

Series 65 Test Specifications

Topic	Weight	Number of Questions
I. Economic Factors and Business Information	15%	20
A. Basic Economic Concepts (6)		
1. business cycles		
2. monetary and fiscal policies;		
3. global and geopolitical factors (e.g., currency valuation; effect of exchange rates on investment returns; sovereign debt)		
4. inflation/deflation		
5. interest rates, yield curves, credit spreads		
6. economic indicators (e.g., GDP; employment indicators; trade deficit; balance of payments; CPI)		
B. Financial Reporting (4)		
1. financial reports (e.g., income statement; balance sheet; statement of cash flow; auditor disclosures; corporate SEC filings; annual reports)		
2. Accounting Fundamentals (e.g., audited v. unaudited; cash v. accrual)		
C. Analytical Methods (4)		
1. time value of money concepts (e.g., internal rate of return [IRR]; net present value [NPV]);		
2. descriptive statistics (e.g., mean; median; mode; range; standard deviation; Alpha, Beta, and Sharpe ratios; correlation)		
3. financial ratios and their uses (e.g., current ratio; quick ratio; debt-to-equity ratio)		
4. valuation ratios (e.g., P/E; price-to-book)		
D. Types of Risk (6)		
1. systematic risks		
2. unsystematic risks		
3. opportunity cost		

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4. capital structure including liquidation priority

II. Investment Vehicle Characteristics **25%** **32**

A. Types and Characteristics of Cash and Cash Equivalents (1)

1. insured deposits (e.g., demand deposits; CDs)
2. money market instruments (e.g., commercial paper; Treasury bills)

B. Types of Fixed Income Securities (3)

1. U.S. government and agency securities (e.g., Treasury securities; FNMA; TIPS)
2. asset-backed securities
3. corporate bonds
4. municipal bonds (e.g., general obligation; revenue; insured)
5. foreign bonds (e.g., government debt; corporate debt)

C. Characteristics and Valuation Factors of Fixed Income Securities (3)

1. characteristics (e.g., tax implications; bond ratings; market liquidity; liquidation preference; call features; coupon v. zero coupon; duration; premium)
2. fixed income valuation factors (e.g., duration; maturity; yield-to-call; yield-to-maturity; coupon; conversion valuation; bond ratings; credit spread; discounted cash flow)

D. Types of Equity Securities (2)

1. common stock- domestic and foreign
2. preferred and convertible preferred stock
3. employee stock options (e.g., incentive; nonqualified)
4. restricted stock

E. Characteristics of Equity Securities (3)

1. shareholder rights (e.g., voting rights; antidilution; liquidation preferences)
2. resale restrictions
3. dividends

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F. Methods Used to Determine the Value of Equity Securities (3)

1. technical analysis
2. fundamental analysis
3. dividend discount
4. discounted cash flow

G. Types of Pooled Investments (3)

1. mutual funds (i.e., open-end; closed-end)
2. private funds (e.g., hedge funds; private equity; venture capital)
3. unit investment trusts (UITs)
4. exchange traded funds (ETFs)
5. real estate investment trusts (REITs)

H. Characteristics of Pooled Investments (3)

1. share classes
2. liquidity
3. tax implications
4. fee structures and other costs
5. pricing (e.g., net asset value; discount/premium)
6. benefits and risks

I. Types of Derivative Securities (2)

1. options and warrants (definitions)
2. futures and forward contracts (definitions)

J. Characteristics of Derivative Securities (3)

1. costs, benefits, and risks of derivative securities

K. Alternative Investments (2)

1. limited partnerships

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2. exchange traded notes

3. leveraged funds

4. inverse funds

5. structured products

6. viatical/life settlements

L. Insurance Based Products (2)

1. annuities (e.g., fixed; variable; equity indexed)

2. life insurance (e.g., whole; term; universal; variable)

M. Other Assets (2)

1. investment real estate

2. commodities and precious metals

III. Client Investment Recommendations and Strategies

30%

39

A. Type of Client (3)

1. individual, natural person(s), sole proprietorship

2. business entities (e.g. general partnership; limited partnership; limited liability company (LLC); corporations both C and S)

3. trusts and estates

4. foundations and charities

B. Client Profile (7)

1. financial goals and objectives

2. current and future financial situation (e.g., cash flow; balance sheet; existing investments; tax situation, social security and pensions)

3. risk tolerance

4. nonfinancial investment considerations (e.g., values; attitudes; experience; demographics; life events; behavioral finance)

