



UNIFORM INVESTMENT ADVISER LAW EXAMINATION (SERIES 65) OVERVIEW

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1 BACKGROUND INFORMATION

The Uniform Investment Adviser Law Examination, commonly called the “Series 65” examination, has been developed by the North American Securities Administrators Association, Inc. (“NASAA”) and NASAA’s member organizations in cooperation with securities industry professionals to set standards of professional competency for investment adviser representatives under state laws. Passage of the Series 65 examination (or possession of certain qualifying professional designations) is normally a prerequisite for licensure to conduct business as an investment adviser representative in a state.

The Series 65 examination evaluates an applicant’s knowledge of general finance, economics and investing principles as well as legal principles set by federal and state laws. These various principles have been identified by the examination developers as appropriate metrics for successful professional service as an investment adviser representative. Broadly speaking, the questions in the Series 65 examination draw from the following sources:

Finance, Economics and Investing¹

Federal Law²

- Investment Advisers Act of 1940 (“IAA”)
- Securities Exchange Act of 1934 (“SEA”)
- Securities Act of 1933 (“SA”)
- Securities and Exchange Commission (“SEC”) rules and regulations
- Financial Industry Regulatory Authority (“FINRA”) rules

State Law

- Uniform Securities Act of 1956, as amended by NASAA (“USA”)³

¹ The finance, economics and investing questions in the examination – which constitute the majority of questions – draw upon commonly accepted principles in these fields. NASAA does not endorse any particular finance, economics or investment resource (such as any particular textbook or set of textbooks). However, we believe the principles tested in these areas are widely taught and thus should be understood by anyone seeking registration as an investment adviser representative.

² All federal law materials testable in the Series 65 examination are publicly available through various governmental and non-governmental websites.

³ A copy of this model act is available on NASAA’s website at: <https://www.nasaa.org/wp-content/uploads/2021/10/1956-Uniform-Securities-Act-with-NASAA-Updates-and-Commentary.pdf>. The Uniform Securities Act of 1956 was developed by the Uniform Law Commission. Since its original publication, NASAA has added its own amendments and commentary to the 1956 Act. This version of the act – with NASAA’s amendments and commentary – is the version eligible for testing in the Series 65 examination. (The Uniform Law Commission subsequently developed a second model state securities statute, the Uniform Securities Act of 2002. However, the Series 65 does not test this version.)

- NASAA Model Rules, Statements of Policy and Model Acts⁴
- Uniform Prudent Investor Act⁵

Applicants for the Series 65 are not expected to know the entirety of information contained within these various sources. Rather, the Series 65 examination evaluates a test taker's knowledge of four general subject matters (and numerous components within each subject matter) relevant to the work of investment adviser representatives. The test specifications for the Series 65 examination – *i.e.*, the four general subject matters and the components tested therein, including their weightings within the examination – are contained in Part 2 below. Part 2 also identifies specific federal and state legal precedents eligible for testing.

1.1 Series 65 Examination Structure and Procedures

The Series 65 examination consists of 140 multiple-choice questions. Of these questions, 130 will count towards an applicant's final score while the remaining 10 are included for pre-testing purposes (to validate and weight the questions for future scoring in NASAA examinations). Applicants will not know which of the 140 questions in each examination will be scored and which questions are included for pre-testing. Applicants are allowed 180 minutes to complete the examination.

The Series 65 is a criterion based minimum competency examination, meaning NASAA, through one of its committees and with assistance of independent subject matter experts, is responsible for drafting and approving test questions and weighting the composite examination. To pass the examination, a candidate must correctly answer at least 92 of the 130 scored questions. Candidates who achieve this mark are considered to have met the minimum level of professional competency necessary to serve as an investment adviser representative.

Series 65 examinations are individually assembled by a test development algorithm from a pool of eligible questions. Two individuals taking the Series 65 examination at the same time therefore will have different sets of test questions. The test development algorithm uses difficulty parameters and content parameters associated with the test questions to create each Series 65 examination. The use of these parameters ensures that all Series 65 examinations will be consistent with one another from a content and difficulty perspective, notwithstanding that the specific questions will vary.

