

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

**INVESTMENT ADVISERS ACT OF 1940**

**Release No. 6812 / January 13, 2025**

**ADMINISTRATIVE PROCEEDING**

**File No. 3-22399**

**In the Matter of**

**Blackstone Alternative  
Credit Advisors LP,  
Blackstone Management  
Partners L.L.C., and  
Blackstone Real Estate  
Advisors L.P.,**

**Respondents.**

**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**

**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 Blackstone Alternative Credit Advisors LP (“Blackstone Alternative Credit Advisors”), Blackstone Management Partners L.L.C. (“Blackstone Management Partners”), and Blackstone Real Estate Advisors L.P. (“Blackstone Real Estate Advisors”) (collectively the “Blackstone Advisers” or “Respondents”).

**II.**

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (“Offers”) that the Commission has determined to accept. Respondents admit the facts set forth in Section III below, acknowledge that their conduct violated the federal securities laws, admit the Commission’s jurisdiction over them and the subject matter of these proceedings, and consent 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 Respondents' Offers, the Commission finds<sup>1</sup> that

#### Summary

1. The federal securities laws impose recordkeeping requirements on registered investment advisers to ensure that they responsibly discharge their crucial role in our markets. The Commission has long said that compliance with these requirements is essential to investor protection and the Commission's efforts to further its mandate of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation.

2. These proceedings arise out of the failure of Respondents' personnel, including at senior levels, to adhere to certain of these essential requirements and Respondents' policies and procedures. Using their personal and/or firm-issued devices ("Mobile Devices"), these personnel communicated both internally and externally by text messages and/or other unapproved written communications platforms ("off-channel communications").

3. Specifically, from at least December 2019 (the "Relevant Period"), personnel at the Blackstone Advisers sent and received off-channel communications that, among other things, related to recommendations made or proposed to be made and advice given or proposed to be given in Respondents' advisory businesses. Respondents did not maintain or preserve the substantial majority of these written communications. These recordkeeping failures were firm-wide and involved personnel at various levels of authority. As a result, the Blackstone Advisers violated Section 204 of the Advisers Act and Rule 204-2(a)(7) thereunder.

4. Respondents' failure to implement procedures reasonably expected to prevent such communications led to their failure to reasonably supervise their personnel within the meaning of Section 203(e)(6) of the Advisers Act.

5. During the Relevant Period, Blackstone Inc. and its investment adviser affiliates received and responded to Commission subpoenas for documents and records requests in Commission investigations. The recordkeeping failures of Respondents and their investment adviser affiliates may have impacted the Commission's ability to carry out its regulatory functions and investigate violations of the federal securities laws.

6. The Commission staff found Respondents' recordkeeping failures after commencing a risk-based initiative to investigate the use of off-channel and unpreserved communications at registered investment advisers. Prior to being approached by the Commission staff, the Blackstone Advisers initiated a review of their recordkeeping failures and began a program of remediation.

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

## **Respondents**

7. Blackstone Alternative Credit Advisors is a Delaware limited partnership, with its principal office in New York, New York, that has been registered with the Commission as an investment adviser since 2006. Blackstone Inc., a Delaware corporation, with its principal office in New York, New York, is the parent of Blackstone Alternative Credit Advisors.

8. Blackstone Management Partners is a Delaware limited liability company, with its principal office in New York, New York, that has been registered with the Commission as an investment adviser since 2005. Blackstone Inc. is the parent of Blackstone Management Partners.

9. Blackstone Real Estate Advisors is a Delaware limited partnership, with its principal office in New York, New York, that has been registered with the Commission as an investment adviser since 2007. Blackstone Inc. is the parent of Blackstone Real Estate Advisors.

## **Recordkeeping Requirements Under the Advisers Act**

10. Section 204 of the Advisers Act authorizes the Commission to issue rules requiring investment advisers to make and keep for prescribed periods, and furnish copies of, such records as necessary or appropriate in the public interest or for the protection of investors.

11. The Commission adopted Rule 204-2 pursuant to this authority. This rule specifies the manner and length of time that the records made in accordance with Commission rules, and certain other records made by investment advisers, must be maintained and produced promptly to Commission representatives.

12. The rules adopted under Section 204 of the Advisers Act, including Advisers Act Rule 204-2(a)(7), require that investment advisers preserve for at least five years in an easily accessible place, the first two years in an appropriate office of the investment adviser, originals of all communications received and copies of all written communications sent relating to, among other things: (a) any recommendation made or proposed to be made and any advice given or proposed to be given; (b) any receipt, disbursement or delivery of funds or securities; (c) the placing or execution of any order to purchase or sell any security; or (d) predecessor performance and the performance or rate of return of any or all managed accounts, portfolios, or securities recommendations.

