

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 95801 / September 16, 2022

ADMINISTRATIVE PROCEEDING
File No. 3-20855

In the Matter of	:	
	:	
Allianz Global Investors U.S. LLC,	:	ORDER APPOINTING
	:	FUND ADMINISTRATOR AND
Respondent.	:	SETTING ADMINISTRATOR'S
	:	BOND AMOUNT
	:	

On May 17, 2022, the Commission issued an Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 and 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 (the “Order”)¹ against Allianz Global Investors U.S. LLC (the “AGI US” or “Respondent”). In the Order, the Commission found that AGI US employed a complex options trading strategy known as Structured Alpha that AGI US marketed and sold to investors in various funds (“Structured Alpha Funds”). The Structured Alpha Funds were intended to generate profits by using a portfolio of debt or equity securities as collateral to purchase and sell options principally on the S&P 500 Index. The Structured Alpha Funds performed well until the COVID-related market volatility in March 2020 when they suffered catastrophic losses, including losses in excess of 90% in certain funds. Beginning on or before January 2016, and continuing through March 2020, AGI US, through the

¹ Exchange Act Rel. No. 94927 (May 17, 2022).

Structured Alpha portfolio management team, misled investors as to the significant downside risk of the Structured Alpha Funds, which included misrepresentations and omissions made in connection with the purchase and sale of these securities. First, AGI US's marketing materials misrepresented to investors the levels at which hedging positions were put in place. Second, the portfolio management team did not consistently implement a bespoke risk mitigation program agreed to with the largest client in the Structured Alpha Funds. Third, the portfolio management team manipulated reports and other information provided to or created for certain investors on an ad hoc basis to conceal the magnitude of the strategy's downside risk. In addition, the portfolio management team misrepresented to investors that Structured Alpha had a capacity limit of \$9 billion for certain funds when, in reality, it exceeded that amount by over \$3 billion. After COVID-related market volatility in March 2020, the portfolio management team engaged in numerous, ultimately unsuccessful, efforts to conceal their misconduct from the Commission staff.

The Commission ordered the Respondent to pay \$349.2 million in disgorgement and prejudgment interest, which was deemed satisfied by forfeiture and restitution ordered in settlement of a parallel criminal proceeding. The Commission further ordered the Respondent to pay a \$675,000,000.00 civil money penalty and created a Fair Fund, pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, so the penalty paid can be distributed to harmed investors (the "Fair Fund").

In accordance with the Order, the Respondent paid \$131,314,739.08 directly to certain investors and the remaining \$543,685,260.92 to the Commission. The monies paid to the Commission have been deposited in an interest-bearing account at the U.S. Department of the

Treasury's Bureau of the Fiscal Service, and any accrued interest will be for the benefit of the Fair Fund.

The Division of Enforcement now seeks the appointment of Epiq Class Action & Claims Solutions, Inc. ("Epiq") as the fund administrator and requests that the administrator's bond be set at \$543,685,260.92. Epiq is included in the Commission's approved pool of administrators.

Accordingly, IT IS HEREBY ORDERED that Epiq is appointed as the fund administrator, pursuant to Rule 1105(a) of the Commission's Rules on Fair Fund and Disgorgement Plans ("Commission's Rules"),² and shall obtain a bond in accordance with Rule 1105(c) of the Commission's Rules,³ in the amount of \$543,685,260.92.

For the Commission, by the Division of Enforcement, pursuant to delegated authority.⁴

Vanessa A. Countryman
Secretary

² 17 C.F.R. § 201.1105(a).

³ 17 C.F.R. § 201.1105(c).

⁴ 17 C.F.R. § 200.30-4(a)(17).