

## Series 65 Test Specifications

Topic	Weight	No. Questions
<b>I. Economic Factors and Business Information</b>	<b>15%</b>	<b>20</b>
<b>A. Basic Economic Concepts</b>		
1. business cycles		
2. monetary and fiscal policies		
3. global factors		
3.1. currency valuation and effective exchange rates		
3.2. sovereign debt		
3.3. geopolitical		
4. inflation/deflation		
5. interest rates, yield curves, credit spreads		
6. economic indicators		
6.1. Gross Domestic Product (GDP)		
6.2. employment indicators		
6.3. trade deficit		
6.4. Consumer Price Index (CPI)		
<b>B. Financial Reporting</b>		
1. financial reports		
1.1. income statement		
1.2. balance sheet		
1.3. statement of cash flow		
1.4. auditor disclosures (qualified vs unqualified)		
1.5. corporate SEC filings		
1.6. annual reports		
2. Accounting Fundamentals		
2.1. audited v. unaudited		
2.2. cash v. accrual accounting		
<b>C. Analytical Methods</b>		
1. time value of money concepts		

- 1.1. internal rate of return (IRR)
- 1.2. net present value (NPV)
- 1.3. future value (FV)
- 2. descriptive statistics (e.g., mean; median; mode; range; standard deviation; Alpha, Beta, and Sharpe ratios; correlation)
- 3. financial ratio interpretation and calculation
  - 3.1. current ratio
  - 3.2. quick ratio
  - 3.3. debt-to-equity ratio
- 4. valuation factors, interpretation and calculation
  - 4.1. price-to-earnings
  - 4.2. price-to-book

#### **D. Types of Risk**

- 1. systematic risks (e.g., interest rate risk, sector risk, geopolitical risk)
- 2. unsystematic risks (e.g., credit risk, legal/regulatory risk, financial risk, issuer specific risk)
- 3. opportunity cost
- 4. capital structure including liquidation priority (e.g., debt, preferred stock, common stock)

<b>II.</b>	<b>Investment Vehicle Characteristics</b>	<b>25%</b>	<b>32</b>
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#### **A. Types and Characteristics of Cash and Cash Equivalents**

- 1. insured deposits
  - 1.1. demand deposits
  - 1.2. certificates of deposit
- 2. money market instruments
  - 2.1. commercial paper
  - 2.2. Treasury bills

#### **B. Types of Fixed Income Securities**

- 1. U.S. government securities
  - 1.1. Treasury securities (e.g., Bills, Notes, Bonds)

- 1.2. Treasury Inflation-Protected Securities (TIPS)
- 2. asset-backed securities
- 3. corporate bonds
- 4. municipal bonds
  - 4.1. general obligation
  - 4.2. revenue
  - 4.3. insured
  - 4.4. tax implications
- 5. foreign-issued bonds
  - 5.1. government/sovereign debt
  - 5.2. corporate debt

**C. Characteristics and Valuation Factors of Fixed Income Securities**

- 1. fixed income characteristics
  - 1.1. tax implications
  - 1.2. bond ratings
  - 1.3. market liquidity
  - 1.4. liquidation preference (e.g., debt, preferred stock)
  - 1.5. call features
  - 1.6. coupon v. zero coupon
  - 1.7. duration
  - 1.8. pricing (par, premium, or discount)
  - 1.9. risk
  - 1.10. yield
- 2. fixed income valuation factors
  - 2.1. duration
  - 2.2. maturity
  - 2.3. yield to call
  - 2.4. yield to maturity
  - 2.5. coupon
  - 2.6. conversion valuation

2.7. bond ratings

2.8. credit spread

2.9. discounted cash flow

#### **D. Types of Equity Securities**

1. common stock (domestic, foreign, American Depositary Receipt (ADR))
2. preferred, convertible preferred stock, floating rate preferred

#### **E. Characteristics of Equity Securities**

1. shareholder rights
  - 1.1. voting rights
  - 1.2. antidilution (preemptive right)
  - 1.3. liquidation preferences
2. restricted stock and resale restrictions
3. dividends
4. employee stock options
  - 4.1. incentive
  - 4.2. nonqualified

#### **F. Methods Used to Determine the Value of Equity Securities**

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

#### **G. Equity Public Offering**

1. initial public offering (IPO)
2. secondary offering
3. special purpose acquisition companies (SPAC)/blind pools/blank check

#### **H. Types of Pooled Investments**

1. mutual funds
  - 1.1. open-end
  - 1.2. closed-end

2. private funds
  - 2.1. hedge funds
  - 2.2. private equity
  - 2.3. venture capital
3. unit investment trusts (UITs)
4. exchange traded funds (ETFs)
5. real estate investment trusts (REITs) (liquid and non-liquid)

