



March 11, 2026

Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: File No. IA-6935 – Proposed Amendments to the “Small Business” and “Small Organization” Definitions for Investment Advisers for Purposes of the Regulatory Flexibility Act

Dear Ms. Countryman:

On behalf of the National Venture Capital Association (“NVCA”), which represents the U.S. venture capital industry and the entrepreneurs and investors who power America’s innovation ecosystem, we respectfully submit this comment letter in response to the Commission’s proposed amendments to the definitions of “small business” and “small organization” for investment advisers under the Investment Advisers Act of 1940 (the “**Advisers Act**”), for purposes of the Regulatory Flexibility Act (“**RFA**”).

NVCA strongly supports the Commission’s proposal to increase the applicable asset-based threshold for regulatory assets under management (“**RAUM**”) to \$1 billion. In our view, a substantial upward revision is warranted not only to account for inflation, but more fundamentally to reflect (i) structural changes in U.S. capital markets, (ii) the economic and operational realities of venture capital advisory firms and venture funds, and (iii) the growing divergence between asset-based metrics and operational scale. Because the RFA is designed to ensure that agencies meaningfully evaluate the impact of regulatory requirements on entities with limited resources, it is essential that the definitions of “small business” and “small organization” accurately capture the population of firms whose compliance capacity remains constrained relative to the regulatory obligations imposed.

I. RFA Framework and Overview

The RFA requires agencies to assess the economic impact of proposed and final rules on “small entities,” including small businesses and small organizations, and to consider less burdensome alternatives where appropriate.

The utility of those analyses depends directly on the accuracy of the threshold definitions used to identify affected entities. Under current Commission rules, the definitions applicable to investment advisers rely primarily on asset-based thresholds that were calibrated in materially different market conditions. If those thresholds no longer reflect

contemporary market structure or the operational characteristics of affected entities, the Commission’s RFA analyses risk becoming underinclusive and functionally ineffective.

Accordingly, NVCA supports the Commission’s proposal to revise the RAUM threshold to \$1 billion. In addition, because the small-entity definition requires satisfaction of both the RAUM test and the Total Assets test, the Commission should also revise the Total Assets Threshold to ensure that the revised framework functions as intended and does not inadvertently exclude advisers whose operational scale remains limited.

We also support making subsequent inflation adjustments to the applicable asset-based thresholds by order every ten years in accordance with the inflation adjustment mechanism set forth in the rulemaking.

II. Investment Advisers Act Definition of “Small Business” and “Small Organization”

A. RAUM Is Not a Reliable Proxy for Operational Scale in Venture Capital

For purposes of the Advisers Act definitions, RAUM is used as the principal metric for determining small-entity status. In the venture capital context, however, RAUM does not correlate reliably with organizational complexity, staffing levels, liquidity risk, or systemic market footprint.

Venture capital funds are long-duration, closed-end vehicles. Capital is committed upfront but drawn down gradually over multi-year investment periods and returned only upon liquidity events. Generally, venture funds do not offer redemptions, do not engage in daily trading, do not use leverage at the fund level, invest primarily in private operating companies, and are marketed to sophisticated investors.

Because funds overlap across vintages, aggregate RAUM accumulates mechanically over time—even where each individual fund remains modest in size. A venture adviser approaching \$1 billion in RAUM may manage four or five overlapping funds, employ fewer than 20–25 full-time professionals, maintain a lean compliance function often supported by outside counsel, and operate without derivatives exposure, liquidity transformation, or counterparty risk.

In short, for venture capital advisers, RAUM scales far more quickly than headcount, infrastructure, or risk profile. As a result, a RAUM-based threshold that is too low will misclassify operationally small and mid-sized advisory businesses as “large” entities for RFA purposes, even though their internal resources and compliance capacity remain limited.

B. Structural Changes in U.S. Capital Markets Necessitate a Significant Increase

Since the adoption of many key Advisers Act thresholds following passage of the Dodd-Frank Act, U.S. capital formation has continued to migrate from public markets to private

markets. Companies remain private longer, IPO timelines have lengthened significantly, and venture-backed companies often require larger and more numerous private financing rounds before exit.

These shifts mean that venture advisers must manage larger aggregate pools of private capital simply to support the same number of companies through longer development cycles than would have been required in earlier market environments. Sequential fundraising across overlapping long-duration funds can therefore produce substantial cumulative RAUM without a commensurate increase in operational complexity.

Liquidity dynamics further underscore this reality. There was approximately \$106 billion in venture secondary transactions in 2025 compared to \$8 billion in 2020, while public listings generated approximately \$117 billion in 2025 compared to \$178 billion in 2020.¹ Prolonged exit cycles have required venture advisers to manage larger aggregate pools of capital for longer durations.

At the same time, capital has become meaningfully concentrated among a small number of firms. In the first half of 2025, 12 U.S. venture firms raised more than 50% of the total value of capital raised, and the top 30 firms raised 74% of all capital raised.² The revised threshold would better reflect that capital, fundraising, and market power have become increasingly concentrated among a small number of large firms, while the long tail of emerging and mid-sized managers continues to operate with lean infrastructure and constrained compliance resources.