All examination questions are copyright material of NASAA. NASAA expressly prohibits the unauthorized use of the examination and examination questions. **Accordingly, no one may use, copy, reproduce or republish an examination or any examination questions**

⁴ All of these NASAA resources are publicly available through NASAA's website, www.nasaa.org.

⁵ The Uniform Prudent Investor Act is publicly available at <https://www.uniformlaws.org/viewdocument/final-act-108?CommunityKey=58f87d0a-3617-4635-a2af-9a4d02d119c9&tab=librarydocuments>.

without prior written consent from NASAA. NASAA reserves the right to take appropriate action against any person who compromises or attempts to compromise the examination, either in whole or in part, including referring such persons to state securities regulators and law enforcement officials.

The Series 65 examination is conducted as a closed book test. Although not necessary, scratch paper may be used by a candidate and will be provided by a testing proctor upon request. (Scratch paper must be returned to the proctor after the test.) After completing the examination, applicants will be notified whether they pass or fail the examination. Furthermore, any applicant who fails the examination will be informed of their scores within each of the four sections of the examination (discussed below). No applicant will be told their score on specific questions, nor will the text of any questions be disclosed.

Series 65 examinations are administered to test takers by FINRA. To schedule a candidate for the examination, a candidate's employer should file an electronic Form U4 through the WebCRD system (though an individual not employed by or associated with an investment adviser can schedule their own examination by visiting [FINRA's Test Enrollment Services System](#)). Please visit FINRA's "Enroll for an Exam"⁶ webpage to learn more about registering to take the examination. Once a candidate is registered, FINRA will open a 120-day testing window within which the candidate must schedule and take their examination.

If an individual takes the Series 65 examination and does not pass, the following waiting periods shall apply before the individual can retest:

- (1) a minimum of 30 days after failing the first examination before the second taking of the examination can be scheduled;
- (2) a minimum of 30 days after failing the examination for the second time before the third taking of the examination can be scheduled; and
- (3) a minimum of 180 days after failing the examination for a third time before the fourth taking of the examination (and each subsequent taking) can be scheduled.

Although successful completion of the examination may satisfy a portion of the requirements for registration as an investment adviser representative in a particular state, **passing the Series 65 examination does not in and of itself confer the right to transact securities business in any state.** Test takers should refer to the specific licensing and registration

⁶ Publicly available at <https://www.finra.org/registration-exams-ce/qualification-exams/enroll>.

requirements of each state in which they seek to conduct business before endeavoring to do so to ensure they do not engage in unlawful unregistered broker-dealer or investment adviser activity.

1.2 About NASAA and NASAA Model Acts, Model Rules and Statements of Policy

The Series 65 examination was developed by and through NASAA, and all examination questions are NASAA copyrighted property. NASAA is a non-profit association of state, provincial and territorial securities regulators in the United States, Canada and Mexico. NASAA's U.S. members consist of the securities regulators in all fifty states, the District of Columbia, Guam, Puerto Rico and the U.S. Virgin Islands. NASAA's members have worked to protect investors and regulate state securities markets for over 100 years.

One of NASAA's missions is to develop model regulatory policies for potential adoption by NASAA members or state legislatures. These documents, which NASAA terms model acts, model rules or statements of policy,⁷ are intended for use by states to regulate particular issues of state securities law. NASAA has a process by which it develops and adopts models and statements (including providing opportunities for public comment). After NASAA adopts a model act, model rule or statement of policy, each jurisdiction will decide for itself whether (and how) to adopt the regulatory policy as its own.

NASAA's model acts, model rules and statements of policy thus do not have legal force or effect standing on their own. They are given legal force or effect through their adoption by particular jurisdictions. All of NASAA's model acts, model rules and statements of policy are publicly available on NASAA's website, www.nasaa.org, though not all of them are testable in the Series 65 examination. The subject matters tested in the Series 65 and their respective weightings are outlined immediately below. Part 2 also includes a list of the legal precedents eligible for testing in the examination.