## **Respondents' Policies and Procedures**

13. All Blackstone Inc. affiliated advisers, including Respondents, adopted compliance policies and procedures, including policies and procedures designed to ensure the retention of business-related records, including electronic communications, in compliance with the relevant recordkeeping provisions.

14. Since at least 2011, personnel of all Blackstone Inc. affiliated advisers, including Respondents, were repeatedly advised that the use of unapproved electronic communications methods, including on Mobile Devices, was not permitted, and that they should not use personal email, chats or text messaging applications for business purposes. All Blackstone Inc. affiliated

advisers, including Respondents, implemented and conducted a surveillance program on electronic communications sent or received on approved platforms.

15. Messages sent through firm-approved communications methods were monitored, subject to review, and archived. Messages sent through unapproved communications methods, such as unapproved applications on Mobile Devices, were not monitored, subject to review or archived, unless they were identified and captured through other means, such as surveillance of firm-approved communications methods.

16. Personnel of all Blackstone Inc. affiliated advisers, including Respondents' personnel, received training, which was designed to address the Blackstone Inc. affiliated advisers' supervision of their personnel and adherence to their books and recordkeeping requirements. The policies and related trainings instructed personnel that electronic communications on approved platforms were subject to surveillance. All Blackstone Inc. affiliated advisers, including Respondents, also had implemented procedures for all personnel requiring annual self-attestations of compliance.

17. The Blackstone Advisers failed to implement systems reasonably expected to determine whether personnel were following the policies and procedures regarding electronic communications. While permitting personnel to use approved communications methods on Mobile Devices for business communications, the Blackstone Advisers failed to implement sufficient monitoring to ensure that their recordkeeping and communications policies were being followed.

### **Respondents' Recordkeeping Failures**

18. In October 2022, the Commission staff commenced a risk-based initiative to investigate whether investment advisers were properly maintaining communications that they were required to preserve as records under the Advisers Act. The Blackstone Advisers cooperated with the investigation by proactively gathering and reviewing communications from the Mobile Devices of certain of their personnel and responding to the staff's requests for additional information. The Blackstone Advisers also produced, at the request of the Commission staff, off-channel communications of a subset of these personnel relating to their investment advisory businesses. These personnel included senior leadership such as managing directors and senior managing directors.

19. The Commission staff's investigation found off-channel communications by Blackstone Adviser personnel, including senior personnel. All of the personnel whose communications were reviewed in the course of the investigation had sent or received multiple off-channel communications that were records required to be preserved by the Blackstone Advisers under the Advisers Act. These off-channel communications were sent among colleagues as well as to external market participants.

20. During the Relevant Period, personnel at the Blackstone Advisers sent and received off-channel text messages subject to the recordkeeping requirements of Advisers Act Rule 204-2.

21. These off-channel communications included records required to be preserved under the Advisers Act because they related to a recommendation made or proposed to be made or advice given or proposed to be given. For example, a Blackstone Alternative Credit Advisors senior managing director exchanged messages with multiple colleagues on an unapproved platform concerning proposed investment advice for a client. Similarly, a Blackstone Management Partners senior managing director exchanged messages with a colleague on an unapproved platform concerning proposed investment advice for a client. Additionally, a Blackstone Real Estate Advisors senior managing director exchanged messages with multiple colleagues on an unapproved platform concerning investment advice for a client.

22. In addition, the investigation found off-channel communications that were records required to be preserved under the Advisers Act because they related to the placing or execution of orders to purchase or sell securities. For example, a Blackstone Alternative Credit Advisors senior managing director exchanged multiple text messages with colleagues on an unapproved platform concerning placing securities trades for a client. As another example, a Blackstone Real Estate Advisors managing director sent and received numerous written updates with multiple colleagues on an unapproved platform concerning placing trades for a client.

### **Respondents' Failure to Preserve Required Records Potentially Compromised and Delayed Commission Matters**

23. During the Relevant Period, Blackstone Inc. and its investment adviser affiliates, received and responded to Commission subpoenas for documents and records requests in Commission investigations. By failing to maintain and preserve required records relating to their investment advisory businesses, Respondents and their investment adviser affiliates may have deprived the Commission of these off-channel communications in investigations.

### **Respondents' Violations and Failure to Supervise**

24. As a result of the conduct described above, the Blackstone Advisers willfully<sup>2</sup> violated Section 204 of the Advisers Act and Rule 204-2(a)(7) thereunder.

25. As a result of the conduct described above, the Blackstone Advisers failed reasonably to supervise their personnel, with a view to preventing or detecting certain of their supervised persons' aiding and abetting violations of Section 204 of the Advisers Act and Rule 204-2(a)(7) thereunder, within the meaning of Section 203(e)(6) of the Advisers Act.