5. client data gathering (e.g., client identification; questionnaires; interviews)

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6. time horizon

C. Capital Market Theory (3)

1. investment theories, models, and hypotheses (e.g., Capital Asset Pricing Model, Modern Portfolio Theory, Efficient Market Hypothesis)

D. Portfolio Management Strategies, Styles and Techniques (6)

1. strategies (e.g., strategic asset allocation; tactical asset allocation)

2. styles (e.g., active; passive; growth; value; income; capital appreciation)

3. techniques (e.g., diversification; sector rotation; dollar-cost averaging; puts; calls; leveraging; volatility management)

E. Tax Considerations (2)

1. income tax fundamentals - individual (e.g., capital gains; qualified dividends, tax basis; marginal bracket; alternative minimum tax;)

2. income tax fundamentals - corporate, trust, and estate

3. estate tax and gift tax fundamentals

F. Retirement Plans (3)

1. Individual Retirement Accounts (traditional and Roth)

2. qualified retirement plans

3. nonqualified retirement plans

G. ERISA Issues (2)

1. fiduciary issues (e.g., investment choices; 404(c))

2. investment policy statement

3. prohibited transactions

H. Special Types of Accounts (2)

1. education-related (e.g., 529s; Coverdell)

2. UTMA/UGMA

3. health-savings accounts

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I. Ownership and Estate Planning Techniques (3)

1. methods of ownership transfer (joint tenants with rights of survivorship (JTWROS); tenants in common; tenancy by the entirety)
2. pay-on-death/transfer-on-death
3. beneficiary designation
4. trusts and wills
5. qualified domestic relations order (QDROs)

J. Trading Securities (4)

1. terminology (e.g., bids; offers; quotes; market; limit or stop order; short sale; cash accounts; margin accounts; principal or agency trades; high frequency trading; dark pools)
2. role of Broker-Dealers, custodians, market makers, and exchanges
3. costs of trading securities (e.g., commissions; markups; spread; best execution)

K. Portfolio Performance Measures (4)

1. returns (e.g. risk-adjusted; time-weighted; dollar-weighted; annualized; total; holding period; internal rate of return; expected; inflation-adjusted; after tax)
2. current yield
3. relevant benchmarks

IV. Laws, Regulations, and Guidelines

Including Prohibition on Unethical Business Practices

30%

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A. Regulation of Investment Advisers, Including State-Registered and Federal Covered Advisers (6)

1. definitions of an Investment Adviser
2. notice filing requirements
3. registration/post-registration (e.g., books and records; registration maintenance requirements)
4. exemptions for exempt reporting advisors and private fund advisors
5. Investment Adviser Representative supervision

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- B. Regulation of Investment Adviser Representatives (4)
 - 1. definition of an Investment Adviser Representative
 - 2. registration/post-registration (e.g., books and records; registration maintenance requirements)
- C. Regulation of Broker-Dealers (2)
 - 1. definition of a Broker-Dealer
- D. Regulation of Agents of Broker-Dealers (2)
 - 1. definition of an Agent of a Broker-Dealer
- E. Regulation of Securities and Issuers (2)
 - 1. definition of securities and issuers
 - 2. registration/post-registration (e.g., state registration requirements)
 - 3. exemptions
 - 4. State antifraud authority
- F. Remedies and Administrative Provisions (2)
 - 1. authority of state securities Administrator
 - 2. administrative actions
 - 3. other penalties and liabilities
- G. Communication with Clients and Prospects (10)
 - 1. disclosures
 - 2. unlawful representations concerning registrations
 - 3. performance guarantees
 - 4. client contracts
 - 5. correspondence and advertising (e.g., social media, email, website)
- H. Ethical Practices and Fiduciary Obligations (11)
 - 1. compensation (e.g. fees; commissions; performance based fees; soft dollars; disclosure of compensation)

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2. client funds and securities (e.g. custody; discretion; trading authorization; prudent investor standards; suitability; antimoney laundering (AML))
3. custody conditions and obligations
4. conflicts of interest, criminal activities, fiduciary and other ethical considerations (e.g.; loans to and from clients; sharing in profits and losses in a customer account; client confidentiality; insider trading; selling away; market manipulation; personal securities transactions; outside securities accounts; initial holdings and quarterly reports; political contribution; due diligence; excessive trading)
5. cyber security, privacy, and data protection
6. business continuity plan (e.g., disaster recovery; succession planning)