2 SERIES 65 TEST SPECIFICATIONS

The Series 65 examination tests four general subject matters related to the professional responsibilities of investment adviser representatives. These subject matters are listed in the following table, along with their respective weightings within the examination.

⁷ There is no material distinction for non-NASAA members between a NASAA *model act*, a NASAA *model rule* and a NASAA *statement of policy*.

| SUBJECT MATTER | WEIGHTING | NUMBER OF QUESTIONS |
|---|------------------|----------------------------|
| Economic Factors and Business Information | 15% | 20 |
| Investment Vehicle Characteristics | 25% | 32 |
| Client Investment Recommendations and Strategies | 30% | 39 |
| Laws, Regulations and Guidelines Including Prohibition on Unethical Business Practices | 30% | 39 |
| <i>TOTALS</i> | 100% | 130* |

* As discussed previously, each Series 65 examination includes 140 questions of which 130 questions are scored. The 10 unscored questions can come from any one or more of the above subject matters.

The sections below outline the purposes and scope of questions tested within these four subject matters. In addition, within each subject matter, a breakdown is given of the particular types of information that will be tested as well as specific laws or rules eligible for testing (as applicable). Candidates are responsible for their own course of study to prepare for the examination. NASAA is not involved with, and does not endorse, any third-party examination preparation services.

Finally, candidates should note that examination questions may or may not reference the specific concept or legal rule being tested. For example, a question intended to test a candidate’s knowledge of the *NASAA Unethical Business Practices of Investment Advisers, Investment Adviser Representatives, and Federal Covered Advisers Model Rule* may or may not actually name this model rule as part of the question. In addition, questions may refer generally to an area of law. A question that begins, “Under the Uniform Securities Act . . .”, therefore might be testing the literal text of the Uniform Securities Act of 1956 (as amended by NASAA) or it might be testing a NASAA model rule promulgated thereunder. Similarly, a question that says “pursuant to the Securities Exchange Act of 1934” could be testing the text of this statute or an SEC rule promulgated thereunder. Candidates thus are expected to know the concepts and legal principles enumerated below without necessarily being prompted as to which concept or principle is being tested.

2.1 Economic Factors and Business Information

Twenty questions in every Series 65 examination (15%) will test general principles of economics, business operations and financial accounting. These twenty questions will cover the following four components:

- (1) Basic Economic Concepts

- Business cycles
 - Monetary and fiscal policies
 - Global and geopolitical factors (*e.g.*, currency valuation, effects of exchange rates on investment returns, sovereign debt)
 - Inflation/deflation
 - Interest rates, yield curves, credit spreads
 - Economic indicators (*e.g.*, gross domestic product, employment indicators, trade deficit, balance of payments, consumer price index).
- (2) Financial Reporting
- Financial reports (*e.g.*, income statement, balance sheet, statement of cash flows, auditor disclosures, corporate SEC filings, annual reports)
 - Accounting Fundamentals (*e.g.*, audited vs. unaudited financials, cash vs. accrual accounting)
- (3) Analytical Methods
- Time value of money concepts (*e.g.*, internal rate of return, net present value)
 - Descriptive statistics (*e.g.*, differences between mean, median and mode, ranges, standard deviation, Alpha, Beta, and Sharpe ratios, correlations)
 - Financial ratios and their uses (*e.g.*, current ratio, quick ratio, debt-to-equity ratio)
 - Valuation ratios (*e.g.*, price-to-earnings ratio, price-to-book ratio)
- (4) Types of Risk
- Systematic risks
 - Unsystematic risks
 - Opportunity cost
 - Capital structure including liquidation priority

2.2 Investment Vehicle Characteristics

Thirty-two questions in every Series 65 examination (25%) will test features or characteristics or various types of investment vehicles. These thirty-two questions will cover the following fourteen components:

