

March 13, 2026

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

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

Dear Ms. Countryman:

Charles Schwab Advisor Services¹ (“Schwab Advisor Services[™]”) appreciates the opportunity to comment on the Securities and Exchange Commission’s Proposal to amend the definitions of “small business” and “small organization” under the Regulatory Flexibility Act (“RFA”). We strongly support the Commission’s effort to modernize the asset-based thresholds and introduce periodic inflation adjustments.

Of the 16,000 advisors that Schwab Advisor Services serves, 4,400 currently meet the small entity definition of having less than \$25M assets under management. The proposed change would expand that number to more than 14,700 firms—a threefold increase that would bring the RFA framework in line with current market conditions and ensure it accurately identifies firms with limited operational scale.

Many advisory firms operate with the characteristics of small businesses—limited staff, constrained resources, and lean infrastructures—yet, the SEC’s outdated small entity definition prevents them from being treated as such for regulatory purposes. As a result, these firms shoulder disproportionate compliance burdens. For example, a two-to-five-person advisory firm may spend **hundreds of staff hours each year** preparing and updating Form ADV, maintaining books and records, and implementing annual compliance reviews—often requiring the firm to divert senior advisors or principals away from the important work with investors.

Independent advisory firms often compete with very large institutions that maintain dedicated, extensive compliance departments. Smaller businesses rely on lean compliance teams or shared personnel to meet the same regulatory obligations. This dynamic may inadvertently disadvantage what makes the registered investment advisor community unique, offering investors choice, lower costs, independence and a differentiated service model. Without the tailored consideration the RFA is intended to provide, these dynamics can discourage innovation, limit competition, and create unnecessary barriers to growth.

Schwab Advisor Services[™] provides custody, trading, and the support services of Charles Schwab & Co., Inc. (“Schwab”), member SIPC, to independent investment advisors and Charles Schwab Investment Management, Inc. (“CSIM”). Independent investment advisors are not owned by, affiliated with or supervised by Schwab.

Expanding the population of advisers considered “small entities” for RFA purposes should enhance the ability of the Commission to understand the true economic impact of proposed rules on smaller advisory firms and take that information into consideration in future rule making.

While we support this proposal, we respectfully encourage the Commission to provide adequate notice and a reasonable implementation period of 180 days as the proposed updates will require advisors to:

- Reassess their “small entity” status using new thresholds;
- Update internal form ADV filing procedures;
- Train their compliance and personnel on the revised Item 12 logic and hardship exemption eligibility; and
- Coordinate updates with third-party compliance vendors or filing service providers where applicable

To prevent potential misinterpretation, we recommend the Commission explicitly state in the final rule that the revised "small entity" definition is intended solely for RFA purposes and does not alter an adviser's substantive regulatory obligations or the assets under management threshold that triggers SEC registration.

Thank you for the opportunity to provide comments on this proposal. Schwab Advisor Services advocates on behalf of the more than 16,000 advisory firms we serve and is pleased to contribute industry perspectives to this rulemaking. We appreciate the Commission’s approach to modernizing the thresholds and encourage adoption of the proposed changes.

Respectfully,



Cayla Culver
Managing Director, Head of Advisor Services Risk and Controls

cc: The Honorable Paul S. Atkins, Chairman
The Honorable Hester M. Peirce, Commissioner
The Honorable Mark T. Uyeda, Commissioner
Brian Daly, Director, Division of Investment Management