FACT SHEET

Amendments to Small Entity Definitions for Investment Companies and Investment Advisers

On Nov. 4, 2026, the Securities and Exchange Commission adopted amendments to the rules that define which registered investment companies, investment advisers, and business development companies qualify as small entities for purposes of the Regulatory Flexibility Act (RFA).

These amendments are designed to help the SEC better tailor its analyses of the specific regulatory challenges that small investment companies and advisers face. In turn, the SEC will be better informed of the regulatory impacts that these small entities encounter, so the Commission may consider adapting its rulemaking accordingly.

Background

A purpose of the RFA is to promote the effectiveness and efficiency of regulations, including through consideration of alternative regulatory approaches, with the goal of minimizing the economic impact on small entities. For the purposes of the RFA, Rule 0-10 under the Investment Company Act of 1940 defines small entities for investment companies and Rule 0-7 under the Investment Advisers Act of 1940 defines small entities for investment advisers. Rule 0-10 and Rule 0-7 were adopted in 1982 and were last updated in 1998. There has been substantial growth in assets under management and net assets since these thresholds were last updated. To that end, the amendments are designed to capture the types of investment advisers and investment companies that the Commission now considers to be “small” in light of this growth.

Highlights of the Adopting Release

The Commission adopted final amendments that:

- Amend Rule 0-10 to: (i) increase the net asset threshold for investment companies from $50 million to $10 billion; and (ii) refer, for purposes of aggregating the net assets of related funds, to a “family of investment companies” as that term is used in Item B.5 of Form N-CEN rather than to a “group of related investment companies” as used in the current rule.
- Amend Rule 0-7 to increase the assets under management threshold below which an investment adviser is considered to be a “small entity” from $25 million to $1 billion, eliminate the adviser total assets threshold, and make related conforming changes to the control relationship thresholds.

- Provide for inflation adjustments to the asset thresholds by order every 10 years beginning on the rules' effective dates.
- Amend Form ADV in conformity with the threshold changes to Rule 0-7 and make certain clarifying changes.

What's Next?

The amendments will become effective 90 days after the date of publication of the adopting release in the Federal Register.