- (1) Types and Characteristics of Cash and Cash Equivalents
- Insured deposits (*e.g.*, demand deposits, certificates of deposit)
 - Money market instruments (*e.g.*, commercial paper, Treasury bills)
- (2) Types of Fixed Income Securities

- U.S. government and agency securities (*e.g.*, Treasury securities, mortgage-backed securities from Fannie Mae or Freddie Mac, Treasury Inflation-Protected Securities)
 - Asset-backed securities
 - Corporate bonds
 - Municipal bonds (*e.g.*, general obligation, revenue, insured vs. uninsured)
 - Foreign bonds (*e.g.*, government debt, corporate debt)
- (3) Characteristics and Valuation Factors of Fixed Income Securities
- Characteristics (*e.g.*, tax implications, market liquidity, liquidation preference, call features, coupon vs. zero coupon, duration, premium)
 - Fixed income valuation factors (*e.g.*, maturity, yield-to-call, yield-to-maturity, conversion valuation, bond ratings, credit spread, discounted cash flow)
- (4) Types of Equity Securities
- Common stock, domestic and foreign
 - Preferred and convertible preferred stock
- (5) Characteristics of Equity Securities
- Shareholder rights (*e.g.*, voting rights, antidilution, liquidation preferences)
 - Restricted stock and resale restrictions
 - Dividends
 - Employee stock options (*e.g.*, incentive, nonqualified)
- (6) Methods Used to Determine the Value of Equity Securities
- Technical analysis
 - Fundamental analysis
 - Dividend discount
 - Discounted cash flow
- (7) Equity Public Offering
- Initial public offering (IPO)
 - Secondary offering
 - SPAC/blind pools/blank check
- (8) Types of Pooled Investments
- Mutual funds (open-end vs. closed-end)
 - Private funds (*e.g.*, hedge funds, private equity funds, venture capital funds)
 - Unit investment trusts (“UITs”)
 - Exchange-traded funds (“ETFs”)
 - Real estate investment trusts (“REITs”) (including exchange listed and non-traded REITs)

- (9) Characteristics of Pooled Investments
 - Share classes
 - Liquidity
 - Tax implications
 - Fee structures and other costs (*e.g.*, load vs. no-load funds, contingent deferred sales charges, Rule 12b-1 fees, breakpoints)
 - Pricing (*e.g.*, net asset value (“NAV”), discount/premium)
 - Benefits and risks
 - Relative comparisons (*e.g.*, benchmarks, manager tenure, securities indexes)
- (10) Types of Derivative Securities
 - Options and warrants (definitions)
 - Futures and forward contracts (definitions)
- (11) Characteristics of Derivative Securities
 - Costs, benefits, and risks of derivative securities
- (12) Alternative Investments
 - Limited partnerships
 - Exchange traded notes (“ETNs”)
 - Leveraged funds
 - Inverse funds
 - Structured products
- (13) Insurance Based Products
 - Annuities (*e.g.*, fixed, variable, equity indexed)
 - Life insurance (*e.g.*, whole, term, universal, variable)
- (14) Other Assets
 - Commodities and precious metals
 - Digital Assets

2.3 Client Investment Recommendations and Strategies

Thirty-nine questions in every Series 65 examination (30%) will test principles governing investment recommendations and investment strategies. These thirty-nine questions will cover the following eleven components:

- (1) Type of Client
 - Individual, natural person, sole proprietorship
 - Business entities (*e.g.*, general partnership, limited partnership, limited liability company, corporations (both C and S))

