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Securities and Exchange Commission  
C/O: Vanessa A. Countryman, Secretary  
100 F Street, NE  
Washington, DC 20549  
[rule-comments@sec.gov](mailto:rule-comments@sec.gov)

**Re: File No. S7-2026-01 - Amendments to the "Small Business" and "Small Organization" Definitions for Investment Advisers for Purposes of the Regulatory Flexibility Act**

Dear Ms. Countryman,

Thank you for the opportunity to submit my comments. I commend the Commission for its proposal to amend the rules under the Investment Company Act of 1940 (the "Investment Company Act") and under the Investment Advisers Act of 1940 (the "Advisers Act") that define the terms "small business" and "small organization" for purposes of the Regulatory Flexibility Act (the "RFA"). However, asset-based thresholds are not an efficient nor accurate mechanism for identifying and measuring these "small" entities. As a 100% fixed income firm, we strongly believe the mechanism of measuring and identifying "small businesses" and "small organizations" should be revenue, not assets under management (AUM).

The RFA serves an important role in providing regulatory flexibility and relief to small investment advisers. Through the RFA, the Commission has a longstanding commitment to addressing the concerns of small entities with the goal of minimizing the significant economic impact of regulatory policy on a substantial number of these entities. Smaller firms not only have increased regulatory pressure and their associated costs; but they are also under regular revenue pressure from client fee reductions and alarming price increases related to cybersecurity costs and access to market data. Thus, in order to fulfill the mission of the RFA, it is vital that the Commission accurately capture the true number and true intent of smaller firms in the industry.

The current proposal, File Number S7-2026-01, proposes increasing the current RAUM threshold in defining small entities for both Investment Companies and Investment Advisers. However, assets do not present a clear picture and can be misleading when measuring a firm's size and viability. For example, fees for fixed income management are significantly lower than fees for other asset classes. In fact, an investment grade fixed income firm with approximately \$25 billion AUM has the same general revenue as a private equity firm with \$1.5 billion AUM. That does not even include the carried interest earned by the private equity manager, nor the operating expenses that it can charge back to the client often with little advanced knowledge. Furthermore, a fixed income manager's client can cancel its contract with 30 days' notice. Meanwhile, a private equity manager's client is locked for a

minimum of seven years and is subject to capital calls. Thus, I strongly believe that the most efficient and equitable way of measuring small firms is using a revenue-based model in place of an AUM-based model. I am aware that using revenue versus AUM may present some logistical challenges for the Commission. However, I believe there are several avenues for mitigating such challenges.

First, the Commission could do a study measuring and comparing the weighted average revenue of different firms: 100% fixed income, 100% private equity, 100% high-yield, etc. For managers with different asset types, a weighted average among the asset types along with its corresponding revenue could be used. This would give the commission a baseline to measure the delta in revenue of different types of managers.

The Commission could also simply ask firms to self-report their revenue voluntarily in order to seek "small" status relief. If a firm does not want to disclose its revenue, then they would not be eligible for exemptive relief through the RFA. Thus, transparency would be another benefit from utilizing revenue as the basis for exemptive relief. As the industry continues to grow, it is vital that the RFA fulfill its purpose to promote the effectiveness and efficiency of regulations through the consideration of alternative regulatory approaches. While AUM has long been the standard for measuring size, it is no longer accurate nor equitable to judge different managers.

Thanks again for allowing me to comment. I have enjoyed working with the Commission immensely over the past few years primarily through my volunteer service on two of your FACA committees - FIMSAC and AMAC. Please let me know if you have questions regarding my submission and I am always available to the Commission at 713-853-2323 (work) and 713-443-4330 (mobile).

Sincerely,

A handwritten signature in black ink, appearing to read 'AG Garcia', written in a cursive style.

Gilbert Andrew Garcia, CFA  
Managing Partner, Chief Investment Officer  
Garcia Hamilton & Associates, L.P.