#### **I. Characteristics of Pooled Investments**

1. share classes
2. liquidity
3. tax implications
4. fee structures and other costs
5. pricing
  - 5.1. net asset value
  - 5.2. discount/premium (e.g., ETFs, closed-end funds)
6. benefits and risks
7. relative comparisons
  - 7.1. benchmarks
  - 7.2. manager tenure
  - 7.3. change in investment policy
  - 7.4. style

#### **J. Types of Derivative Securities**

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

#### **K. Characteristics of Derivative Securities**

1. costs, benefits, and risks of derivative securities

#### **L. Alternative Investments**

1. limited partnerships
2. exchange traded notes
3. leveraged funds

4. inverse funds
5. structured products

#### **M. Insured-Based Products**

1. annuities (definitions)
  - 1.1. variable annuities
  - 1.2. fixed annuities
  - 1.3. indexed annuities
2. life insurance (definitions)
  - 2.1. whole
  - 2.2. term
  - 2.3. universal
  - 2.4. variable

#### **N. Other Assets**

1. commodities and precious metals
2. Digital assets (definition) (distinction, characteristics, and risks, securities, currencies, and assets)

### **III. Client Investment Recommendations and Strategies                      30%                      39**

#### **A. Type of Client**

1. individual, natural person(s), sole proprietorship
2. business entities
  - 2.1. general partnership
  - 2.2. limited partnership
  - 2.3. limited liability company (LLC)
  - 2.4. C and S-corporations
3. trusts and estates
4. foundations and charities

#### **B. Client Profile**

1. financial goals and objectives
2. current and future financial situation
  - 2.1. cash flow
  - 2.2. balance sheet

- 2.3. existing investments
- 2.4. tax situation
- 2.5. social security and pensions
- 3. risk tolerance
- 4. nonfinancial investment considerations (e.g., values including environmental, social, governance, and religious criteria; experience; life events; life stage; behavioral finance)
- 5. client data gathering (e.g., client identification; questionnaires; interviews)
- 6. time horizon.

### **C. Capital Market Theory**

- 1. investment theories, models, and hypotheses
  - 1.1. Capital Asset Pricing Model (CAPM)
  - 1.2. Modern Portfolio Theory
  - 1.3. Efficient Market Hypothesis

### **D. Portfolio Management Strategies, Styles and Techniques**

- 1. strategies
  - 1.1. strategic asset allocation
  - 1.2. tactical asset allocation
- 2. styles
  - 2.1. active
  - 2.2. passive
  - 2.3. growth
  - 2.4. value
  - 2.5. income
  - 2.6. capital appreciation
- 3. techniques
  - 3.1. diversification
  - 3.2. sector rotation
  - 3.3. dollar-cost averaging
  - 3.4. purchasing or selling options
  - 3.5. leveraging

3.6. volatility management

3.7. inverse strategies

3.8 high frequency trading

## **E. Tax Considerations**

1. income tax fundamentals: individual
  - 1.1. capital gains
  - 1.2. qualified dividends
  - 1.3. tax basis
  - 1.4. marginal bracket
  - 1.5. alternative minimum tax
  - 1.6. pension and retirement plan distributions  
(e.g., required minimum distributions (RMD))
  - 1.7. government benefit implications  
(definition) (e.g., income related monthly  
adjustment amounts (IRMAA))
2. income tax fundamentals: corporate (C vs S),  
trusts, passthrough entities (REIT, MLP, LLC)
3. wealth transfer: estate tax and gift tax  
fundamentals (e.g., exemptions; unified credit;  
annual vs lifetime; portability)

## **F. Retirement Plans**

1. Individual Retirement Accounts (traditional and Roth)
2. Solo 401(k) (traditional and Roth)
3. qualified retirement plans (e.g., defined benefit  
and defined contribution plans; company 401(k);  
403(b) plan; 457 plan; SIMPLE IRA; SEP)
4. nonqualified retirement plans

## **G. ERISA Issues**

1. fiduciary issues
  - 1.1. investment, qualified default investment  
alternative (QDIA), and diversification  
choices
2. investment policy statement
3. prohibited transactions



## **H. Special Types of Accounts**

1. education-related
  - 1.1. 529s
  - 1.2. Coverdell IRA
2. Uniform Transfers to Minors Act (UTMA)/Uniform Gift to Minors Act (UGMA)
3. health-savings accounts (HSA)

