourage a wide segment to take it, and allow a good sample to test the scheme, SEBI must do more than announce that it is available. A national awareness campaign could be carried out on SEBI's behalf. The campaign can be in the form of a series of short workshops to inform about the examination. FIRE can help prepare information materials for these workshops. Organizations interested in making money by training financial intermediaries for the exam should have an incentive to sponsor such a campaign.
- b) *Prepare the trainers.* SEBI needs to work closely with local training institutions to acquaint them with the test, its objectives, the format, and to provide sample questions and answers. SEBI may want to design a campaign to disseminate information on the certification process. FIRE can work with SEBI to decide on the best means to disseminate information, and to select training vendors. There are a number of institutions already positioning themselves to be the trainers for the industry. FIRE can also work with SEBI to address important dissemination issues such as: on what basis should SEBI decide who provides training? Does it need to design an RFP? Should institutions be left to design their own training packages to sell in the market, or does SEBI have to approve them?
- c) *Training to broaden the registration and certification process.* As it is currently structured, the certification scheme will end up only covering brokers. But the broader

goal is to register all financial intermediaries in the Indian context, which includes over 200,000 sub-brokers who currently operate outside the system. The FIRE project has suggested to SEBI that it needs to sanction the formation of a National Association of Sub-Brokers, which would serve as an SRO for this very large group of intermediaries. The registration and certification of this group is a responsibility no one seems willing to take.

FIRE has conducted surveys of sub-brokers and an appreciable majority agree that such an organization is desirable. They would be willing to initiate a move to create such a body once SEBI issues a clear directive to do so. The issue then becomes, once SEBI agrees that this move is worthwhile, how quickly can such an organization be created?

FIRE can further support the development of sub-broker SROs by developing an "SRO Starter Kit." This kit would contain basic steps and forms required to develop a functioning SRO, including the basic format for the charter of the association, SRO rules and bye-laws, etc. The project could make the Starter Kit available as part of a training program on what is an SRO, the basic requirements for establishing an SRO, the advantages of such an organization for the sub-broker community, and the basic steps to follow to set one up. The training programs and the starter kit would help sub-brokers identify their own development and TA needs.

#### **4.3 Strengthen The Capacity Of Providers To Respond To The Industry's Training Needs**

Institutions such as SEBI, the NSE, the BSE and others express frustration because the training provided by local institutions is too theoretical and academic. Interviews with both training users and suppliers suggest the problem is in part one of definition. Training users, such as SEBI, have not been proactive in defining and specifying for the vendors what they need. FIRE can help training users to improve their ability to identify training needs and articulate detailed training specifications. This should make the outsourcing task easier and the final results more satisfactory to all. FIRE can also involve local faculty in the determining training needs and in designing training curricula (as described in section 4.1 above).

The project should also consider expanding its outreach to law schools, since they are likely to play an increasingly important role as the regulatory and enforcement capacity is strengthened. It may be worthwhile to conduct an assessment of law school interest, orientation and capacity in the next two to three months. The assessment would evaluate how, when and in what areas it may be possible to support the development of a modern regulatory issues and techniques curriculum. In preparation for such an assessment, the project can begin now by identifying appropriate target institutions, and including them in the set of institutions invited to bid on select research topics.

In addition, the FIRE project should take the following actions outlined below.

#### 4.3.1. Develop A Dissemination Strategy For Research

Each research piece commissioned by the project should have a clear purpose, and ideally should be tied to a specific training event or workshop before it is undertaken. Text box 4 suggests how the research topics highlighted in the Third Annual Work Plan can be integrated into specific programs to be developed for clients.

