

Internet Adviser Registration Reforms



On March 27, 2024, the Securities and Exchange Commission adopted amendments to modernize the rule that exempts internet investment advisers from the prohibition on SEC registration for smaller investment advisers. The amendments will, among other things:

- Require an investment adviser relying on the exemption to at all times have an operational interactive website through which the adviser provides investment advisory services on an ongoing basis to more than one client; and
- Eliminate the current rule's *de minimis* exception for non-internet clients, thus requiring an internet investment adviser to provide advice to all of its clients exclusively through an operational interactive website.

The Commission [proposed the rules](#) on [July 26, 2023](#). The public comment file is [available online](#).

Why This Matters

Investment advisers are generally prohibited from registering with the Commission unless they either reach a assets under management threshold, advise a registered investment company, or qualify for an exemption under Commission rules or statute. Internet investment advisers are exempt from this prohibition under rule 203A-2(e) under the Investment Advisers Act of 1940 (the "Advisers Act") (the "internet adviser exemption") if they meet certain conditions, including those relating to the adviser's use of an interactive website to advise clients.

The final amendments are designed to modernize rule 203A-2(e) to reflect the broader evolution in technology and the marketplace since the rule's adoption in 2002 and to better align current practices in the investment adviser industry with the narrow exemption for certain investment advisers that did not fall neatly within the framework established by Congress.

How This Rule Applies

The amendments will apply to investment advisers seeking to register with the Commission who would otherwise be prohibited from doing so pursuant to section 203A of the Advisers Act.

What's Required

The amendments will:

- Require an adviser that relies upon the internet adviser exemption to provide investment advice to all of its clients exclusively through an “operational” interactive website at all times during which it relies on the exemption;
 - Eliminate the *de minimis* exception in the current rule, which permitted advisers relying on the internet adviser exemption to have a limited number (*i.e.*, fewer than 15) of non-internet clients in the preceding 12-month period; and
 - Amend Form ADV to require an adviser relying on the internet adviser exemption as a basis for registration to represent on Schedule D of its Form ADV that, among other things, it has an operational interactive website.
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What's Next

The amendments will become effective 90 days after publication in the Federal Register. An adviser relying on the internet adviser exemption must comply with the rule, including the requirement to amend their Form ADV to include a representation that the adviser is eligible to register with the Commission under the internet adviser exemption, by March 31, 2025. Most investment advisers will have filed their annual updating amendments to Form ADV by this date (*i.e.*, 90 days after the December 31, 2024, fiscal year end). An adviser that is no longer eligible to rely on the amended exemption and does not otherwise have a basis for registration with the Commission must register in one or more states and withdraw its registration with the Commission by filing a Form ADV-W by June 29, 2025.