

## Series 66 Test Specifications

Topic	Weight	No. Questions
<b>I. Economic Factors and Business Information</b>	<b>8%</b>	<b>8</b>
<b>A. 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 (e.g., current ratio; quick ratio; debt-to-equity ratio)		
4. valuation factors, interpretation and calculation		
4.1. price-to-earnings		
4.2. price-to-book		
<b>II. Investment Vehicle Characteristics</b>	<b>17%</b>	<b>17</b>
<b>A. Types and Characteristics of Cash and Cash Equivalents</b>		
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>B. Valuation Factors of Fixed Income Securities</b>		
1. fixed income valuation factors		
1.1. duration		
1.2. maturity		
1.3. yield-to-call		
1.4. yield-to-maturity		
1.5. coupon		
1.6. conversion valuation		

- 1.7. bond ratings
- 1.8. credit spread
- 1.9. discounted cash flow

**C. Types of Equity Securities**

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

**D. Valuation Factors of Equity Securities**

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

**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. Equity Public Offering**

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

**G. 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 vs non-liquid)

#### **H. 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

#### **I. Futures and options**

1. futures definitions
2. options definitions

#### **J. Characteristics, Risks, and Application of Alternative Investments**

1. leveraged funds
2. inverse funds
3. structured products
4. exchange traded notes

#### **K. Insurance-Based Products**

1. annuities (definitions)

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

**L. Other Assets**

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

**III. Client/Customer Investment Recommendations and Strategies** **30%** **30**

**A. Type of Client/Customer**

- 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-corporation
- 3. trusts and estates
- 4. foundations and charities

**B. Client/Customer 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
  - 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

#### **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 (e.g., bids; offers; market, limit or stop order; short sale; cash accounts; margin accounts; principal or agency trades; payment for order flow)
2. role of introducing broker-dealers, clearing broker-dealers/custodians, market makers, and exchanges
3. costs of trading securities (e.g., commissions; markups; 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
  - 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 Practice</b>	<b>45%</b>	<b>45</b>
	<b>A. Regulations of Investment Advisers, Including State-Registered and Federal Covered Advisers</b>		
	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>B. Regulation of Investment Adviser Representatives</b>		
	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)		
	<b>C. Regulation of Broker-Dealers</b>		
	1. definitions of Broker-Dealers		
	2. registration/post-registration requirements		
	2.1. activities requiring registration and exclusions from registration		
	3. Broker-Dealer Agent supervision		
	<b>D. Regulations of Agents of Broker-Dealers</b>		
	1. definition of an Agent of a Broker-Dealer		



2. registration/post-registration requirements (e.g., activities requiring registration and exclusions from registration, update uniform forms)

**E. Regulations of Securities and Issuers**

1. definitions of securities and issuers
2. state registration/post-registration requirements
3. exemptions and exclusions from registration (basic concepts)
4. 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
  - 1.1. product disclosures
  - 1.2. other disclosures to clients
2. unlawful representations concerning registrations
3. performance guarantees prohibition
4. client contracts and customer agreements
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/customer funds and securities
  - 2.1. custody

- 2.2. discretion
- 2.3. trading authorization
- 2.4. recommendation/advice 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 clients/customers
  - 4.2. sharing in profits and losses in a client/customer account
  - 4.3. client/customer 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