- Trusts and estates
- Foundations and charities
- (2) Client Profile
 - Financial goals and objectives
 - Current and future financial situation (*e.g.*, cash flow, balance sheet, existing investments, tax situation, social security and pensions)
 - Risk tolerance
 - Nonfinancial investment considerations (*e.g.*, values, attitudes, experience, demographics, life events, behavioral finance)
 - Client data gathering (*e.g.*, client identification, questionnaires, interviews)
 - Time horizon
- (3) Capital Market Theory
 - Investment theories, models, and hypotheses (*e.g.*, capital asset pricing model, modern portfolio theory, efficient market hypothesis)
- (4) Portfolio Management Strategies, Styles and Techniques
 - Strategies (*e.g.*, strategic asset allocation, tactical asset allocation)
 - Styles (*e.g.*, active, passive, growth, value, income, capital appreciation)
 - Techniques (*e.g.*, diversification, sector rotation, dollar-cost averaging, puts, calls, leveraging, volatility management, inverse strategies, high frequency trading)
- (5) Tax Considerations
 - Income tax fundamentals: individual (*e.g.*, capital gains, qualified dividends, tax basis, marginal tax bracket, alternative minimum tax)
 - Income tax fundamentals: corporations, trusts and estates
 - Wealth Transfer, estate tax and gift tax fundamentals
- (6) Retirement Plans
 - Individual retirement accounts (*e.g.*, traditional, Roth)
 - Solo 401(k) (*e.g.*, traditional, Roth)
 - Qualified retirement plans
 - Nonqualified retirement plans
- (7) Employee Retirement Income Security Act (ERISA) Issues
 - Fiduciary issues (*e.g.*, investment choices, ERISA § 404(c))
 - Investment policy statement
 - Prohibited transactions
- (8) Special Types of Accounts
 - Education-related (*e.g.*, 529 plans, Coverdell accounts)

- Uniform Transfers to Minors Act (UTMA) and Uniform Gifts to Minors Act (UGMA)
- Health savings accounts (HSA)
- (9) Ownership and Estate Planning Techniques
 - Types of ownership (*e.g.*, joint tenants with rights of survivorship, tenants in common, tenancy by the entirety)
 - Pay on death and transfer on death
 - Beneficiary designation
 - Trusts and wills
 - Qualified domestic relations order
 - Donor advised funds
- (10) Trading Securities
 - Terminology (*e.g.*, bids, offers, quotes, market orders, limit or stop orders, short sales, cash accounts, margin accounts, principal or agency trades, payment for order flow)
 - Roles of broker-dealers, custodians, market makers, and exchanges
 - Costs of trading securities (*e.g.*, commissions, markups, bid/ask spread, best execution)
- (11) Portfolio Performance Measures
 - Returns (*e.g.*, risk-adjusted, time-weighted, dollar-weighted, annualized, total, holding period, internal rate of return, expected, inflation-adjusted, after tax)
 - Current yield
 - Relevant benchmarks

2.4 Laws, Regulations and Guidelines Including Prohibition on Unethical Business Practices

Thirty-nine questions in every Series 65 examination (30%) will test standards for professional conduct by investment advisers and investment adviser representatives. These thirty-nine questions will cover the following eight components:

- (1) Regulation of Investment Advisers, Including State-Registered Advisers and Federal Covered Advisers
 - Definitions of an investment adviser (USA § 401, IAA § 202)
 - Notice filing requirements
 - Registration and post-registration requirements (*e.g.*, required books and records, registration maintenance requirements, Form ADV, IAA § 203, IAA § 203A, USA § 201, USA § 202, USA § 203, USA § 204, SEC Rule 203A-1,

