

Court Upholds MTA's Claims Against AllianzGI

BFA achieved a major victory for the Metropolitan Transportation Authority ("MTA"), which suffered significant losses as a result of Defendant Allianz Global Investors' mismanagement of options-oriented hedge funds during the early days of the COVID-19 pandemic.

On September 30, 2021, Judge Katherine Polk Failla of the Southern District of New York largely denied AllianzGI's motion to dismiss claims brought by the MTA and a dozen other plaintiffs. Judge Failla ruled that the MTA had adequately alleged that AllianzGI had breached its contracts with the MTA by imprudently taking risky positions during the market crash in early 2020 and by willfully abandoning its stated investment strategy, which called for hedging positions "designed to protect the portfolio in the event of a market crash." Judge Failla expressly rejected what she saw as AllianzGI's characterization of its private placement memorandum as a "glorified advertising brochure, the substance of which Defendant could ignore at will."

Judge Failla also upheld MTA's claims for negligence based on AllianzGI's extracontractual representations and for breach of the implied covenant of good faith and fair dealing. BFA rested the implied covenant claim on a theory of liability that was not alleged by other plaintiffs, whose implied covenant claims were dismissed.

The MTA is represented by Javier Bleichmar and George N. Bauer. Judge Failla's Opinion and Order can be found under Downloads to the right.