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Invested in America

March 13, 2026

Via e-mail to rule-comments@sec.gov

U.S. Securities and Exchange Commission
100 F Street, NE
Washington DC 20549-1090
Attn: Vanessa A. Countryman, Secretary

Re: File No. S7-2026-01; small entity definition for investment advisers

Dear Ms. Countryman:

The Securities Industry and Financial Markets Association ("SIFMA")[1] appreciates the opportunity to comment on the SEC's proposed amendments to the small entity definition for investment advisers for purposes of the Regulatory Flexibility Act ("RFA").[2] The RFA requires federal agencies to minimize the economic impact of federal rulemaking on small entities. The stated purpose of the Proposal is to raise the small entity threshold for investment advisers in order to more accurately capture the number of advisers that should be deemed 'small' with the goal of minimizing the economic impact of SEC regulations on small entities.[3]

SIFMA generally supports SEC efforts to update and modernize regulatory requirements and to appropriately manage the burden of new and existing regulations on our member firms, particularly smaller firms. Thus, SIFMA does not oppose the Proposal. As discussed below, we are, however, concerned about the prospective downstream affects of the Proposal and its potential role in accelerating the trending, explosive growth in the number of independent investment advisers – unaccompanied by adequate regulatory exam frequency or oversight.

The Proposal would raise the "small entity" definition from $25 million (adopted in 1998) to $1 billion in Regulatory Assets Under Management ("RAUM") to address the

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[1] SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's nearly 1 million employees, we advocate on legislation, regulation, and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org.

[2] 91 Fed. Reg. 1107 (Jan. 12, 2026), https://www.govinfo.gov/content/pkg/FR-2026-01-12/pdf/2026-00316.pdf (the "Proposal").

[3] The Proposal would also raise the threshold for investment companies. Our comment is focused exclusively on investment advisers.

significant growth in RAUM over the past several decades. This proposed change is estimated to increase the percentage of advisers classified as small from 3% to 75%. That means that 15,850 of the total 21,650 investment advisers would be classified as small under the Proposal.

Under the RFA, the SEC would need to assess how new rules affect these newly classified small advisers and explore ways to tailor rules (e.g., phased compliance, different standards, etc.) to reduce regulatory burdens on these advisers. Even if not ostensibly intended to affect substantive compliance, the Proposal would likely result in greater regulatory leniency towards the newly classified small advisers.

Notably, regulatory arbitrage is a contributing factor driving the shift from broker-dealer to independent registered investment adviser (RIA) models, often motivated by escaping stricter FINRA oversight for the lower-exam frequency of the SEC and the "lighter touch" of SEC regulation. The Proposal would likely accelerate that trend.

As you know, SEC examinations of RIAs occurs roughly every 4 to 7 years. As the population of independent financial advisors continues to steadily grow – together with their significant assets under management ("AUM"), the rate of exam frequency will likely continue to decline. Accordingly, the Proposal represents a good opportunity for the SEC to revisit and reengage on its longstanding goal of increasing the number and frequency of RIA examinations in the interest of investor protection.[4]

SIFMA commented favorably on the SEC's 2011 study in which the SEC recommended to Congress a regulatory structure that would provide comparable oversight and examination of both brokers and investment advisers when providing personalized investment advice to retail customers.[5] In 2012, SIFMA also provided congressional testimony to reiterate the common-sense proposition that the same conduct (i.e., the provision of personalized investment advice to retail customers/clients by brokers and investment advisers) should be subject to the same level of examination and oversight.[6]

Tellingly, although the Proposal does not affect the current AUM threshold for SEC investment adviser registration, the current RAUM threshold ($25 million) was adopted in 1998 to align the small entity definition applicable to advisers for RFA purposes with the $25 million AUM threshold for adviser registration that was enacted in 1996.[7] Thus, it is not difficult to imagine that the Proposal could serve as a prelude for the SEC staff to further raise the

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[4] SEC Study on Enhancing Investment Adviser Examinations (Jan. 2011), https://www.sec.gov/files/914studyfinal.pdf.

[5] SIFMA comment on SEC's Study Pursuant to Section 914 of Dodd-Frank (Jan. 12, 2011), https://www.sifma.org/advocacy/letters/sifma-submits-comment-letter-on-the-secs-study-pursuant-to-section-914-of-dodd-frank.

[6] Testimony of Chet Helck, Chairman-Elect, SIFMA, U.S. HFSC hearing on H.R. 4624 (Jun. 5, 2012), https://www.sifma.org/advocacy/testimony/testimony-of-chet-helck-sifma-chairman-elect-and-ceo-global-private-client-raymond-james-on-the-investment-adviser-oversight-act.

[7] In 2012, the AUM threshold for investment adviser registration was further raised to $100 million.

registration threshold to $1 billion to match the newly proposed RAUM threshold, particularly given that SEC staff has already been instructed to look at this issue.[8]

SIFMA would not support such a significant offloading of the SEC's regulatory oversight of investment advisers onto state regulators. Such a move would greatly increase the number of firms that states were responsible to oversee and many states would simply not have the resources to do so. State regulation of investment advisers is widely considered uneven due to resource and expertise disparities, uneven coverage, and varying standards. This fragmented environment makes compliance challenging for firms and creates disparities in investor protection based solely on geography.

At a minimum, we urge the SEC to update its 2011 study and identify new potential solutions to increase the number and frequency of examinations of investment advisers – other than by reducing their regulatory responsibilities or by offloading significant numbers of currently registered investment advisers onto the states.

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We appreciate the opportunity to comment on the Proposal. If you have any questions or comments, please contact the undersigned at 202-962-7300.

Sincerely,

Kevin Carroll
Deputy General Counsel
Securities Industry and Financial Markets Association

[8] *Slimmer SEC May Shovel More Oversight onto States' Plates* (Apr. 9, 2025), https://www.financialadvisoriq.com/c/4820884/638814/slimmer_shovel_more_oversight_onto_states_plates (Acting SEC Chair Uyeda asked the SEC staff to evaluate whether the SEC should shift oversight of some mid-size investment advisers to state regulators).