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#### **Text Box 4: Linking Research to Training - *Suggestions On Selected Items***

<b>Topic</b>	<b>Program</b>
Case study: Issue Pricing	AMBI Foundation course for merchant bankers
Technical Note: Disclosure practices	AMBI foundation course
Case study: Private Placements	AMBI foundation course
Technical note: Comparative disclosure practices	Policy seminar sponsored by AMBI and AMFI
Case studies on enforcement	SEBI foundation course; stock exchanges
Case study: Bringing a case to court: A capital market violation	SEBI foundation course
Case study and technical note on problems of foreign portfolio investment	AMFI sponsored seminar

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#### 4.3.2. Develop An Initial RFP For Applied Research

The first RFP can focus on developing case studies that have an immediate or almost immediate application to training programs being developed by the FIRE project, such as: a) case study on the process and lessons learned from bringing a market violation case to court (can work with SEBI to identify appropriate case); b) the Bangalore Stock Exchange Investor Information Center; c) the retail investors--their expectations, their basic level of understanding of key concepts, etc.; d) the HR and CE function in a capital market company: the case of Karvey.

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#### **Text Box 5: What To Do About The Disclosure Research Already Commissioned?**

In its present form this research is not useful because it has no clear purpose or audience. The disclosure study, properly restructured into a more practical and easy-to-follow piece, can be tied to a specific training program being designed for the regulator; or it can be part of the set of materials being developed by AMBI for its foundation course (see above). This paper, along with perhaps other research pieces commissioned for this purpose can be a very effective means of fostering a dialogue between the private sector and policy makers.

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#### 4.3.3. Sponsor A Short Workshop On Case Study Writing And Development

FIRE should sponsor a workshop on case study in writing and development for those institutions participating in project-sponsored research, to ensure uniformity in the presentation and research depth undertaken.

#### 4.3.4. Continue With A More Tailored And Action-Oriented Approach To Participant Training

As noted in section 3.8, the model for pre-course preparation and post-course follow-up implemented with the Baruch College program is worth emulating in future programs. In fact, it may be worth spending time with the participants and their senior managers before the course begins, to identify one or two specific issues that will be researched by the participants during their US program. The participants will be expected to use part of their programmed stay to discuss these issues with their teachers and consult with appropriate specialists, and develop concrete, "actionable" recommendations that can be implemented upon their return. The Training Coordinator in Mumbai can then work with the participants to organize a short workshop in India to present and discuss these recommendations, and establish a timetable for implementation.

In addition, participant training can be used to support the activities highlighted in sections 4.1 and 4.2. For example, participant training which includes visits and exchanges with the SEC should include sessions with the training managers in the SEC's Office of Compliance. Visits and courses that include the ICI, NYSE, and NASD should likewise include consultations with their training specialists.

#### **4.4. Other Recommendations**

Information on industry training issues, as well as course materials, curricula and research pieces developed under the project should be made more accessible to users and providers. The FIRE project has developed a significant amount of course materials, syllabi, and reports. It receives often a great amount of information about training vendors and training needs pertaining to the industry. Yet all of this information remains stacked in folders in the office.

One way to make the information and training materials already developed by the project more accessible to training institutions and the industry is to make at least some of these materials available electronically through an electronic library. As a first step in this direction, the International Executive Training Services group in Washington has provided the FIRE project a template for the creation of an electronic/ computer-based library. Once the electronic data base is created, the project can make it available, for a small fee, to interested training institutions. The FIRE project might also want to investigate the feasibility of creating **and** populating a project web site. The web site could serve as a place to post research RFPs, access to the latest training course syllabi and materials, and case studies developed under the project, among many other uses.

## **5. Long-Term Recommendations**

The recommendations made in section 4, "Short-Term Recommendations," focus on activities that are achievable and can have an impact in the next 12 to 15 months, and which utilize a modest amount of technical assistance and training resources. The report has ignored areas that, though important, are much broader in scope, and require more resources and time to implement than are currently available under the project. These include topics discussed in sections 5.1 to 5.4 below.

