

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 80603 / May 5, 2017

INVESTMENT ADVISERS ACT OF 1940
Release No. 4699 / May 5, 2017

INVESTMENT COMPANY ACT OF 1940
Release No. 32625 / May 5, 2017

ADMINISTRATIVE PROCEEDING
File No. 3-11645

In the Matter of

**PA FUND MANAGEMENT LLC f/k/a
PIMCO ADVISORS FUND
MANAGEMENT LLC, PEA CAPITAL
LLC f/k/a PIMCO EQUITY ADVISORS
LLC, AND PA DISTRIBUTORS LLC f/k/a
PIMCO ADVISORS DISTRIBUTORS
LLC,**

Respondents.

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

I.

On September 13, 2004, the Securities and Exchange Commission (the “Commission”) instituted administrative and cease-and-desist proceedings pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”), Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”), and Sections 9(b) and 9(f) of the Investment Company Act of 1940 (“Investment Company Act”), Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (the “2004 Order”) against PA Fund Management LLC f/k/a PIMCO Advisors Fund Management LLC, PEA Capital LLC f/k/a PIMCO Equity Advisors LLC, and PA Distributors LLC f/k/a PIMCO Advisors Distributors LLC (collectively, the “Respondents” or the “PIMCO Equity Entities”).¹

¹ See Exchange Act Rel. No. 50354, Admin. Proc. File No. 3-11645 (September 13, 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 relieve them of the obligations to continue to: (1) maintain an Internal Compliance Controls Committee in accordance with paragraph 60.b of the 2004 Order; (2) undergo bi-annual third party compliance reviews in accordance with paragraph 62 of the 2004 Order; (3) maintain a senior-level employee responsible for conflicts of interest reporting in accordance with paragraph 60.c of the 2004 Order; (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 60.d of the 2004 Order; (5) maintain a Code of Ethics Oversight Committee in accordance with paragraph 60.a of the 2004 Order; (6) maintain a corporate ombudsman in accordance with paragraph 60.e of the 2004 Order; (7) conduct a shareholders’ meeting to elect the Board of Trustees at least every five years in accordance with paragraph 58.c of the 2004 Order; (8) have 75 percent of any Allianz Fund Board of Trustees be disinterested in accordance with paragraph 58.a.i of the 2004 Order; (9) have the Chairman of the Board of Trustees of any Allianz Fund be disinterested in accordance with paragraph 58.a.ii of the 2004 Order; and (10) have any action be approved by a majority of disinterested members of the Board of Trustees in accordance with paragraph 58.b of the 2004 Order. 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 Pursuant to Section 15(b) of the Securities Exchange Act of 1934, Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 and Sections 9(b) and 9(f) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“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 60.b of the 2004 Order is modified as follows:

60.b. Until December 31, 2016, the PIMCO Equity Entities shall establish an Internal Compliance Controls Committee to be chaired by the Director of Compliance for the ADAM of America Group (or if he so designates, PAFM's Chief Compliance Officer), which Committee shall have as its members senior executives of the PIMCO Equity Entities' operating business. Notice of all meetings of the Internal Compliance Controls Committee shall be given to the outside independent counsel of the Board of Trustees for the PIMCO Equity Funds, who shall be invited to attend and participate in such meetings provided that the involvement of the outside independent counsel of the Board of Trustees shall be limited to compliance issues relating to the PIMCO Equity Funds. The Internal Compliance Controls Committee shall review compliance issues throughout the business of the PIMCO Equity Entities, 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 Board of Trustees of the PIMCO Equity Funds with such frequency as the Board may reasonably instruct, and in any event at least quarterly. The PIMCO Equity Entities shall also provide to the Audit Committee of the PIMCO Equity Entities the same reports of the Code of Ethics Oversight Committee and the Internal Compliance Controls Committee that it provides to the Audit Committee of the PIMCO Equity Funds.

B. Paragraph 62 of the 2004 Order is modified as follows:

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

C. Paragraph 60.c of the 2004 Order is modified as follows:

60.c. Until December 31, 2016, the PIMCO Equity Entities 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 the PIMCO Equity Entities, as the case may be. This officer will report directly to the Chief Compliance Officers of the PIMCO Equity Entities and shall have oversight over compliance matters related to conflicts of interests at the PIMCO Equity Entities.

