

**NASAA Investment Adviser Competency Exam
(Series 65)
Exam Specifications and Outline
(Effective 1/1/2010)**

CONTENT AREA	# of Items
1. Economic Factors and Business Information	19 (14%)
A. Basic economic concepts	6
1. business cycles	
2. monetary and fiscal policy	
3. US dollar valuation	
4. inflation/deflation	
5. interest rates and yield curves	
6. economic indicators	
a. GDP	
b. employment indicators	
c. trade deficit	
d. balance of payments	
e. CPI	
B. Financial reporting	5
1. financial statements	
a. income statement	
b. balance sheet	
c. statement of cash flow	
2. financial ratios	
a. current ratio	
b. quick ratio	
c. debt-to-equity ratio	
3. corporate SEC filings	
4. annual reports and prospectuses	
C. Quantitative methods	3
1. time value of money concepts	
a. internal rate of return (IRR)	
b. net present value (NPV)	
2. descriptive statistics	
a. measures of central tendency (mean, median, mode)	
b. range	
c. standard deviation	
d. Beta and its derivatives	
3. valuation ratios	
a. price/earnings	
b. price-to-book	
D. Types of risk	5
1. systematic risk	
a. market	
b. interest rate	
c. inflation	
2. unsystematic risk	
a. business	
b. regulatory	

- c. political
- d. liquidity
- 3. opportunity cost
- 4. capital structure including liquidation priority

2.	Investment Vehicle Characteristics	31 (24%)
A.	Types and characteristics of cash and cash equivalents	3
1.	insured deposits	
a.	demand deposits	
b.	CD's	
2.	money market instruments	
a.	commercial paper	
b.	Treasury bills	
B.	Types and characteristics of fixed income securities	5
1.	U.S. government and agency securities	
a.	Treasury securities	
b.	FNMA	
c.	TIPS	
2.	corporate bonds	
a.	coupon bonds	
b.	convertible bonds	
c.	tax implications	
d.	bond rating	
3.	municipal bonds	
a.	general obligation	
b.	revenue	
c.	tax implications	
4.	foreign bonds	
a.	risks and advantages	
b.	government debt	
c.	corporate debt	
d.	Brady bonds	
C.	Methods used to determine the value of fixed income securities	3
1.	fixed income valuation factors	
a.	premium	
b.	discount	
c.	duration	
d.	maturity	
e.	yield to call	
f.	yield to maturity	
g.	coupon	
h.	conversion valuation	
i.	bond ratings	
2.	discounted cash flow	
D.	Types and characteristics of equity securities	5
1.	equity interests	
a.	common stock	
b.	preferred stock	
c.	convertible preferred stocks	
d.	warrants	
e.	ADRs	

2.	restricted stock	
3.	foreign stocks	
4.	employee stock options	
	a. incentive	
	b. non-qualified	
5.	shareholder rights	
	a. voting rights	
	b. dividends	
	c. liquidity preferences	
	d. antidilution	
E.	Methods used to determine the value of equity securities	2
	1. fundamental analysis	
F.	Types and characteristics of pooled investments	4
	1. open-end investment companies (mutual funds)	
	2. closed-end investment companies	
	3. unit investment trusts	
	4. exchange traded funds	
	5. real estate investment trusts (REITs)	
G.	Methods used to determine the value of pooled investments	2
	1. net asset value	
	2. discount/premium	
H.	Types and characteristics of derivative securities	1
	1. types	
	a. options (definition only)	
	b. futures (definition only)	
	c. forward contracts (definition only)	
I.	Alternative Investments	2
	1. hedge funds (definition only)	
	2. limited partnerships (definitions only)	
J.	Insurance-based products	4
	1. variable annuities	
	2. fixed annuities	
	3. equity indexed annuities	
	4. life insurance (e.g., whole, term, universal, variable)	
3.	Client Investment Recommendations and Strategies	40 (31%)
A.	Type of client	4
	1. individual, sole proprietorship	
	2. business entities	
	a. general partnership	
	b. limited partnership	
	c. limited liability company	
	d. C-corporation	
	e. S-corporation	
	3. trusts & estates	
B.	Client profile	4
	1. financial goals and strategies	
	a. current income	
	b. retirement	
	c. death	
	d. disability	

