



Expanding Retail Investor Choice and Promoting Innovation in Regulated Fund Structures

On Sept. 30, 2026, the Securities and Exchange Commission issued two proposing releases designed to expand retail investor choice and facilitate capital formation in the public and private markets by promoting innovation in regulated fund structures – i.e. registered management investment companies and business development companies – while maintaining appropriate investor protections and safeguards.

- ***Investment Adviser Performance-Based Compensation Modernization***
 - Expand the ability of registered investment advisers to receive performance-based compensation from certain clients, including regulated funds.
- ***Interval Fund Modernization and Multiple Share Class Expansion to Closed-End Funds***
 - Modernize the interval fund framework, including by allowing interval funds to schedule repurchases at certain times that better match the liquidity profile of their portfolio.
 - Replace individual exemptive orders with a rules-based framework for regulated closed-end funds to issue multiple share classes.

Why This Matters

The asset management industry has expanded significantly in recent decades, driven by evolving investor demands and the availability of a broader range of investment opportunities. The Commission is committed to allowing more choice for investors while appropriately addressing risks associated with increasingly diverse portfolio compositions and operations. The use of performance-based compensation has long been a common and defining characteristic of investment strategies that are associated with private funds, such as hedge fund, private equity, and venture capital strategies. Because performance-based arrangements have traditionally been associated with private funds, access to these strategies, as a practical matter, has been limited to a narrow group of eligible investors. By providing similar incentives to, for example, advisers to regulated funds, such advisers may be more likely to launch and allocate private market strategies to regulated funds.

Proposed Amendments

Investment Adviser Performance-Based Compensation Modernization

The proposal would expand the ability of investment advisers to regulated funds to receive performance-based compensation calculated on the basis of capital gains in or capital appreciation of a regulated fund's account. The following conditions must be satisfied:

- The performance-based compensation does not exceed 20% of the regulated fund's net gains over a specified period.

- The regulated fund satisfies Rule 0-1(a)(7) under the Investment Company Act (“fund governance standards”).
- The regulated fund’s board, including a majority of independent directors, determines that the performance-based compensation arrangement is in the best interest of the regulated fund and its shareholders, and the board makes specific findings regarding the arrangement’s appropriateness, structure, and investor protection features.

The proposal would amend certain registration and reporting forms to require disclosure of performance-based compensation.

The proposed amendments would also revise the qualified client definition to include investors that meet the accredited investor definition in Regulation D under the Securities Act, and would remove the separate net worth test and assets under management test from the qualified client definition.

Interval Fund Modernization

The proposal would amend Rule 23c-3 under the Investment Company Act to provide greater flexibility to interval funds, including by:

- Permitting extended deferral of the first repurchase offer.
- Permitting more frequent discretionary repurchases.
- Permitting monthly periodic intervals.
- Permitting the deduction of deferred sales loads from repurchase proceeds, subject to certain conditions.
- Simplifying and clarifying the process of determining the repurchase pricing date and treatment of oversubscribed repurchase offers.
- Amending the requirements of the rule that specify that an interval fund must hold a certain amount of liquidity and replace it with a principles-based liquidity approach.

Expanded Ability for Multiple Share Class Closed-End Funds

The proposal would amend certain rules under the Investment Company Act to permit regulated closed-end funds to have multiple share class structures and allow them and their affiliates to enter into arrangements for the payment of asset-based distribution and service fees.

The proposal would update required prospectus disclosures to account for multiple share class and master-feeder structures in regulated closed-end funds, and update certain reporting forms to enhance multiple share class reporting by certain regulated closed-end funds. The proposal would also require enhanced expense disclosures regarding all regulated closed-end funds.

As a result of the proposed amendments, the Commission proposed to rescind certain existing exemptive orders related to interval funds and multiple share class arrangements for regulated closed-end funds.

What’s Next

The public comment periods will remain open for 60 days after the proposing releases are published in the Federal Register.