### **5.1 Technical Assistance And Training To Select Academic Institutions (Such As The IIM's) In Capital Markets And Financial Analysis**

Most observers agree that the capital markets diploma courses and even the IIM's own offerings in these areas are somewhat outdated and do not go much beyond high level accounting. Changing curricula at well established academic institutions is a process that requires not just re-thinking the topics that will be offered, but recruiting new and/or at least re-training existing faculty, acquiring new materials, establishing new examinations processes, etc. While FIRE might start work in this area now, it is not likely that the work would be finished, with a new curriculum established and tested, before the end of the project.

### **5.2 Development Of Courses, Materials, Syllabi In The Area Of Private Participation In Infrastructure**

This is clearly a very "hot" area at the moment. All training institutions interviewed admitted that they have relatively little material that is current in this area. Especially with the establishment of a private infrastructure development finance facility, the need for qualified trainers and appropriate materials and courses in this area is going to increase. Moreover, as the private sector takes an increasingly larger role, as expected, in the finance, management and operation of infrastructure, there will also be an increasing need to build regulatory capacity. Meeting training needs in these areas will have a significant effect on the overall development of capital markets in India. Again, the FIRE project can start supporting some limited activities in this area (e.g. overview workshops to help policy makers understand key decision issues and options and key linkages between PPI and capital market development). However, the bulk of the work must be left to a future project.

### **5.3 Support Research And Training In Corporate Governance**

This too is a hot area, often discussed by the press and of great interest to many of the academic institutions which we interviewed. It is obviously a critical ingredient in terms of creating transparent markets and generating investor confidence. In India, it is also a topic that is greatly misunderstood. Moreover, in the current environment of limited disclosure, closely held family businesses and extensive cross-holdings and ownership by the government, the meaning of corporate governance is quite different than what it might be in more open market economies. While the FIRE project could start supporting some research and training in this area, it may be best to leave the bulk of the work for a future project or activity. In the

meantime, the FIRE project may sponsor basic research that will support further work in this area, such as the research on disclosure practices mentioned above.

#### **5.4. *Improve Access To World Class Training For The Regulator***

Training for capital markets and other regulators is generally under-developed in India, as it is in most parts of the world. As noted earlier, law faculties have a role to play in this area. While there may be some aspects that can be tackled under the current project (e.g. assessing current curricula, designing a short orientation course for judges) tackling the needs in this area is a longer-term endeavor (see section 5.1).

## 6. Time Line

Section 4, "Short-Term Recommendations," identified over a dozen activities that should be undertaken between now and the end of the project. Many of them can be started simultaneously and be carried out in parallel. Table 2 below contains a timeline for the key activities identified in this section.

**Table 2**  
**Time Line for Key Action Items**

<u>Task</u>	<u>Date</u>
HR Workshops—Round 1	May 19-24
Training workshops on needs assessments and internal curriculum design	Once Training Managers are appointed (target September-October 1997)
Development of standard curriculum in surveillance	Same
Assessment of law schools	May-June 1997
Procedures manual writing and training	June 1997
Design Investor Awareness Campaign for AMFI	June 1997
Design Sales Force Training for AMFI	June 1997
Design and deliver initial operations training for AMFI	June-July 1997
Outsourcing workshop for client institutions	September 1997
SRO Starter Kit Training	Fall 1997
Issue RFP for initial round of case studies	June 1997
Development of investor research design	June 1997
Conduct of investor research	June-July 1997
Development case study on Karvey	July-August 1997
Development of case study on Bangalore Stock Exchange	August-September 1997
Development of electronic library	Fall-Winter 1997

## ANNEX A

### PEOPLE INTERVIEWED

#### THURSDAY, MARCH 13, 1997

Ms. Chitra Ramkrishna,  
Vice President  
National Stock Exchange of India Ltd. (NSE)  
Mahindra Towers, 'A' Wing  
1st. Floor, RBC, Worli, Mumbai - 400 018

Mr. Jayesh Sule, Asst. Vice President -  
Personnel and Participant Interface  
National Securities Depository Limited (NSDL)  
Trade World, 4th Floor  
Kamala Mills Compound  
Senapati Bapat Marg,  
Lower Parel,  
Mumbai - 400 013