## **I. Ownership and Estate Planning Techniques**

1. types of ownership (joint tenants with rights of survivorship (JTWROS); tenants in common (TIC); tenancy by the entirety (TBE), community property with rights of survivorship (CPWROS))
  - 1.1. joint tenants with rights of survivorship (JTWROS)
  - 1.2. tenants in common (TIC)
  - 1.3. tenancy by the entirety (TBE)
2. transfer-on-death (TOD)/pay-on-death (POD)
3. beneficiary designation including per stirpes
4. trusts and wills (basic concepts)
5. qualified domestic relations order (QDROs)
6. donor advised funds

## **J. Trading Securities**

1. terminology
  - 1.1. bids
  - 1.2. offers
  - 1.3. market, limit, or stop order
  - 1.4. short sale
  - 1.5. cash accounts
  - 1.6. margin accounts
  - 1.7. principal or agency trades
  - 1.8. payment for order flow
2. role of introducing broker-dealers, clearing broker-dealers/custodians, market makers, and exchanges
3. costs of trading securities

- 3.1. commissions
- 3.2. markups
- 3.3. spread
- 4. best execution

#### **K. Portfolio Performance Measures**

- 1. returns (e.g., risk-adjusted; time-weighted; dollar-weighted; annualized; total; indexed; holding period; internal rate of return (IRR); expected; inflation-adjusted; after tax)
  - 1.1. risk-adjusted
  - 1.2. time-weighted
  - 1.3. dollar-weighted
  - 1.4. annualized
  - 1.5. total
  - 1.6. holding period
  - 1.7. internal rate of return (IRR)
  - 1.8. expected
  - 1.9. inflation-adjusted
  - 1.10. after tax
- 2. current yield
- 3. relevant benchmarks

<b>IV.</b>	<b>Laws, Regulations, and Guidelines Including Prohibition on Unethical Business Practices</b>	<b>30%</b>	<b>39</b>
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#### **A. Regulation of Investment Advisers, Including State-Registered and Federal Covered Advisers**

- 1. definitions of Investment Advisers (e.g., Investment Adviser, Exempt Reporting Adviser)
- 2. notice filing requirements
- 3. registration/post-registration
  - 3.1. books and records requirements
  - 3.2. registration maintenance requirements (e.g., update uniform forms, continuing education requirements for IARs)
- 4. Investment Adviser Representative supervision

#### **B. Regulation of Investment Adviser Representatives**

1. definition of an Investment Adviser Representative
2. registration/post-registration
  - 2.1. activities requiring registration, exclusions from registration, and registration authority
  - 2.2. registration maintenance requirements (e.g., update uniform forms, continuing education requirements, disclosure of reportable events)

**C. Regulation of Broker-Dealers**

1. definitions of Broker-Dealers

**D. Regulation of Agents of Broker-Dealers**

1. definition of an Agent of a Broker-Dealer

**E. Regulation of Securities and Issuers**

1. securities
  - 1.1. definitions
  - 1.2. state registration requirements/post-registration requirements
  - 1.3. exemptions and exclusions from registration (basic concepts)
2. issuers
  - 2.1. definition
  - 2.2. registration of issuer Agents
  - 2.3. finders
3. state enforcement and antifraud authority

**F. Remedies and Administrative Provisions**

1. authority of state securities Administrator
2. administrative actions
3. other penalties and liabilities

**G. Communication with Clients and Prospects**

1. required disclosures to clients
2. unlawful representations concerning registrations
3. performance guarantees prohibition
4. client contracts

- 5. correspondence and advertising
  - 5.1. social media
  - 5.2. email/digital messaging
  - 5.3. website and internet communications

## **H. Ethical Practices and Fiduciary Obligations**

- 1. compensation
  - 1.1. fees
  - 1.2. commissions
  - 1.3. performance based fees
  - 1.4. soft dollars
  - 1.5. disclosure of compensation
- 2. client funds and securities
  - 2.1. custody
  - 2.2. discretion
  - 2.3. trading authorization
  - 2.4. recommendation/advice to client standard of care
  - 2.5. anti-money laundering (AML)
- 3. custody definition and obligations
- 4. conflicts of interest, impermissible activities, fiduciary and other ethics issues
  - 4.1. loans to and from customers
  - 4.2. sharing in profits and losses in a customer account
  - 4.3. client confidentiality
  - 4.4. insider trading
  - 4.5. selling away
  - 4.6. market manipulation
  - 4.7. personal securities transactions
  - 4.8. outside securities accounts
  - 4.9. initial holdings and quarterly reports
  - 4.10. political contribution
  - 4.11. excessive trading

- 4.12. exploitation of vulnerable adults
  - 4.13. other prohibited activities
- 5. cyber security, privacy, and data protection.
- 6. business continuity plan
  - 6.1. disaster recovery
  - 6.2. succession planning