

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 99494 / February 8, 2024

ADMINISTRATIVE PROCEEDING
File No. 3-20855

In the Matter of :

Allianz Global Investors U.S. LLC, :

Respondent. :

**ORDER APPROVING AMENDED
PLAN OF DISTRIBUTION**

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 (“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 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

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

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.

On December 28, 2023, the Commission published a Notice of Amended Proposed Plan of Distribution and Opportunity for Comment (“Notice”),² pursuant to Rule 1103 of the Commission’s Rules on Fair Fund and Disgorgement Plans (“Commission’s Rules”);³ and simultaneously posted the Amended Proposed Plan of Distribution (the “Amended Proposed Plan”). The Notice advised interested persons that they could obtain a copy of the Amended Proposed Plan from the Commission’s public website or by submitting a written request to Amy Sumner, United States Securities and Exchange Commission, Byron Rogers Federal Office Building, 1961 Stout Street, Suite 1700, Denver, CO 80294-1961. The Notice also advised that all persons desiring to comment on the Amended Proposed Plan could submit their comments, in writing, within 30 days of the Notice. The Commission received no comments on the Amended Proposed Plan during the comment period.

The Amended Proposed Plan provides for the distribution of the Net Available Fair Fund⁴ to distribution of the Net Available Fair Fund 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 in the Plan.

The Division of Enforcement now requests that the Commission approve the Amended Proposed Plan.

Accordingly, it is hereby ORDERED, pursuant to Rule 1104 of the Commission’s Rules,⁵ that the Amended Proposed Plan is approved, and the approved Amended Plan of Distribution shall be posted simultaneously with this order on the Commission’s website at www.sec.gov.

By the Commission.

Vanessa A. Countryman
Secretary

² Exchange Act Rel. No. 99253 (Dec. 28, 2023).

³ 17 C.F.R. § 201.1103.

⁴ All capitalized terms used herein but not defined shall have the same meanings ascribed to them in the Amended Proposed Plan.

⁵ 17 C.F.R. § 201.1104.