

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 99253 / December 28, 2023

ADMINISTRATIVE PROCEEDING
File No. 3-20855

In the Matter of

Allianz Global Investors U.S. LLC,

Respondent.

**NOTICE OF AMENDED PROPOSED
PLAN OF DISTRIBUTION AND
OPPORTUNITY FOR COMMENT**

Notice is hereby given, pursuant to Rule 1103 of the United States Securities and Exchange Commission's (the "Commission") Rules on Fair Fund and Disgorgement Plans (the "Commission's Rules"), 17 C.F.R. § 201.1103, that in response to certain comments received on the Proposed Plan of Distribution ("Proposed Plan") published on May 22, 2023,¹ the Division of Enforcement (the "Division") has submitted to the Commission an amended proposed plan of distribution (the "Amended Proposed Plan") for the distribution of monies paid in the above-captioned matter. The Proposed Plan has been modified to expand the list of eligible Securities² and to revise the Plan of Allocation to adopt a "rising tide" methodology rather than a "*pro rata*" methodology.³

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")⁴ against Allianz Global Investors U.S. LLC ("AGI US" or the "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

¹ Exchange Act Rel. No. 97540 (May 22, 2023).

² All capitalized terms used herein but not defined shall have the same meanings ascribed to them in the Amended Proposed Plan.

³ In response to other comments received, the Amended Proposed Plan submitted by the Division has not been modified. In response to one comment received, current distribution procedures are sufficient to address the concerns raised regarding disposition of the Residual and the confidentiality of information submitted by claimants. In response to another comment received, provisions as initially proposed relating to the sale or transfer of an investor claim and the payment of third-party filers are fair and reasonable.

⁴ Exchange Act Rel. No. 94927 (May 17, 2022).

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 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 \$349,200,000 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 Fair Fund includes the \$543,685,260.92 paid by the Respondent. The assets of the Fair Fund are subject to the continuing jurisdiction and control of the Commission. The Fair Fund has been deposited in a Commission-designated account at the U.S. Department of the Treasury, and any interest accrued will be added to the Fair Fund.

OPPORTUNITY FOR COMMENT

Pursuant to this Notice, all interested persons are advised that they may obtain a copy of the Plan from the Commission's public website at <http://www.sec.gov/litigation/fairfundlist.htm>. Interested persons may also obtain a written copy of the Amended Proposed Plan by submitting a written request to Amy A. Sumner, United States Securities and Exchange Commission, Byron Rogers Federal Office Building, 1961 Stout Street, Suite 1700, Denver, CO 80294-1961. All persons who desire to comment on the Amended Proposed Plan may submit their comments, in writing, no later than thirty (30) days from the date of this Notice:

1. to the Office of the Secretary, United States Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090;
2. by using the Commission's Internet comment form (<http://www.sec.gov/litigation/admin.shtml>); or
3. by sending an e-mail to rule-comments@sec.gov.

Comments submitted by email or via the Commission’s website should include “Administrative Proceeding File No. 3-20855” in the subject line. Comments received will be publicly available. Persons should submit only information they wish to make publicly available.

THE AMENDED PROPOSED PLAN

The Amended Proposed Plan provides for the distribution of the Net Available Fair Fund, comprised of the \$543,685,260.92 in civil money penalties paid by the Respondent, plus interest and income earned thereon, less taxes, fees, and expenses, to investors who held eligible Securities during the Relevant Period and suffered a Recognized Loss as calculated by the methodology used in the Plan of Allocation attached as Exhibit A to the Plan.

The Amended Proposed Plan has been modified to expand the list of Securities eligible to participate in the distribution of the Fair Fund, and allows for it to be expanded further based on information received during the claims process.⁵ The Plan of Allocation has also been modified to adopt a “rising tide” methodology that accounts for Prior Recoveries. The Amended Proposed Plan further includes some modifications to clarify the documentation that may be required for the Fund Administrator to calculate Recognized Loss and provide internal consistency.

In response to other comments received, the Amended Proposed Plan has not been modified. In response to one comment received, current distribution procedures are sufficient to address the concerns raised regarding disposition of the Residual and the confidentiality of information submitted by claimants. In response to another comment received, provisions as initially proposed relating to the sale or transfer of an investor claim and the payment of third-party filers are fair and reasonable.

By the Commission.

Vanessa A. Countryman
Secretary

⁵ The Amended Proposed Plan allows claims to be submitted for investment product(s) not included on the list of known Securities (Table A of the Plan of Allocation) provided that the investor can demonstrate that AGI US employed the Structured Alpha trading strategy on those investment products during the Relevant Period. The Fund Administrator, in consultation with the Commission staff, will determine whether such investment products are Securities for purposes of the Amended Proposed Plan.