D. Paragraph 60.d of the 2004 Order is modified as follows:

60.d Until December 31, 2016, the PIMCO Equity Entities shall require the Chief Compliance Officer of each of the PIMCO Equity Entities to report to the MMS Chief Compliance Officer who shall report to the Board of Trustees for the PIMCO Equity Funds any breach of fiduciary duty owed to the Board and/or violations of the federal securities laws of which he or she becomes aware in the course of carrying out his or her duties, with such frequency as the Board of Trustees 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 Trustee) shall be reported promptly.

E. Paragraph 60.a of the 2004 Order is modified as follows:

60.a. Until December 31, 2016, PAFM and PEA shall maintain a Code of Ethics Oversight Committee having responsibility for all matters relating to issues arising under the Adviser Code of Ethics. The Code of Ethics Oversight Committee shall be comprised of senior executives of the PIMCO Equity Entities' operating business. The PIMCO Equity Entities shall hold at least quarterly meetings of the Code of Ethics Oversight Committee to review violations of the Code of Ethics, as well as to consider policy matters relating to the Code of Ethics. PAFM and PEA shall report on issues arising under the Code of Ethics, including all violations thereof, to the Audit Committee of the Trustees of the PIMCO Equity Funds with such frequency as the Audit Committee may instruct, and in any event at least quarterly, provided however that any material violation shall be reported promptly.

F. Paragraph 60.e of the 2004 Order is modified as follows:

60.e. Until December 31, 2016, the PIMCO Equity Entities shall establish a corporate ombudsman to whom their employees may convey concerns about business matters that they believe implicate matters of ethics or questionable practices. The PIMCO Equity Entities shall establish procedures to investigate matters brought to the attention of the ombudsman, and these procedures shall be presented for review and approval by the independent Trustees of the PIMCO Equity Funds. The PIMCO Equity Entities shall also review matters brought to the attention of the ombudsman, along with any resolution of such matters, with the independent Trustees of the PIMCO Equity Funds with such frequency as the independent Trustees of such Funds may instruct.

G. Paragraph 58.c of the 2004 Order is modified as follows:

58.c. Commencing in 2005 and not less than every fifth calendar year thereafter through 2016, each PIMCO Equity Fund will hold a meeting of shareholders at which the board of Trustees will be elected.

H. Paragraph 58.a.i is modified as follows:

58.a.i. Until December 31, 2016, no more than 25 percent of the members of the board of Trustees of any PIMCO Equity Fund will be persons who either (a) were directors, officers or employees of the PIMCO Equity Entities at any point during the preceding 10 years or (b) are interested persons, as defined in the Investment Company Act, of the PIMCO Equity Funds or of the PIMCO Equity Entities. In the event that the board of Trustees fails to meet this requirement at any time due to the death, resignation, retirement or removal of any independent Trustee, the independent Trustees will take such steps as may be necessary to bring the board in compliance within a reasonable period of time;

I. Paragraph 58.a.ii of the 2004 Order is modified as follows:

58.a.ii. Until December 31, 2016, no chairman of the board of Trustees of any PIMCO Equity Fund will either (a) have been a director, officer or employee of the PIMCO Equity Entities at any point during the preceding 10 years or (b) be an interested person, as defined in the Investment Company Act, of the PIMCO Equity Funds or of the PIMCO Equity Entities; and

J. Paragraph 58.b of the 2004 Order is modified as follows:

58.b. Until December 31, 2016, no action will be taken by the board of Trustees or by any committee thereof unless such action is approved by a majority of the members of the board of Trustees or of such committee, as the case may be, who are neither (i) persons who were directors, officers or employees of the PIMCO Equity Entities at any point during the preceding 10 years nor (ii) interested persons, as defined in the Investment Company Act, of the PIMCO Equity Funds or of the PIMCO Equity Entities. In the event that any action proposed to be taken is opposed by a majority vote of the independent Trustees of a PIMCO Equity Fund, then the PIMCO Equity Fund will, in its shareholder report for such period, disclose such proposal, the related board vote, and the reason, if any, for the independent Trustees' vote against the proposal.

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

By the Commission.

Brent J. Fields
Secretary