

Petition for Rulemaking: Establishment of a Family Investment License (FIL)

To: U.S. Securities and Exchange Commission

From: Nishant Gautam, New Delhi, India

Date: 24 October 2025

Subject: Petition for rulemaking to establish a Family Investment License (FIL) for single-family offices

I. Introduction

Pursuant to the Commission's authority under the Investment Advisers Act of 1940, I respectfully petition the Commission to initiate rulemaking to create a formal regulatory designation — the **Family Investment License (FIL)** — for bona fide single-family offices managing capital exclusively for one family. The FIL would provide a clear, standardized regulatory framework that preserves the protections of the existing family-office exemption under Section 202(a)(11)(G) while offering regulatory certainty for large, institutionally structured family offices.

II. Background and Rationale

Single-family offices have historically relied on the exemption set forth at Section 202(a)(11)(G) and Rule 202(a)(11)(G)-1. In recent years, many family offices have expanded in scale and complexity, operating multiple internal vehicles across private equity, venture capital, real estate, credit, and public markets. The practical result is an increasing gulf between the legal simplicity of the exemption and the operational complexity of contemporary family offices. A formalized FIL would:

1. Provide legal clarity and recognition for single-family offices that operate at institutional scale.
2. Preserve privacy and limit public disclosure obligations where no external investors are involved.
3. Improve the Commission's ability to monitor systemic risk and prevent misuse of the family-office exemption.

III. Proposed FIL: Core Principles

The FIL program should be founded on these core principles:

- **Exclusivity:** An FIL is available only to entities that manage capital exclusively for a single family and family-related entities.
- **Non-Solicitation:** FIL holders must accept **no outside capital** and must not solicit investments from non-family parties.
- **Proportional Oversight:** Regulatory obligations should be commensurate with the scale of operations; larger FIL holders would incur modest additional confidential reporting obligations.
- **Anti-Abuse Controls:** Robust safeguards to prevent circumvention of SEC registration requirements.

IV. Eligibility Criteria (Suggested)

To qualify for FIL status, an applicant must demonstrate the following, by documented evidence:

1. **Family Ownership and Control:** The management entity is wholly owned and controlled by a single family, directly or through family trusts and family-controlled entities.
2. **Family-Only Clients:** All capital under management originates from family sources; no external investors or public solicitation is permitted.
3. **Governance and Controls:** Written governance, compliance, and recordkeeping policies that ensure continued family-only status and prevent public offering or marketing.
4. **Permanent Termination Clause:** FIL status must terminate automatically if non-family capital is accepted or if the entity begins public solicitation.

V. Structural and Operational Framework

- **FIL Holder:** The license is held by a central management entity (for example, “Family Investment Management LLC” or equivalent).
- **Internal Vehicles:** The FIL holder may sponsor multiple internal investment vehicles (LPs, LLCs, SPVs, AIVs) segmented by strategy (private equity, venture, real estate, credit, public securities). Each vehicle must be 100% family-owned and subject to the FIL’s governance regime.
- **Service Providers:** The FIL holder may engage custodians, administrators, auditors, and independent directors consistent with best practices and investor protection norms.

VI. Oversight and Reporting (Suggested Approach)

To balance privacy with regulatory visibility:

- **Annual Confidential Certification:** FIL holders submit a confidential annual certification to the Commission attesting to family-only capital and continued compliance with FIL conditions.
- **Material Event Reporting:** Prompt confidential notice for material changes (e.g., acceptance of non-family capital).
- **Threshold-Triggered Confidential Reporting:** FIL holders exceeding a defined AUM threshold (to be determined through consultation) provide limited confidential systemic-risk information to assist Commission monitoring.
- **Access for Inspection:** Books and records must be maintained and made available for Commission inspection upon request.

VII. Anti-Abuse Safeguards

To prevent misuse of FIL status:

- **Absolute Prohibition on External Capital:** No temporary or conditional acceptance of external investors.
- **Automatic Revocation:** Immediate termination of FIL status upon any breach of family-only capital or prohibited solicitation.
- **Civil and Administrative Remedies:** The Commission retains full enforcement authority to impose penalties for misrepresentations or misuse.

VIII. Policy Benefits

A thoughtful FIL program would:

- Provide the Commission with a clear registry and confidential visibility into significant family-office assets.
- Reduce regulatory ambiguity for large family offices, promoting compliance and operational stability.
- Avoid imposing unnecessary public disclosure requirements where no public investors are implicated.
- Prevent concealment of unregistered funds within family-office structures, thereby protecting market integrity.

IX. Conclusion and Request

For the foregoing reasons, I respectfully request that the Commission:

1. Initiate a rulemaking or guidance process to establish the Family Investment License (FIL).
2. Solicit public comment and engage with stakeholders, including family offices, institutional investors, and consumer-protection groups, to define the specific thresholds and reporting rules.
3. Design the FIL to preserve privacy for bona fide family offices while providing the Commission with sufficient, confidential oversight to deter abuse and monitor systemic exposure.

I stand ready to provide further information or to meet with Commission staff to discuss the proposed FIL framework in greater detail.

Respectfully submitted,

Nishant Gautam
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24 October 2025