Accordingly, a substantial increase to the RAUM threshold is necessary to ensure that advisers that are not dominant in their field are not excluded from small-entity consideration solely due to aggregate capital commitments accumulated over extended fund lifecycles.

C. Growth in Fixed Compliance Costs

Since 2010, the compliance baseline for SEC-registered advisers has expanded materially in ways that remain operative today. Post-Dodd-Frank reforms introduced systemic reporting obligations under Form PF, and subsequent amendments increased the granularity and frequency of reporting for certain private fund advisers. The Commission's 2020 overhaul of the Marketing Rule expanded disclosure, performance presentation, and recordkeeping requirements. Amendments to Regulation S-P strengthened incident response and data protection expectations. Examination priorities

¹ Emily Zheng, *Shedding Light on the Private Secondary Market*, Presentation to the SEC Small Bus. Cap. Formation Advisory Comm. (Feb. 24, 2026), <https://www.sec.gov/files/sbcfac-webcast-022426-presentation-emily-zheng.pdf>; see also Jefferies Private Capital Advisory, *Global Secondary Market Review* (Jan. 2025), <https://www.jefferies.com/wp-content/uploads/sites/4/2025/02/Jefferies-Global-Secondary-Market-Review-January-2025.pdf>.

² Rosie Bradbury, *12 Firms Collected Over 50% of All Venture Cash in the First Half of 2025*, PitchBook (July 15, 2025), <https://pitchbook.com/news/articles/us-venture-capital-firm-concentration-first-half-2025-founders-fund>

have increasingly emphasized custody practices, valuation, conflicts, and fee and expense allocations.

Importantly, many of these obligations impose fixed compliance costs that do not scale linearly with RAUM. A venture adviser with \$800 million in RAUM does not maintain eight times the compliance infrastructure of a \$100 million adviser. Yet both advisers must implement policies, retain consultants and auditors, maintain electronic recordkeeping systems, and devote internal personnel resources to satisfy regulatory expectations.

Historically, many venture capital advisers have relied on the exemption from registration under Section 203(l) of the Advisers Act and Rule 203(l)-1 as Exempt Reporting Advisers. However, prolonged exit timelines and constrained IPO and M&A markets have increased the use of secondary transactions and other liquidity-oriented strategies that may fall outside the definition of “qualifying investments” under Rule 203(l)-1. As a result, some advisers face greater risk of exceeding the 20 percent non-qualifying investment limitation and, in turn, losing eligibility for the venture capital adviser exemption. This dynamic places disproportionate regulatory pressure on smaller advisers and further underscores the importance of properly calibrating the Commission’s small-entity thresholds.

D. The Total Assets Threshold

The Commission’s proposing release requests comment on whether the existing \$5 million Total Assets Threshold should remain unchanged or be revised in light of the proposed increase to the RAUM Threshold.

NVCA believes that maintaining the Total Assets Threshold at its current level would materially undermine the practical effect of raising the RAUM Threshold. Because the small-entity definition requires an adviser to satisfy both the RAUM test and the Total Assets test, leaving the Total Assets Threshold unchanged would, in effect, render the proposed RAUM increase largely illusory for many venture capital advisers.

Under the standard venture capital model, advisory firm revenues are derived primarily from a management fee based on committed capital (typically 2%). As a result, total assets at the adviser level naturally scale with RAUM.

Accordingly, if the Commission finalizes a substantial increase to the RAUM Threshold, it should also revise the Total Assets Threshold proportionately. Increasing the RAUM Threshold without adjusting the Total Assets Threshold would arbitrarily exclude a substantial number of venture advisers that should be considered “small entities” under the RFA. At a minimum, the Total Assets Threshold should be increased by the same proportional factor as the RAUM Threshold and should be subject to the same periodic adjustment mechanism.

III. Periodic Future Adjustments

NVCA supports the Commission's proposed mechanism for periodic adjustments of small-entity asset-based thresholds by order every ten years using the PCE Index.

We further encourage the Commission to periodically review these thresholds to account not only for inflation, but also for structural growth and concentration in private capital markets. Venture capital investment advisers may grow significantly faster than general measures of inflation, as private markets overall have expanded materially over the past several decades.

IV. Conclusion

A meaningful increase in the small-entity thresholds is necessary to align the Commission's regulatory framework with contemporary private market realities. Updating the thresholds will not dilute core fiduciary obligations or investor protections; rather, it will help ensure that the RFA continues to serve its statutory purpose by requiring the Commission to consider proportionate regulatory approaches for entities whose compliance capacity remains limited relative to the obligations imposed.

We appreciate the Commission's consideration of these comments and would welcome the opportunity to provide additional information to support the rulemaking record.

Respectfully submitted,



Bobby Franklin
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National Venture Capital Association