Mr. K. N. Atamaramani,  
Managing Director  
Tata Financial Services Ltd.  
Bombay House, 1st Floor  
24, Homi Mody Street  
Mumbai - 400 001

Mr. Y. K. Bhushan,  
Director  
Narsee Monjee Institute of Management Studies (NMIMS)  
J.V.P.D. Scheme, Vile Parle (West),  
Mumbai - 400 056

#### FRIDAY, MARCH 14, 1997

Mr. L. K. Singhvi,  
Sr. Executive Director  
Securities and Exchange Board of India (SEBI)  
Mittal Court, 'B' Wing  
Nariman Point  
Mumbai - 400 021

Dr. B. D. Ghonasgi,  
Director Training and Research Institute  
The Bombay Stock Exchange  
21st Floor, The Stock Exchange,  
Dalal Street  
Mumbai - 400 001

Mr. K. N. Atamaramani,  
Managing Director  
Tata Financial Services Ltd. (In the Conference Room)  
Bombay House, 1st Floor  
24, Homi Mody Street  
Mumbai - 400 001

**MONDAY, MARCH 17, 1997 - HYERABAD**

Prof. V. Pandurang Rao  
Director  
ICFAI  
Road No.3, Banjara Hills  
Hyderabad - 500 034

Mr. N. J. Yaraswy  
Member Board of Governors  
ICFAI  
Road No.3, Banjara Hills  
Hyderabad - 500 034

**MONDAY, MARCH 17, 1997 - HYERABAD**

Mr. P. Sudhir Rao  
Director  
Karvey Securities Limited  
529, Road No. 4, Banjara Hills  
Hyderabad - 500 034

Mr. P. V. Krishna Rao  
Manager - Training  
Karvey Securities Limited  
B-2-621/A Road No. 10, Banjara Hills  
Hyderabad - 500 034

**TUESDAY, MARCH 18, 1997 - BANGALORE**

Mr. K. Chandrasekhar  
Assistant Professor - Department of Management Studies  
Indian Institute of Science  
Bangalore - 560 012

Mr. U. B. Maiya  
Vice President  
Bangalore Stock Exchange Ltd.  
Stock Exchange Towers  
51, 1st Cross, J. C. Road  
Bangalore - 560 027

Mr. Kamala K.  
Manager - Finance  
Bangalore Stock Exchange Ltd.  
Stock Exchange Towers  
51, 1st Cross, J. C. Road  
Bangalore - 560 027

**TUESDAY, MARCH 18, 1997 - BANGALORE**

Mr. V. Prabhakar  
Asst. Manager - Business Development  
Bangalore Stock Exchange Ltd.  
Stock Exchange Towers  
51, 1st Cross, J. C. Road  
Bangalore - 560 027

**WEDNESDAY, MARCH 19, 1997 - NEW DELHI**

Ms. Linda E. Morse/Mr. Ashok Jha, Mr. Felipe Montagia/Ms. Anjana  
U.S. Agency for International Development (USAID)  
B28, Qutab Institutional Area  
New Delhi - 110 016.

Mr. T. R. Sabharwal  
Chief - Training Division  
U.S. Agency for International Development (USAID)  
American Embassy  
West Building  
New Delhi - 110 021

Mr. M. M. Chitale  
President  
The Institute of Chartered Accountants of India  
P. B. No. 7100, Indraprastha Marg  
New Delhi - 110 016

Mr. Ashok Haldia  
The Institute of Chartered Accountants of India  
P. B. NO. 7100, Indraprastha Marg  
New Delhi - 110 002

**THURSDAY, MARCH 20, 1997 - NEW DELHI**

Dr. Devi Singh  
Professor - International Finance  
Management Development Institute  
Post box. 60, Mehrauli Road,  
Sukhrali, Gurgaon - 122 001

