

# Internet Adviser Registration Reforms



The Securities and Exchange Commission proposed rule amendments to modernize the internet adviser exemption from the prohibition on SEC registration for smaller investment advisers. The proposed amendments would:

- 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 that an internet investment adviser must provide advice to all of its clients exclusively through an operational interactive website.

## Why This Matters

Investment advisers are generally prohibited from registering with the Commission unless they either reach a certain 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 if they meet certain conditions, including those relating to the adviser's use of an interactive website to advise clients.

The proposed 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 that was intended to reflect Congress's allocation of responsibility.

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## How This Rule Would Apply

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

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## What Would Be Required

The proposal would amend the internet adviser exemption to require an investment adviser relying on the rule 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. It would also eliminate the *de minimis* exception in the current rule, which currently permits

investment advisers relying on the internet adviser exemption to have a limited number (*i.e.*, fewer than 15) of non-internet clients in a 12-month period. An internet investment adviser would thus be required to provide advice to all of its clients exclusively through an operational interactive website. Finally, the proposal would make certain corresponding changes to Form ADV.

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***Additional Information:***

Visit [sec.gov](https://www.sec.gov) to find more information about the proposal and the full text of the proposed rules. The comment period will be open for 60 days following publication of the proposing release in the Federal Register.