### **Respondents' Efforts to Comply**

26. In determining to accept the Offers, the Commission considered steps undertaken by Blackstone Inc. affiliated advisers, including Respondents, prior to and promptly after being approached by the Commission staff to comply with their books and recordkeeping obligations, as well as their responsiveness to and cooperation afforded the Commission staff. Prior to this

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<sup>2</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.” See *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)).

action, Blackstone Inc. enhanced its policies and procedures to which all Blackstone Inc. affiliated adviser personnel, including Respondents' personnel, were subject concerning the use of approved communications methods, including on Mobile Devices. During the Relevant Period, Blackstone Inc. also issued repeated reminders about its relevant policies to personnel firm-wide.

### **Undertakings**

The Respondents have undertaken to:

27. Internal Audit. Within one hundred eighty (180) days of the entry of this Order, the Blackstone Advisers shall require that their Internal Audit function(s) initiate a separate audit(s), to be completed within three hundred and sixty-five (365) days of the entry of this Order, consisting of the following:

a. A comprehensive review of the Blackstone Advisers' supervisory, compliance, and other policies and procedures designed to ensure that the Blackstone Advisers' electronic communications, including those found on Mobile Devices, are preserved in accordance with the requirements of the federal securities laws. This review should include, but not be limited to, a review of the Blackstone Advisers' policies and procedures to ascertain if they provide for any significant technology and/or behavioral restrictions that help prevent the risk of the use of unapproved communications methods on Mobile Devices in work conditions (e.g., traveling, site visits).

b. A comprehensive review of training conducted by the Blackstone Advisers designed to ensure personnel are complying with the requirements regarding the preservation of electronic communications, including those found on Mobile Devices, in accordance with the requirements of the federal securities laws, as well as a review of Blackstone Advisers' requirement that their personnel certify in writing on a periodic basis that they are complying with preservation requirements.

c. An assessment of the surveillance program measures implemented by the Blackstone Advisers designed to ensure compliance, on an ongoing basis, with the requirements found in the federal securities laws to preserve electronic communications, including those found on Mobile Devices.

d. An assessment of the technological solutions that the Blackstone Advisers have begun implementing to meet the record retention requirements of the federal securities laws, including an assessment of the likelihood that the Blackstone Advisers' personnel will use the technological solutions going forward and a review of the measures employed by the Blackstone Advisers to track personnel usage of new technological solutions.

e. A comprehensive review of the framework adopted by the Blackstone Advisers to address instances of non-compliance by the Blackstone Advisers' personnel with the Blackstone Advisers' policies and procedures concerning the use of Mobile Devices to communicate about the Blackstone Advisers' business. This review shall include a

survey of how the Blackstone Advisers determined which personnel failed to comply with the Blackstone Advisers' policies and procedures, the corrective action carried out, an evaluation of who violated the policies and procedures and why, what penalties were imposed, and whether penalties were handed out consistently across business lines and seniority levels.

28. Recordkeeping. The Blackstone Advisers shall preserve any record of compliance with these undertakings, including any materials supporting the certification made pursuant to Paragraph 29, in an easily accessible place for a period of not less than five (5) years from the end of the fiscal year during which the last entry was made on such record, the first two (2) years in an appropriate office of the Blackstone Advisers.

29. Certification. The Blackstone Advisers shall certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertakings and provide written evidence of compliance in the form of a narrative. The Commission staff may make reasonable requests for further evidence of compliance, and Respondents agree to provide such evidence. The certification shall be submitted to Thomas P. Smith, Jr., Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, New York Regional Office, 100 Pearl Street, Suite 20-100, New York, NY 10004, or such other person as the Commission staff may request, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

In determining whether to accept the Offers, the Commission has considered these undertakings.

#### IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents' Offers.

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

- A. Respondents cease and desist from committing or causing any violations and any future violations of Section 204 of the Advisers Act and Rule 204-2 thereunder.
- B. Respondents are censured.
- C. Respondent Blackstone Alternative Credit Advisors shall, within fourteen (14) days of the entry of this Order, pay a civil money penalty in the amount of \$4,000,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.
- D. Respondent Blackstone Management Partners shall, within fourteen (14) days of the entry of this Order, pay a civil money penalty in the amount of \$4,000,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject

to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

E. Respondent Blackstone Real Estate Advisors shall, within fourteen (14) days of the entry of this Order, pay a civil money penalty in the amount of \$4,000,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). 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) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondents 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) Respondents 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 the Blackstone Advisers as the Respondents 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 Thomas P. Smith, Jr., Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, New York Regional Office, 100 Pearl Street, Suite 20-100, New York, NY 10004.



F. 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, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within thirty (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 Respondents 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