- SEC Rule 203A-2, SEC Rule 204-1, SEC Rule 204-3, *NASAA Recordkeeping Requirements for Investment Advisers Model Rule 203(a)-2*, *NASAA Brochure Rule Requirements for Investment Advisers Model Rule 203(b)-1*, *NASAA Financial Reporting Requirements for Investment Advisers Model Rule 203(c)-1*)
- Exemptions for exempt reporting advisors and private fund advisors (IAA § 203, SEC Rule 204-4, *NASAA Registration Exemption for Investment Advisers to Private Funds Model Rule*)
 - Investment adviser representative supervision
- (2) Regulation of Investment Adviser Representatives
- Definition of an investment adviser representative (USA § 401, SEC Rule 203A-3)
 - Registration and post-registration requirements (USA § 201, USA § 202, USA § 203, USA § 204, Form U4, *NASAA Registration Requirements for Investment Advisers Model Rule 202(a)-1*, *NASAA Examination Requirements for Investment Advisers and Investment Adviser Representatives Model Rule 204(b)(6)-1*)
- (3) Regulation of Broker-Dealers
- Definition of a broker-dealer (USA § 401, IAA § 202)
 - Definition of an underwriter (SA § 2)
 - Definition of a market maker, associated person (SEA § 3)
 - Registration and post-registration requirements (*e.g.*, required books and records, registration maintenance requirements)
- (4) Regulation of Broker-Dealer Agents
- Definition of a broker-dealer agent (USA § 401)
 - Registration and post-registration requirements (*e.g.*, Form U4)
- (5) Regulation of Securities and Issuers
- Definitions of security and issuer (*e.g.*, USA § 401,)
 - The securities registration process, including federal and state registration and notice filing requirements, registration exemptions and post-registration requirements (SA § 5, SA § 18, SEC Regulation D, USA § 301, USA § 302, USA § 303, USA § 304, USA § 305, USA § 402)
 - Definitions of investment companies (ICA § 2,)
 - State antifraud authority
- (6) Remedies and Administrative Provisions
- Authority of state securities administrator (USA § 204, USA § 306, USA § 406, USA § 407, USA § 412)
 - Administrative actions (USA § 408)

- Other penalties and liabilities (USA § 409, USA § 410, USA § 411)
- (7) Communication with Clients and Prospects
- Disclosures
 - Unlawful representations concerning registrations
 - Performance guarantees
 - Client contracts (USA § 102, IAA § 205, *NASAA Contents of Investment Advisory Contract Model Rule USA 2002 502(c)*)
 - Correspondence and advertising (e.g., social media, email, website, USA § 403, USA § 405, SEC Rule 206(4)-1, SEC Rule 204-2)
- (8) Ethical Practices and Fiduciary Obligations
- Compensation (e.g., fees, commissions, performance-based fees, “pay to play,” soft dollars, disclosure of compensation, SEA § 28(e), SEC Rule 206(4)-5, *NASAA Performance-Based Compensation Exemption for Investment Advisers Model Rule 102(f)-3*, MSRB Rule G-37)
 - Client funds and securities (e.g., custody, trading discretion, trading authorizations, prudent investor standards, suitability, anti-money laundering, Uniform Prudent Investor Act, *NASAA Agency Cross Transaction of Investment Advisers Model Rule 102(f)-1*)
 - Custody conditions and obligations (SEC Rule 206(4)-2, *NASAA Custody Requirements for Investment Advisers Model Rule 102(e)(1)-1*, *NASAA Minimum Financial Requirements for Investment Advisers Model Rule 202(d)-1*)
 - Conflicts of interest, criminal activities, fiduciary and other ethical considerations (e.g., loans to and from clients, 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 contributions, due diligence, excessive trading, SEC Rule 204A-1, *NASAA Unethical Business Practices of Investment Advisers, Investment Adviser Representatives, and Federal Covered Advisers Model Rule, NASAA Dishonest or Unethical Business Practices of Broker-Dealers and Agents Model Rule 102(a)(4)-1*, *NASAA Statement of Policy Regarding Dishonest or Unethical Practices by Broker-Dealers and Agents in Connection with Investment Company Shares, NASAA Model Act to Protect Vulnerable Adults from Financial Exploitation*)
 - Cybersecurity, privacy, and data protection (SEC Regulation S-P)
 - Business continuity plans (e.g., disaster recovery, succession planning, *NASAA Model Rule on Business Continuity and Succession Planning, 203(a)-1*).

Disclaimer: This document is intended to be an overview of the Uniform Investment Adviser Law Examination, which will contain specific and challenging questions in these subjects. Accordingly, this guide should not be considered a substitute for thorough study and preparation.