

## Series 65 Test Specifications

| Topic  | Weight     | Number of Questions |
|--|------------|---------------------|
| <b>I. Economic Factors and Business Information</b>  | <b>15%</b> | <b>20</b>           |
| 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%**

**39**

#### 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)

## **Series 65 Test Specifications**

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)