

Uniform Combined State Law Examination
(Series 66)
Exam Specifications and Outline
(Effective 1/1/2010)

CONTENT AREA	# of Items
1. Economic Factors and Business Information	5 (5%)
A. Financial Reporting	1
1. Financial ratios	
a. Current ratio	
b. Quick ratio	
c. Debt-to-equity ratio	
2. Corporate SEC filings	
3. Annual reports and prospectuses	
B. Quantitative Methods	1
1. Time value of money concepts	
a. Internal rate of return (IRR)	
b. Net present value (NPV)	
C. Types of Risk	3
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	15 (15%)
A. Methods Used to Determine the Value of Fixed Income Securities	3
1. Discounted cash flow	
B. Types and Characteristics of Derivative Securities	3
1. Types	
a. Options	
b. Futures	
c. Forward contracts	
d. Costs, benefits, and risks of derivative securities	
C. Alternative Investments	4
1. Hedge funds	
2. Limited partnerships	
D. Insurance-Based Products	5
1. Variable annuities	
2. Fixed annuities	
3. Equity indexed annuities	
4. Life insurance (e.g., whole, term, universal, variable)	
a. Whole	

- b. Term
- c. Universal
- d. Variable

3.	Client Investment Recommendations and Strategies	30 (30%)
A.	Type of Client	5
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	5
1.	Financial goals and strategies	
a.	Current income	
b.	Retirement	
c.	Death	
d.	Disability	
e.	Time horizon	
2.	Current financial status	
a.	Cash flow	
b.	Balance sheet	
c.	Existing investments	
d.	Tax situation	
3.	Risk tolerance	
4.	Non-financial investment considerations	
a.	Value	
b.	Attitude	
c.	Experience	
d.	Demographics	
C.	Capital Market Theory	2
1.	Capital Asset Pricing Model (CAPM)	
2.	Modern Portfolio Theory	
3.	Efficient Market Hypothesis	
a.	Semi-strong	
b.	Strong	
c.	Weak	
D.	Portfolio Management Styles and Strategies	5
1.	Strategic asset allocation	
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	5
1.	Diversification	

	2.	Sector rotating	
	3.	Averaging	
		a. Dollar-cost	
		b. Capital goal within specified time period	
	4.	Risk modification techniques	
		a. Puts	
		b. Calls	
		c. Leveraging	
F.		Tax Considerations	1
	1.	Individual income tax fundamentals	
		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	2
	1.	Individual Retirement Accounts	
		a. Traditional	
		b. Roth	
	2.	Qualified retirement plans	
		a. Pension and profit sharing	
		b. 401(k)	
		c. 403(b)	
		d. 457	
	3.	Nonqualified retirement plans	
H.		ERISA Issues	1
	1.	Fiduciary issues	
		a. Investment choices	
		b. 404(c)	
	2.	Investment policy statement	
	3.	Prohibited transactions	
I.		Special Types Of Accounts	2
	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
	1.	Terminology (e.g., bids; offers; quotes; market, limit, or stop order; short sale; cash accounts, margin accounts; principal or agency trades)	
	2.	Role of broker-dealers, specialists, market-makers	
	3.	Exchanges and markets (e.g., NYSE, AMEX, CBOE, regional, international; OTC, Nasdaq)	
	4.	Costs of trading securities (e.g., commissions, markups, spread)	
K.		Performance Measures	1
	1.	Returns	

	<ul style="list-style-type: none"> 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 	
	<ul style="list-style-type: none"> 2. Yield <ul style="list-style-type: none"> a. Yield-to-maturity b. Current yield 	
	<ul style="list-style-type: none"> 3. Benchmark Portfolios 	
4.	Laws, Regulations, and Guidelines, including Prohibition on Unethical Business Practices	50 (50%)
	A. State and Federal Securities Acts and Related Rules and Regulations	30
	<ul style="list-style-type: none"> 1. Regulation of Investment Advisers, including state-registered and federal covered advisers <ul style="list-style-type: none"> a. Definitions b. Registration/notice-filing requirements c. Post-registration requirements 2. Regulation of Investment Adviser Representatives <ul style="list-style-type: none"> a. Definition b. Registration 3. Regulation of Broker-dealers <ul style="list-style-type: none"> a. Definition b. Registration c. Post-registration requirements 4. Regulation of Agents of Broker-dealers <ul style="list-style-type: none"> a. Definition b. Registration 5. Regulations of Securities and Issuers <ul style="list-style-type: none"> a. Definitions b. Registration c. Post-registration requirements d. Exemptions e. State authority over federal covered securities 6. Remedies and Administrative Provisions <ul style="list-style-type: none"> a. Authority of administrator b. Administrative actions c. Other penalties and liabilities 	
	B. Ethical Practices and Fiduciary Obligations	20
	<ul style="list-style-type: none"> 1. Communications with clients and prospects <ul style="list-style-type: none"> a. Disclosure b. Unlawful representations concerning registrations c. Performance guarantees d. Client contracts 	

2. Compensation
 - a. Fees
 - b. Commissions
 - c. Performance-based fees
 - d. Soft dollars
 - e. Disclosure of compensation
3. Client funds and securities
 - a. Custody
 - b. Discretion
 - c. Trading authorization
 - d. Prudent investor standards
 - e. Suitability
4. Conflicts of interest and other fiduciary issues
 - 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