## ANNEX B

### TRAINING SUPPORT FOR AMFI AND MUTUAL FUND INDUSTRY

The Association of Mutual Funds in India (AMFI) requested that the FIRE project identify how it can support its training initiatives in the following areas:

- **Investor awareness and education.** The market in India is a retail market, and the individual investor is extremely disappointed by the performance of the schemes. AMFI has developed a brochure entitled *Making Mutual Funds Work for You*; 500,000 copies of the brochure will be ready for dissemination by the end of April. With this document, and a dissemination campaign supporting it, AMFI hopes to create more savvy and realistic investors. AMFI wants to identify options available for effectively disseminating this document and the messages it contains.
- **Sales agent training.** The majority of people who are selling mutual fund products have very little knowledge about what they are selling. Sales people/agents have contributed to creating unreasonable expectations regarding risk and return on investments. The objective of this initiative is to create a more qualified corps of sales agents, improve the quality of information going out to investors and minimize unethical, dishonest and/or illegal transactions. AMFI is developing a handbook for sales agents that tries to harmonize standards and practices, which should be ready by June 1, 1997. Such a handbook will be a key component in an effort to professionalize the sales force. Again, AMFI wants to identify its options for disseminating this document to maximize opportunities to improve sales agent knowledge and awareness.
- **Compliance and Operations training.** AMFI is developing a Model "Compliance and Operations Manual" for its members. The objective of the handbook and the dissemination program will be to improve compliance with the SEBI (Mutual Funds) Regulations, 1996, enabling the main players, trustees, AMC employees, as well as brokers, to understand their responsibilities under the new guidelines and how to meet them. AMFI has also developed a Code of Ethics (ACE), as well as Valuation Guidelines for good-faith valuations of non-traded securities to be completed sometime in late April. As these documents become finalized, the Association wants to identify its options for disseminating them for maximum effect and usefulness to the industry.
- **Other training for trustees and senior executives.** AMFI wants to identify and develop options for addressing the general orientation and training needs of senior executives in the industry, particularly as they relate to rights, duties and responsibilities under the new regulatory environment.

The sections below identify basic options for meeting the training needs identified by AMFI. Each section also highlights how FIRE can support AMFI's efforts to implement each of these strategies.

## A. Investor Awareness: Strategic Options

- A.1. *Distribution campaign.* The easiest and most direct form of dissemination is to simply make the brochures available to all the mutual funds. The funds, which presumably have an interest in improving their image, will then make it their business to distribute the brochures to their clients and sales agents.

However, this option may not accomplish AMFI's desire to reach a broad spectrum of the investor public. Coverage may vary widely. Members should have access to a batch of the brochures, but in addition AMFI may want to complement simple distribution/sales to members through other means described below.

- A.2. *Broad direct dissemination.* AMFI committee members mentioned the possibility of organizing a 12 city tour with the brochures and a presentation of some sort. To implement this option, AMFI would have to:

- Design a short training/information session (2 hours maximum) to accompany the brochure (see text box 1 for suggested modules)
- Design guidelines for using these materials
- Identify trainers for each locale

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### Text Box 1

*The objectives of the short investor education program should be to highlight:*

- Steps that have been taken by the regulator and the industry to improve the fairness and transparency in the market.
- The role of AMFI and SEBI.
- That mutual funds are probably the best way for an investor to get into the market (e.g. the advantages of a diversified and professionally managed portfolio of securities to meet a variety of investment needs at low costs).
- That the investor should have realistic expectations regarding the returns to this investment (e.g. there are a wide variety of funds to meet the needs and goals of individual investors, so you need to pick the right one for you, depending on your time horizon and tolerance and preference for risk).
- That mutual funds have certain rights: e.g. charge you commissions.
- That you have certain rights as well as a Mutual Fund investor: explain NAV, right to redeem (exit), customer service (should have person you can call).

