

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934

Release No. 80604 / May 5, 2017

INVESTMENT ADVISERS ACT OF 1940

Release No. 4700 / May 5, 2017

INVESTMENT COMPANY ACT OF 1940

Release No. 32626 / May 5, 2017

ADMINISTRATIVE PROCEEDING

File No. 3-11661

In the Matter of

**PA FUND MANAGEMENT LLC,
PEA CAPITAL LLC, AND PA
DISTRIBUTORS LLC,**

Respondents.

**ORDER MODIFYING ORDER
INSTITUTING ADMINISTRATIVE AND
CEASE-AND-DESIST PROCEEDINGS,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS AND A CEASE-
AND-DESIST ORDER PURSUANT TO
SECTIONS 203(e) AND 203(k) OF THE
INVESTMENT ADVISERS ACT OF 1940,
SECTIONS 9(b) AND 9(f) OF THE
INVESTMENT COMPANY ACT OF 1940,
AND SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934**

I.

On September 15, 2004, the Securities and Exchange Commission (the “Commission”) instituted administrative and cease-and-desist proceedings pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”), Sections 9(b) and 9(f) of the Investment Company Act of 1940 (“Investment Company Act”), and Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”), Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (the “2004 Order”) against PA Fund Management LLC, PEA Capital LLC, and PA Distributors LLC (collectively, the “Respondents”).¹

¹ See Exchange Act Rel. No. 50384, Admin. Proc. File No. 3-11661 (September 15, 2004).

II.

In anticipation of the institution of the proceedings, the Respondents consented to the 2004 Order. Among other things, the 2004 Order required the Respondents to cease and desist from further violations of the federal securities laws, directed the Respondents to pay disgorgement and civil money penalties, and directed the Respondents to comply with various undertakings. Since the entry of the 2004 Order, PA Fund Management LLC and PEA Capital LLC were succeeded by Allianz Global Investors U.S. LLC (“AllianzGI U.S.”), and PA Distributors LLC was renamed Allianz Global Investors Distributors LLC (“AGID”) (collectively, “AllianzGI”), making AllianzGI U.S. and AGID subject to the undertakings in the 2004 Order.

III.

AllianzGI U.S. and AGID have submitted an Offer of Settlement (the “Offer”), which the Commission has determined to accept, proposing to modify the Commission’s 2004 Order to (a) relieve them of the obligations to continue to: (1) maintain an Internal Compliance Controls Committee in accordance with paragraphs 38.b and 38.d of the 2004 Order; (2) undergo bi-annual third party compliance reviews in accordance with paragraph 38.p of the 2004 Order; (3) maintain a senior-level employee responsible for conflicts of interest reporting in accordance with paragraph 38.c of the 2004 Order; and (4) require the CCOs of AllianzGI U.S. and AGID to report breaches of fiduciary duty and/or violations of the federal securities laws in accordance with paragraph 38.e of the 2004 Order; and (b) reflect changes to the successor/parent company. Solely for purposes 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 them and the subject matter of these proceedings, which are admitted, AllianzGI U.S. and AGID consent to the entry of this Order Modifying Order Instituting Administrative and Cease-and-Desist Proceedings, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940, Sections 9(b) and 9(f) of the Investment Company Act of 1940, and Section 15(b) of the Securities Exchange Act of 1934 (“Order”), as set forth below.

IV.

The Commission deems it appropriate and in the public interest to modify the 2004 Order as agreed in AllianzGI’s Offer.

