

## Series 66 Content

- **Economic Factors and Business Information (5%):** This section includes five questions on financial reporting (such as financial ratios, SEC filings, and annual reports), quantitative methods (such as internal rate of return and net present value), and types of risk (such as market, interest rate, inflation, political, liquidity, and other risks).
- **Investment Vehicle Characteristics (20%):** The 20 questions in this section include, but are not limited to: methods used to value fixed-income securities, types and characteristics of derivative securities, alternative investments, and insurance-based products.
- **Client/Customer Investment Recommendations and Strategies (30%):** The 30 questions in this section include, but are not limited to: types of clients (including individuals, businesses, and trusts and estates), client profiling (including financial goals, current financial status, and risk tolerance), capital market theory, portfolio management strategies, tax considerations, retirement planning, trading accounts, and performance measurement.
- **Laws, Regulations, and Guidelines, Including Prohibition on Unethical Business Practices (45%):** This section includes 45 questions on state and federal securities acts along with related rules and regulations, ethical practices, and fiduciary obligations.

### I. Economic Factors and Business Information 5% 5

#### A. Analytical Methods (5)

1. time value of money concepts (e.g., internal rate of return [IRR]; net present value [NPV]);
2. descriptive statistics (e.g., mean; median; mode; range; standard deviation; Alpha, Beta, and Sharpe ratios; correlation)
3. financial ratios and their uses (e.g., current ratio; quick ratio; debt-to-equity ratio)
4. valuation ratios (e.g., P/E; price-to-book)

### II. Investment Vehicle Characteristics 20% 20

#### A. Valuation Factors of Fixed Income Securities (5)

1. fixed income valuation factors (e.g., duration; maturity; yield-to-call; yield-to-maturity; coupon; conversion valuation; bond ratings; credit spread; discounted cash flow)

#### B. Valuation Factors of Equity Securities (3)

1. technical analysis
2. fundamental analysis
3. dividend discount

4. discounted cash flow

C. Evaluation of Pooled Investment Vehicles (5)

1. share classes

2. liquidity

3. tax implications

4. fee structures and other costs

5. pricing (e.g., net asset value; discount/premium) **Series 66 Test Specifications**

6. benefits and risks

7. relative comparisons (e.g., benchmarks; manager tenure)

D. Futures (1)

1. definitions, costs, benefits, and risks

E. Characteristics, Risks, and Application of Alternative Investments (2)

1. exchange traded notes

2. leveraged funds

3. inverse funds

4. structured products

5. viatical/life settlements

F. Insurance Based Products (3)

1. annuities (e.g., fixed; variable; equity indexed)

2. life insurance (e.g., whole; term; universal; variable)

G. Other Assets (1)

1. investment real estate

2. commodities and precious metals

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



A. Type of Client/Customer (2)

1. individual, natural person(s), sole proprietorship
2. business entities (e.g. general partnership; limited partnership; limited liability company (LLC); corporation both C and S)
3. trusts and estates
4. foundations and charities

B. Client/Customer Profile (6)

1. financial goals and objectives **Series 66 Test Specifications**
2. current and future financial situation (e.g., cash flow; balance sheet; existing investments; tax situation, social security and pensions)
3. risk tolerance
4. nonfinancial investment considerations (e.g., values; attitudes; experience; demographics; life events; behavioral finance)
5. client data gathering (e.g., client identification; questionnaires; interviews)
6. time horizon

C. Capital Market Theory (2)

1. investment theories, models, and hypotheses (e.g., Capital Asset Pricing Model, Modern Portfolio Theory, Efficient Market Hypothesis)

D. Portfolio Management Strategies, Styles and Techniques (5)

1. strategies (e.g., strategic asset allocation; tactical asset allocation)
2. styles (e.g., active; passive; growth; value; income; capital appreciation)
3. techniques (e.g., diversification; sector rotation; dollar-cost averaging; puts; calls; leveraging; volatility management)