	<ul style="list-style-type: none"> e. time horizon 	
	2. current financial status <ul style="list-style-type: none"> a. cash flow b. balance sheet c. existing investments d. tax situation 	
	3. risk tolerance	
	4. non-financial investment considerations <ul style="list-style-type: none"> a. values b. attitudes c. experience d. demographics 	
C.	Capital Market Theory	3
	1. Capital Asset Pricing Model (CAPM)	
	2. Modern Portfolio Theory	
	3. Efficient Market Hypothesis <ul style="list-style-type: none"> a. semi-strong b. strong c. weak 	
D.	Portfolio management styles and strategies	5
	1. strategic asset allocation <ul style="list-style-type: none"> a. style b. asset class c. rebalancing d. buy/hold 	
	2. tactical asset allocation (e.g., market timing)	
	3. active vs. passive	
	4. growth vs. value	
	5. income vs. capital appreciation	
E.	Portfolio management techniques	3
	1. diversification	
	2. sector rotating	
	3. averaging <ul style="list-style-type: none"> a. dollar-cost b. capital goal within specified time period 	
F.	Tax Considerations	4
	1. individual income tax fundamentals <ul style="list-style-type: none"> a. capital gains b. tax basis 	
	2. alternative minimum tax	
	3. corporate, trust, and estate income tax fundamentals	
	4. estate and gift tax fundamentals	
G.	Retirement plans	3
	1. Individual Retirement Accounts (traditional and Roth) <ul style="list-style-type: none"> a. traditional b. Roth 	
	2. qualified retirement plans <ul style="list-style-type: none"> a. pension and profit sharing b. 401(k) c. 403(b) d. 457 	

	3.	nonqualified retirement plans	
H.		ERISA issues	3
	1.	fiduciary issues	
		a. investment choices	
		b. 404(c)	
	2.	investment policy statement	
	3.	prohibited transactions	
I.		Special types of accounts	3
	1.	education-related	
		a. 529s	
		b. Coverdell	
	2.	UTMA/UGMA	
	3.	account ownership options	
		a. joint	
		b. pay-on-death	
		c. tenancy in common	
J.		Trading securities	
	1.	terminology	5
		a. bids	
		b. offers	
		c. quotes	
		d. market, limit, or stop order	
		e. short sale	
		f. cash accounts, margin accounts	
		g. principal or agency trades	
	2.	role of broker-dealers, specialists, market-makers	
	3.	exchanges and markets	
		a. NYSE, AMEX, CBOE, regional, international	
		b. OTC, Nasdaq	
	4.	costs of trading securities	
		a. commissions	
		b. markups	
		c. spread	
K.		Performance measures	3
	1.	returns	
		a. risk-adjusted	
		b. time-weighted	
		c. dollar-weighted	
		d. annualized	
		e. total	
		f. holding period	
		g. internal rate of return	
		h. expected	
		i. inflation-adjusted	
		j. after tax	
	2.	yield	
		a. yield-to-maturity	
		b. current yield	
	3.	benchmark portfolios	

4.	Laws, Regulations, and Guidelines, including Prohibition on Unethical Business Practices	40 (31%)
A.	State and Federal Securities Acts and related rules and regulations (19%)	
1.	Regulation of Investment Advisers, including state-registered and federal covered advisers	4
a.	definitions	
b.	registration/notice-filing requirements	
c.	post-registration requirements	
2.	Regulation of Investment Adviser Representatives	4
a.	definition	
b.	registration	
3.	Regulation of Broker-dealers	4
a.	definition	
b.	registration	
c.	post-registration requirements	
4.	Regulation of Agents of Broker-dealers	4
a.	definition	
b.	registration	
5.	Regulations of Securities and Issuers	4
a.	definitions	
b.	registration	
c.	post-registration requirements	
d.	exemptions	
e.	state authority over federal covered securities	
6.	Remedies and Administrative Provisions	4
a.	authority of administrator	
b.	administrative actions	
c.	other penalties and liabilities	
B.	Ethical practices and fiduciary obligations (12%)	
1.	communications with clients and prospects	4
a.	disclosure	
b.	unlawful representations concerning registrations	
c.	performance guarantees	
d.	client contracts	
2.	compensation	4
a.	fees	
b.	commissions	
c.	performance-based fees	
d.	soft dollars	
e.	disclosure of compensation	
3.	client funds and securities	4
a.	custody	
b.	discretion	
c.	trading authorization	
d.	prudent investor standards	
e.	suitability	
4.	conflicts of interest and other fiduciary issues	4
a.	excessive trading	
b.	loans to and from clients	
c.	sharing in profits and losses in a customer account	
d.	client confidentiality	

- e. insider trading
- f. selling away
- g. market manipulation