



March 16th, 2026

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

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

Dear Ms. Countryman:

The Small Business Investor Alliance (SBIA) submits our views regarding the recent proposal from the Securities and Exchange Commission (SEC) to redefine the criteria for a “small business” and “small organization” for purposes of the Regulatory Flexibility Act. (Proposal) SBIA strongly supports the Proposal and we appreciate the SEC’s focus on small business capital formation.

SBIA is a national association that develops, supports, and advocates on behalf of policies that benefit investment funds that finance small and mid-size businesses in the lower middle market, as well as the investors that provide capital to these funds. Our membership consists of the advisers of traditional 3(c)(1) and 3(c)(7) private funds, small business investment companies (“SBICs”), rural business investment companies (“RBICs”), funds registered as business development companies (“BDCs”) under the Investment Company Act of 1940, and the investors that invest in these funds including banks, family offices, and fund of funds.

The Regulatory Flexibility Act (RFA) of 1980 requires agencies such as the SEC to conduct an initial regulatory analysis of proposed rules as well as a final analysis once a rule is finalized. An agency’s analysis must include an explanation for why the rule is necessary, a discussion of alternatives considered by the agency, and a discussion of steps the agency has taken to minimize the economic impact on small entities.

In 1982, the SEC adopted a rule that set a \$50 million threshold for investment companies to be deemed a small entity – as the Proposal states, 62% of investment companies were “small entities” in 1982.<sup>1</sup> The investment company threshold was later amended so that the \$50 million level applied not just to an individual fund but to all funds that were part of the same investment company group.

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<sup>1</sup> Proposal at 12

The Proposal would raise the net asset threshold for investment companies – including BDCs - from the current \$50 million to \$10 billion. Additionally, the Proposal would raise the RFA small entity threshold for registered investment advisers from \$25 million in assets under management to \$1 billion.

The \$50 million investment company threshold established nearly 45 years ago was never indexed for inflation and until the Proposal, the SEC has never fully examined whether the threshold properly accounted for an entity that by any definition should be considered “small.” The Proposal notes that only .6% of entities today fall under the \$50 million level, compared to 62% of entities in 1982. Clearly, the SEC’s original intent was to apply the RFA standard to a relatively wide spectrum of funds.

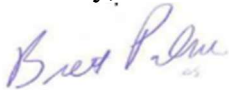
Chairman Atkins has consistently emphasized the importance of cost-benefit analysis in SEC rulemaking. Adoption of the Proposal would lead to better-informed rulemaking processes at the SEC and would help address any unintended consequences that new regulations may have on entities that do not have the same compliance resources as their larger counterparts. Over time, this will lower barriers to entry for new funds and create greater competition in the investment management space. Investors and the small businesses that receive capital from smaller funds will ultimately benefit.

As a general matter, SBIA appreciates that the SEC is reviewing regulatory thresholds that were perhaps appropriate years ago, but which make little sense given the substantial growth in U.S. markets.

To that end, we encourage the SEC to also review the definition of “eligible portfolio company” for BDCs, and specifically the \$250 million market capitalization threshold that applies to portfolio companies that list on a national exchange. That threshold – initially adopted in 2008 – has never been indexed for inflation or increased in any way, despite the fact that the U.S. stock market is roughly five times larger than it was in 2008. Modernizing the eligible portfolio company definition would allow more BDC portfolio companies to be considered qualified assets and increase the flow of capital into these businesses.

SBIA appreciates the SEC’s work on these critical matters and looks forward to serving as a resource for commissioners and staff on issues affecting small business investment.

Sincerely,

A handwritten signature in blue ink that reads "Brett Palmer".

Brett Palmer  
President  
Small Business Investor Alliance