

## 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)

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

**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 Depository 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> |
|------------|--|------------|-----------|

#### **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