Accordingly, IT IS HEREBY ORDERED that:

A. Paragraph 38.b of the 2004 Order is modified as follows:

38.b. Until December 31, 2016, PAFM, PEA and PAD shall establish an Internal Compliance Controls Committee to be chaired by the Director of Compliance for ADAM (or if he so designates PAFM’s Chief Compliance Officer), which Committee shall have as its members the chief executive officers and chief financial officers of PAFM’s, PEA’s

and PAD's operating businesses, or their delegates. Notice of all meetings of the Internal Compliance Controls Committee shall be given to the outside independent counsel of the MMS Board, who shall be invited to attend and participate in such meetings provided that the involvement of the outside independent counsel of the MMS Board shall be limited to compliance issues relating to the MMS Funds. The Internal Compliance Controls Committee shall review compliance issues throughout the businesses of PAFM, PEA and PAD, endeavor to develop solutions to those issues as they may arise from time to time, and oversee implementation of those solutions. The Internal Compliance Controls Committee shall provide reports on internal compliance matters to the MMS Board with such frequency as the MMS Board may reasonably instruct, and in any event at least quarterly. PAFM, PEA and PAD shall also provide such reports to their respective Audit Committees and the Audit Committee of the MMS Board.

B. Paragraph 38.d. of the 2004 Order is modified as follows:

38.d. Until December 31, 2016, PAFM, PEA and PAD shall require that PAFM's, PEA's and PAD's chief compliance officers or members of their staffs review compliance with the policies and procedures established at PAFM, PEA and PAD to address compliance issues under the Investment Advisers Act, Investment Company Act and any other applicable federal securities laws and that any violations be reported to the Internal Compliance Controls Committee.

C. Paragraph 38.p of the 2004 Order is modified as follows:

38.p. Commencing in 2006, and at least once every other year thereafter through 2015, PAFM, PEA, and PAD shall undergo a compliance review by a third party, who is not an interested person, as defined in the Investment Company Act, of PAFM, PEA, and PAD. At the conclusion of the review, the third party shall issue a report of its findings and recommendations concerning the PAFM's, PEA's and PAD's supervisory, compliance, and other policies and procedures designed to prevent and detect breaches of fiduciary duty and federal securities law violations by any of these entities and any of their employees in connection with their duties and activities on behalf of and related to the MMS Funds. Each such report shall be promptly delivered to PAFM's, PEA's and PAD's Internal Compliance Controls Committee and to the Audit Committee of the MMS Board.

D. Paragraph 38.c of the 2004 Order is modified as follows:

38.c. Until December 31, 2016, PAFM, PEA and PAD shall at their own expense cause there to be a senior-level employee whose responsibilities shall include compliance matters regarding conflicts of interests relating to the business of PAFM, PEA or PAD, as the case may be. This officer shall report directly to the chief compliance officers of PAFM, PEA and PAD and shall have oversight over compliance matters related to conflicts of interests at PAFM, PEA and PAD.

E. Paragraph 38.e of the 2004 Order is modified as follows:

38.e. Until December 31, 2016, PAFM, PEA and PAD shall require the chief compliance officers of PAFM, PEA and PAD to report to the MMS Chief Compliance Officer who shall report to the Board any breach of fiduciary duty owed to the MMS Board and/or violations of the federal securities laws of which they become aware in the course of carrying out their duties, with such frequency as the MMS Board may instruct, and in any event at least quarterly, provided however that any material breach (i.e., any breach that would be important, qualitatively or quantitatively, to a reasonable board member) shall be reported promptly.

F. Paragraph 38.a.iii of the 2004 Order is modified as follows:

38.a.iii. All Shelf Space arrangements must be approved in writing by the General Counsel of Allianz Global Investors U.S. Holdings LLC (or such other senior legal officer of an entity in the Respondents' global organization as may in the future have substantially equivalent responsibilities), or his delegate, and presented to the Board of Trustees of the MMS Funds prior to implementation.

G. Paragraph 38.i. of the 2004 Order is modified as follows:

38.i. PAFM's Chief Compliance Officer shall be responsible for monitoring the soft dollar and directed brokerage practices of the various sub-advisers to the MMS Funds. On a quarterly basis, for at least the next 5 years, PAFM's Chief Compliance Officer shall prepare and present to Allianz Global Investors U.S. Holdings LLC's General Counsel (or such other senior legal officer of an entity in the Respondents' global organization as may in the future have substantially equivalent responsibilities) and the MMS Board a written report regarding such monitoring activities.

H. All other provisions of the 2004 Order remain in effect.

By the Commission.

Brent J. Fields
Secretary