This program can be organized in four modules:

- *Module 1*--What is a mutual fund? How it works to make money for investors; concepts of professional management, diversification, liquidity, etc.
  - *Module 2*: How to invest in mutual funds? How MF operate; how to purchase shares; the services the funds provide, fees the funds may charge; tracking fund investment (understanding the concept of NAV).
  - *Module 3*: Regulatory safeguards that protect mutual funds shareholders.
  - *Module 4*: Matching mutual funds to client needs.
-

- Determine the best medium for delivering this training (e.g. short live presentations with slides and overheads, short video). Given the relative complexity of the subject matter, AMFI may want to consider the video option. Videos are the safest way to disseminate widely, broadly and uniformly.

AMFI can work with its members to identify effective spokespersons for the industry, deputizing them to these affairs to address the audience. These presentations can be part of AMFI's Investor Camps, where different mutual funds set up booths and have literature and representatives available to discuss their funds and mutual fund investing in general.

- A. 3. *Dissemination through investor associations and consumer education groups such as CERC.* In addition to going to the investors directly, AMFI may choose to organize training sessions for investor associations, investor information centers and consumer education groups. These would in turn be responsible for broader dissemination at the regional level. This option has the advantage of economy. AMFI is designing materials and delivering them to intermediaries, who in turn are responsible for broader dissemination. AMFI would need to develop a program to orient institutions interested in disseminating the material to ensure uniformity and quality of the presentations.

AMFI should combine its events on investing in mutual funds with a broader investor orientation program. Several observers in the capital markets industry have pointed out that the reputation of mutual funds is so low, and investors are so sour on these products, that advertising an event as a course/orientation/presentation on mutual funds would not result in a good turnout. By combining a presentation on mutual funds products with a broader presentation on investment products in general, to be presented and co-hosted by an intermediary such as CERC, or the investor information centers, AMFI may be more effective

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## Text Box 2

*The objectives of the broader investor education program should be to highlight:*

- Steps that have been taken by the regulator and the industry to improve the fairness and transparency in the capital markets in India market.
- The role of SEBI and the new regulatory environment.
- The role of industry groups like AMFI and AMBI.
- Investment vehicles.
- The advantages of Mutual funds, as an entry point into the market (e.g. the advantages of a diversified and professionally managed portfolio of securities to meet variety of investment needs at low costs).
- The difference between speculation and investment.
- The need for realistic expectations regarding the returns on this investment (e.g. there are a wide variety of funds to meet the needs and goals of individual investors, so you need to pick the right one for you, depending on your time horizon and tolerance and preference for risk).
- Investor rights in general and mutual fund shareholder rights in particular.

This program can be organized in three modules:

- *Module 1*--Investment vehicles in the Indian market. Here we would also cover: What is a mutual fund? How it works to make money for investors; concepts of professional management, diversification, liquidity, etc.
  - *Module 2*: How to invest--selecting appropriate investment vehicles to meet your needs and risk profile.
  - *Module 3*: Regulatory safeguards that protect investors, including mutual funds shareholders.
-

in disseminating their message than they would be otherwise. Text box 2 describes what this type of broader based program would look like.

In addition to the steps indicated in option 2 above, AMFI would have to undertake the following in order to implement this option:

- Design a session that provides guidelines for delivering the educational program.
- Deliver train-the-trainer workshops for these groups.

## **B. Investor Awareness - Where FIRE Can Help**

AMFI should not be in the business of developing these courses directly. It lacks the staff and budget to do so. It can and should outsource these events. The FIRE project can assist AMFI in the design of the outsourcing specifications, including developing a detailed outline of the requirements in terms of course content and materials development. From this outline, AMFI can prepare an RFP that can be circulated among key providers like UTI Institute of Capital Markets (UTI-ICM) and other institutions. In addition, the FIRE project can help AMFI oversee the work of these contractors, working with UTI-ICM and other faculty staff to develop materials and train trainers to ensure delivery standards are of the highest quality.

FIRE can assist AMFI in the design of the video and script, if this is an option that is of interest.

