

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 6381 / August 22, 2023**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-21571**

**In the Matter of**

**FUNDRISE ADVISORS,  
LLC**

**Respondent.**

**ORDER INSTITUTING  
ADMINISTRATIVE AND CEASE-AND-  
DESIST PROCEEDINGS PURSUANT  
SECTIONS 203(e) AND 203(k) OF THE  
INVESTMENT ADVISERS ACT OF 1940,  
MAKING FINDINGS, AND IMPOSING  
REMEDIAL SANCTIONS AND A CEASE-  
AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) against Fundrise Advisors, LLC (“Fundrise” or “Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds<sup>1</sup> that:

#### Summary

These proceedings involve violations of the Advisers Act by Fundrise, a registered investment adviser, arising out of the firm's payments to third parties for solicitation services. Between February 2016 and December 2021 (the "Relevant Period"), Fundrise paid over \$8 million to over 200 social media influencers and online publishers ("content creators") to solicit Fundrise advisory clients without the disclosure and documentation required under former Advisers Act Rule 206(4)-3, which was then in place (the "Cash Solicitation Rule"). As a result, Fundrise clients were not fully informed of the content creators' financial interests in promoting Fundrise's investment advisory services and real estate investment platform and therefore lacked the information necessary to evaluate the content creators' recommendation of Fundrise. Additionally, Fundrise did not adopt and implement written policies and procedures concerning the use of solicitors that were reasonably designed to prevent violations of the Cash Solicitation Rule.

#### Respondent

1. **Fundrise Advisors, LLC** is an investment adviser based in Washington, DC that operates an online real estate investment platform. The firm has been registered with the Commission as an investment adviser since September 25, 2014 and, as of March 31, 2023, reports approximately \$3.3 billion in assets under management.

#### The Cash Solicitation Rule

2. The Cash Solicitation Rule, in pertinent part, prohibited a registered investment adviser from paying a cash fee, directly or indirectly, to a solicitor<sup>2</sup> for soliciting clients for the investment adviser unless: (1) there is a written agreement between the solicitor and the investment adviser that (a) describes the solicitation activities to be engaged in by the solicitor on behalf of the investment adviser and the compensation to be received for such activities; (b) contains an undertaking by the solicitor to perform his duties under the agreement in a manner consistent with the instructions of the investment adviser and the Advisers Act and the rules thereunder; and (c) requires the solicitor, at the time of the solicitation of the client, to provide the client with a current copy of the investment adviser's brochure and a separate written statement disclosing the nature of the relationship between the solicitor and the investment adviser and the terms of their compensation arrangement, among other things. Additionally, the investment

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<sup>1</sup> The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

<sup>2</sup> Under the Cash Solicitation Rule, "*Solicitor* means any person who, directly or indirectly, solicits any client for, or refer[s] any client to, an investment adviser," and "*Client* includes any prospective client" of an investment adviser. (Emphasis in original).

adviser must receive from the client prior to, or at the time of, entering into any written or oral investment advisory contract with such client, a signed and dated acknowledgment of receipt of the investment adviser's brochure and the solicitor's written disclosure document.

3. On December 22, 2020, the Commission adopted amended Advisers Act Rule 206(4)-1 (the "Marketing Rule"), which merged and replaced the previous advertising rule, Rule 206(4)-1, and the Cash Solicitation Rule. The Marketing Rule became effective May 4, 2021 and provided for an eighteen-month transition period for investment advisers to come into compliance with the new rule, during which time an adviser could choose to comply with the Marketing Rule or the previous advertising rule and Cash Solicitation Rule. Subject to certain exceptions not relevant here, the Marketing Rule preserved the requirement that clients, including prospective clients, be informed of, among other things, the material terms of any compensation arrangement. Fundrise was subject to the Cash Solicitation Rule throughout the Relevant Period.

### **Facts**

4. Since February 2016, Fundrise has contracted with content creators to promote Fundrise's online real estate investment platform on their blogs, websites, newsletters, and social media channels. As part of these contractual arrangements, the content creators agreed to include hyperlinks to Fundrise's platform in their online promotions.

5. Fundrise paid the content creators based on the number of individuals who clicked on the hyperlinks and entered their email addresses. Some of these individuals ultimately entered into advisory relationships with Fundrise.

6. In total, Fundrise paid more than \$8 million to over 200 content creators, who referred more than 66,000 new clients to the adviser. To date, those clients have accounted for more than \$300 million of Fundrise's AUM, yielding over \$655,000 in advisory fees for the firm.

7. Fundrise made these payments to the content creators without the disclosure and documentation required under the Cash Solicitation Rule.

8. Specifically, Fundrise's agreements with the content creators did not contain an undertaking by the content creators to perform their duties consistently with the Advisers Act and the rules thereunder. The agreements also did not require the content creators to provide to clients at the time of solicitation (1) a written disclosure document describing, among other things, the nature of their relationship with Fundrise and the terms of their compensation arrangement and (2) Fundrise's brochure.

9. Between February 2016 and July 2021, the content creators did not provide solicited clients with the required written disclosure document. Thus, before or at the time it entered into advisory contracts with such clients, Fundrise failed to obtain written acknowledgement that the clients received the written disclosure document, as required by the Cash Solicitation Rule.

10. As a result of Fundrise’s conduct, clients were not fully informed of the content creators’ financial interests in promoting Fundrise’s online real estate platform and investment advisory services and therefore lacked the information necessary to evaluate the content creators’ recommendation of Fundrise.

11. Additionally, during the Relevant Period, Fundrise failed to adopt and implement written policies or procedures concerning the use of solicitors.

### **Violations**

12. As a result of the conduct described above, Fundrise willfully<sup>3</sup> violated Section 206(4) of the Advisers Act and Rule 206(4)-3 thereunder, as in place during the Relevant Period, which prohibited a registered investment adviser from paying a cash fee, directly or indirectly, to a solicitor with respect to solicitation activities unless, among other things, the adviser entered into a written agreement with each solicitor that required the solicitor to provide the client with a current copy of the adviser’s brochure and a separate written disclosure document containing, among other things, information concerning the nature of the relationship between the solicitor and the investment adviser and the terms of the compensation arrangement.

13. Fundrise also willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder, which require registered investment advisers to, among other things, “[a]dopt and implement written policies and procedures reasonably designed to prevent violation” of the Advisers Act and the rules thereunder. A violation of Section 206(4) and the rules thereunder do not require a showing of scienter. *SEC v. Steadman*, 967 F.2d 636, 647 (D.C. Cir. 1992).

### **Fundrise’s Remedial Efforts**

14. In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondent and cooperation afforded the Commission staff.

## **IV.**

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Fundrise’s Offer.

Accordingly, pursuant to Sections 203(e) and 203(k) of the Advisers Act, it is hereby ORDERED that:

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<sup>3</sup> “Willfully,” for purposes of imposing relief under Section 203(e) of the Advisers Act “means no more than that the person charged with the duty knows what he is doing.” *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor “also be aware that he is violating one of the Rules or Acts.” *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965).

A. Respondent cease and desist from committing or causing any violations and any future violations of Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder.

B. Respondent is censured.

C. Respondent shall, within 14 days of the entry of this Order, pay a civil money penalty in the amount of \$250,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Section 21F(g)(3) of the Securities Exchange Act of 1934. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Fundrise as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Brendan P. McGlynn, Division of Enforcement, U.S. Securities and Exchange Commission, 1617 John F. Kennedy Boulevard, Suite 520, Philadelphia, PA 19103.

D. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the

Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa A. Countryman  
Secretary