E. Tax Considerations (2)

1. income tax fundamentals - individual (e.g., capital gains; qualified dividends, tax basis; marginal bracket; alternative minimum tax)
2. income tax fundamentals - corporate, trust, and estate



3. estate tax and gift tax fundamentals

F. Retirement Plans (3)

1. Individual Retirement Accounts (traditional and Roth)

2. qualified retirement plans

3. nonqualified retirement plans

G. ERISA Issues (1)

1. fiduciary issues (e.g., investment choices; 404(c))

2. investment policy statement **Series 66 Test Specifications**

3. prohibited transactions

H. Special Types of Accounts (1)

1. education-related (e.g., 529s; Coverdell)

2. UTMA/UGMA

3. health-savings accounts

I. Ownership and Estate Planning Techniques (3)

1. methods of ownership transfer (joint tenants with rights of survivorship (JTWROS); tenants in common; tenancy by the entirety)

2. pay-on-death/transfer-on-death

3. beneficiary designation

4. trusts and wills

5. qualified domestic relations order (QDROs)

J. Trading Securities (2)

1. terminology (e.g., bids; offers; quotes; market; limit or stop order; short sale; cash accounts; margin accounts; principal or agency trades; high frequency trading; dark pools)

2. role of Broker-Dealers, custodians, market makers, and exchanges

3. costs of trading securities (e.g., commissions; markups; spread; best execution)



#### K. Portfolio Performance Measures (3)

1. returns (e.g. risk-adjusted; time-weighted; dollar-weighted; annualized; total; holding period; internal rate of return; expected; inflation-adjusted; after tax)
2. current yield
3. relevant benchmarks

#### **IV. Laws, Regulations, and Guidelines Including Prohibition on Unethical Business Practices 45% 45**

##### A. Regulations of Investment Advisers, Including State-Registered and Federal Covered Advisers (7) **Series 66 Test Specifications**

1. definition of an Investment Adviser
2. notice-filing requirements
3. registration/post-registration (e.g., books and records; registration maintenance requirements)
4. exemptions for exempt reporting advisors and private fund advisors
5. Investment Adviser Representative supervision

##### B. Regulation of Investment Adviser Representatives (5)

1. definition of an Investment Adviser Representative
2. registration/post-registration (e.g., books and records; registration maintenance requirements)

##### C. Regulation of Broker-Dealers (2)

1. definition of a Broker-Dealer
2. registration/post-registration (e.g., books and records; registration maintenance requirements)
3. Broker-Dealer Agent supervision

##### D. Regulation of Agents of Broker-Dealers (2)

1. definition of an Agent of a Broker-Dealer
2. registration/post-registration (e.g., books and records; registration maintenance requirements)

##### E. Regulation of Securities and Issuer (2)

1. definitions of securities and issuers



2. registration/post-registration (e.g., state registration requirements)

3. exemptions

4. State antifraud authority

F. Remedies and Administrative Provisions (2)

1. authority of state securities Administrator

2. administrative actions **Series 66 Test Specifications**

3. other penalties and liabilities

G. Communication with Clients/Customers and Prospects (11)

1. disclosures

2. unlawful representations concerning registrations

3. performance guarantees

4. client contracts and customer agreements

5. correspondence and advertising (e.g., social media, email, website)

H. Ethical Practices and Fiduciary Obligations (14)

1. compensation (e.g. fees; commissions; performance based fees; soft dollars; disclosure of compensation)

2. client/customer funds and securities (e.g. custody; discretion; trading authorization; prudent investor standards; suitability, antimoney laundering (AML))

3. custody conditions and obligations

4. conflicts of interest, criminal activities, fiduciary and other ethical considerations (e.g.; loans to and from clients/customers; sharing in profits and losses in a customer account; client confidentiality; insider trading; selling away; market manipulation; personal securities transactions; outside securities accounts; initial holdings and quarterly reports; political contribution; due diligence; excessive trading)

5. cyber security, privacy, and data protection