## **C. Sales Force Education**

To implement this program, AMFI needs to:

- Develop a basic program (see text box 3 for suggested contents)
- Develop a manual for trainers
- Identify trainers
- Schedule the training sessions and organize related logistics
- Manage the delivery and provide follow up (additional questions from sales agents, etc.)

To implement the sales force education program, we recommend that AMFI follow a three phased approach, which emphasizes training people to train others:

**C. 1. Phase 1: Pilot Training/Information session for the Mutual Fund Trusts.** This initial program would be more of an informational session than a training workshop. It would also be an opportunity to receive feedback in terms of the issues covered and how they are covered. AMFI can use the feedback from this session to refine the materials for Phases 2 and 3 of the dissemination process. The workshop would also be a way to generate broader consensus regarding basic standards for the industry. The program would target the AMC senior sales manager as well as the company's designee for training new sales staff.

**C.2. Phase 2: Training for Mutual Fund Companies and the Institutional Sellers** (either corporate or partnerships), most of which are brokerage houses. The full fledged training program (along with the handbook) would be offered for institutional sellers and for all the sales employees of the AMCs. Some of the people trained in this course would also be recruited to train in Phase 3.

**C.3. Phase 3: Training for the Chief Representatives/Agents (300-400).** Much as phase 2 above, this course would be organized as a train-the-trainer session. AMFI would need to work with its members to identify these key agents. The participants receive the full fledged training program. Participants would also receive a guidebook with tips on how to present the material to other agents. This group will then be responsible for training/providing information to the remaining 100-200,000 intermediaries that also act as sales agents for mutual funds.

There is no guarantee that these Chief Representatives will follow through, however. Thus, training for the Chief Representatives could be combined with a publicity campaign to build awareness about and interest in the training program among all financial intermediaries. The publicity effort should also seek to motivate them to participate in light of expected changes in SEBI certification requirements: eventually all financial intermediaries will need to become better informed about these types of issues if they wish to remain in business.

The training programs can be simple in the beginning, and be delivered only through live presentations. But eventually, AMFI may want to consider packaging these training modules for dissemination through a variety of different media (self-study programs on diskette or via videos, etc.).

#### **D. Sales Force Education - Where FIRE Can Help**

FIRE can work with AMFI to design the dissemination strategy. It can assist AMFI in the development of an outsourcing strategy for carrying out this work, including help in the preparation and evaluation of requests for proposals to develop the training materials and the

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#### **Text Box 3**

##### ***Suggested Content For Sales Agent Training Programs***

The objective of the initial round of training for the sales agents is to provide (a) basic education about mutual fund products that are being sold; and (b) basic standards in terms of sales conduct and service to the public. The program should be 8 hours (one day) in length and cover the following topics:

- Know your products
  - What makes the Mutual Fund attractive? 10 benefits for investors
  - 3 key mutual fund investing objectives
  - Types of securities the mutual funds hold: types of stock, types of bonds, important concepts in a bond, money market instruments
  - How are mutual funds organized and structured
  - How mutual funds make money: services offered by mutual funds, transaction fees paid by mutual fund shareholders
  - How your clients make money with mutual funds
  - Measuring mutual fund performance
  - Know your duties
  - The regulatory environment in India today
  - Trend: greater professionalization in the industry--the certification and licensing requirements expected in the future.
  - Know your clients:
    - Concepts of suitability
    - Categorizing clients/types of clients
    - Client needs
    - Match schemes to investment objectives
    - Selling tips
    - Prospecting
    - Listening skills
    - Code of conduct
    - Record keeping
    - Provide after-sales service
-

course content. The FIRE project can then work with the selected vendors to help design the basic training program as well as help out in the conduct of the initial round of train-the-trainers sessions and in the preparation of the trainers guidebook.

Such sales education programs are among the more lucrative products of trade associations like the Investment Company Institute (ICI) in the United States. AMFI needs to consider how dissemination strategies for these and other programs can be structured to bring revenue.

FIRE can work with AMFI to determine strategies for introducing cost recovery fee structures for these programs.

#### **E. Compliance and Operations Training**

AMFI can contribute in concrete and important ways to the industry by developing and disseminating programs and literature that seeks to educate trustees and fund managers about their duties and responsibilities in the new regulatory and business environment. All these materials and activities can be a source of revenue for the organization as well.

The objectives of a dissemination program should be to:

- Inform and help the industry (Mutual Fund Trustees, AMCs, their directors, officers and employees), understand and meet its responsibilities under the SEBI (Mutual Funds) Regulations, 1996.
- Provide industry players with guidance on implementing the procedures detailed in the various codes, guidelines and manuals being prepared by AMFI.
- Receive feedback from the industry regarding the uses and format of these guidelines.

Initial dissemination activities in this area might be most effective if they are organized as informal workshops for MF Trustees, AMC directors and officers. The purpose here is not so much to train in a specific skill, but to inform and create consensus on broad standards and specific procedures and practices. Given the fact that the AMFI Code of Ethics (ACE) have been completed, and the AMFI Valuation guidelines for "good faith" valuation of non-traded securities are soon to be finalized, the first training module in the operations area could focus on these two sets of issues. Such a session could take place in one day, starting as early as June.

#### **F. Compliance and Operations Training - Where FIRE Can Help**

FIRE can help design this initial workshop and provide a facilitator in the discussion. FIRE can assist the Association to follow up after the conference, in terms of incorporating feedback and organizing follow-up sessions.

FIRE is working with other capital markets players to develop courses on preparing and disseminating compliance and other procedures. FIRE can work with AMFI to adapt these programs and make them available to the industry.

FIRE can work with AMFI to determine strategies for introducing cost recovery fee structures in such programs.

#### **G. Other Areas**

AMFI should consider creating an Education/Training Committee to provide leadership and follow-through on these types of activities. The Committee would be responsible for identifying areas of training and research, establish priorities, determine specifications and requirements (in terms of topics to be covered, target participants, scope/geographic coverage, etc.) and approve content. AMFI may want to invite members of relevant institutes, such as UTI-ICM, to join the committee as *ex-officio* members.

#### **H. Other Areas - How FIRE Can Help**

FIRE can work with this committee to provide comments and input on assessing training needs for the industry, help design and comment on curricula, identify and specify research topics, and develop standard procedures for outsourcing course development and dissemination responsibilities. Again, FIRE would work with AMFI to determine strategies for introducing cost recovery fee structures.

However, appointment of such a committee is only part of the solution. Committee members have their own full time responsibilities outside AMFI. Follow up on all these areas requires a great deal of attention. In the short-term, we have indicated how FIRE staff can provide back-up and support. But, as many of these programs get underway, AMFI will want to consider appointing a full time Training Director to follow up on the Education/Training Committee's recommendations.

#### **I. Institutionalization Issues And Some Final Comments**

The preceding pages have alluded frequently to the need to charge some sort of a fee for the various materials provided in relation to the training. The ICI model may be relevant here. ICI has a relatively broad range of products and these provide a steady source of income to the organization. As AMFI budgets its activities in the future, it needs to think about how it can generate fees from the various training and education services it provides for its members and the industry at large. There are other strategies for raising revenues through training that can and should be explored.

#### **J. Institutionalization Issues And Some Final Comments - Where FIRE Can Help**

The FIRE project can also provide assistance to AMFI in the area of association development and cost recovery. As starting points, FIRE can gather data about how the ICI training department functions. In addition, any future visit to the US by an AMFI committee member (preferably one with training/education responsibility) should include a consultation with the training division at ICI.

The preceding discussion has highlighted a number of options for AMFI to evaluate and, if appropriate, pursue in the training area. The FIRE project stands ready to assist AMFI by providing industry and training specialists to help develop programs that are useful and valued by the industry and investors.