



DIVISION OF
MARKET REGULATION

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

April 10, 2003

David B. Harms, Esq.
Sullivan & Cromwell
125 Broad Street
New York, NY 10004

Re: **Allianz AG**
File No. TP 03-57

Dear Mr. Harms:

In your letter dated April 10, 2003, as supplemented by conversations with the staff, you request on behalf of Allianz Aktiengesellschaft (Company or Allianz) an exemption from Rules 101 and 102 of Regulation M under the Securities and Exchange Act of 1934 (Exchange Act) in connection with the rights offering (Rights Offering) by Allianz and the related underwritten offering by Allianz (Underwritten Offering, together with the Rights Offering, the Offerings). You seek an exemption to permit Dresdner Bank, a separate subsidiary of the Company, to conduct specified transactions outside the United States in Allianz Shares during the distributions. Specifically, you request, that Dresdner Bank be permitted to continue to engage in market-making, derivatives market making and hedging, and unsolicited brokerage activities as described in your letter.¹ You also seek an exemption to permit Dresdner Kleinwort Wasserstein Securities LLC (DrKW Securities), Dresdner Bank's affiliated U.S. broker-dealer, to engage in unsolicited brokerage activities as described in your letter. We have attached a copy of your correspondence to avoid reciting the facts set forth therein. Unless otherwise noted, each defined term in our response has the same meaning as defined in your letter.

Response:

Based on the facts and representations that you have made in your letter, but without necessarily concurring in your analysis, the Commission hereby grants the Company an exemption from Rules 101 and 102 of Regulation M to permit Dresdner Bank, DrKW Securities

¹ The unsolicited brokerage activities of Dresdner Bank include the unsolicited brokerage activities of its affiliate Dresdner Kleinwort Wasserstein Securities Limited (DrKW Securities Ltd.) in the United Kingdom.

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Ltd., and DrKW Securities to engage in the transactions described in your letter. In particular, in your correspondence you make the following key representations:

- in the United States, the Offerings will only be made in private transactions to qualified institutional buyers as defined in Rule 144A under the Securities Act of 1933;
- during the year ended March 31, 2003, the worldwide average daily trading volume of the Company was approximately €250 million (or approximately US \$273 million at March 31, 2003 exchange rates) and the public float was in excess of US \$150 million;
- during 2002, the United States accounted for only slightly more than 1% of the worldwide average daily trading volume in Allianz Shares;
- the principal market for Allianz Shares is Germany and trading on the Frankfurt Stock Exchange (FSE) accounted for 98.5% of the worldwide average daily trading volume during 2002;
- Dresdner Bank operates as a separate subsidiary of the Company, and there are established "Chinese Wall" procedures to prevent price-sensitive information from passing between the sales/trading areas of Dresdner Bank, DrKW Securities Ltd., and DrKW Securities and other areas of the Company;
- Dresdner Bank conducts its market making activities and its derivative market-making and hedging activities outside the United States;
- Dresdner Bank has confirmed that the activities for which it is requesting relief will be conducted in the ordinary course of its business and in accordance with applicable German and other local laws, which permit such activities;
- the withdrawal of a significant market maker in Allianz Shares and derivatives in the primary market for those shares could have harmful effects in the home market (and indirectly in the U.S. market) for Allianz Shares, including an imbalance of buy and sell orders which could cause greater volatility and reduced liquidity;
- in the United States, Dresdner Bank conducts a securities business through DrKW Securities, a separate subsidiary, which is registered with the Commission as a broker-dealer and is a member of the NASD and the NYSE; and,
- DrKW Securities will not engage in market making, derivatives market making and hedging activities, but rather will only engage in unsolicited brokerage activities in the normal course of its business with its customers.

This exemption is subject to the following conditions:

1. None of the Dresdner Bank transactions described in your letter shall occur in the United States;
2. In the United States, the Offerings will only be made in private transactions to qualified institutional buyers as defined in Rule 144A under the Securities Act of 1933;

3. All of the transactions described in your letter shall be effected in the ordinary course of business and not for the purpose of facilitating the Offerings;
4. The offering documents distributed to U.S. investors shall disclose the possibility of, or the intention to make, the transactions described in your letter;
5. The Company, Dresdner Bank, DrKW Securities Ltd. and DrKW Securities shall provide to the Division, upon request, a daily time-sequenced schedule of all transactions made during the applicable restricted period. Such schedule shall include:
 - (a) size, broker (if any) time of execution, and price of the transactions;
 - (b) the exchange, quotation system, or other facility through which the transactions occurred; and
 - (c) whether the transactions were made for a customer account or a proprietary account.
6. Upon request of the Division, the Company, Dresdner Bank, DrKW Securities Ltd. and DrKW Securities shall transmit the information as specified in 5(a), 5(b), and 5(c) to the Division at its offices in Washington, D.C. within 30 days of its request;
7. The Company, Dresdner Bank, DrKW Securities Ltd., and DrKW Securities shall retain all documents and other information required to be maintained pursuant to this exemption for at least two years following the completion of the distributions;
8. Representatives of the Company, Dresdner Bank, DrKW Securities Ltd., and DrKW Securities shall be made available (in person at the offices of the Commission in Washington, D.C. or by telephone) to respond to inquiries of the Division relating to their records; and,
9. Except as otherwise exempted by this letter, the Company, Dresdner Bank, DrKW Securities Ltd., and DrKW Securities shall comply with Regulation M.

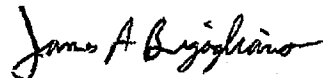
The foregoing exemption from Rules 101 and 102 of Regulation M is based solely on your representations and the facts presented to the staff, and are strictly limited to the application of these rules to the proposed transactions. Such transactions should be discontinued, pending presentation of the facts for our consideration, in the event that any material change occurs with respect to any of those facts or representations.

In addition, your attention is directed to the anti-fraud and anti-manipulation provisions of the Exchange Act, including Sections 9(a) and 10(b), and Rule 10b-5 thereunder. Responsibility for compliance with these and any other applicable provisions of the federal securities laws must rest with the participants in the various transactions. The Division expresses no view with respect to any other questions that the proposed transactions may raise, including,

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but not limited to, the adequacy of disclosure concerning, and the applicability of any other federal or state laws to, the proposed transactions.

For the Commission, by the
Division of Market Regulation,
pursuant to delegated authority,



James A. Brigagliano
Assistant Director

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April 10, 2003

James A. Brigagliano, Esq.,
Assistant Director,
Division of Market Regulation,
Securities and Exchange Commission,
450 Fifth Street,
Washington, D.C. 20549.

Re: Allianz AG: Request for Exemptive Relief from
Rules 101 and 102 of Regulation M

Dear Mr. Brigagliano:

I am writing on behalf of Allianz Aktiengesellschaft, a stock corporation organized under the laws of the Federal Republic of Germany ("Allianz"), about the application of Regulation M to transactions by Dresdner Bank AG ("Dresdner Bank"), a wholly owned subsidiary of Allianz, in the ordinary shares of Allianz (the "Allianz Shares") in connection with the rights offering by Allianz (the "Rights Offering") and the related underwritten offering by Allianz (the "Underwritten Offering" and, together with the Rights Offering, the "Offerings"), each as described below. Specifically, on behalf of Allianz, we ask the Staff to grant exemptive relief from Rules 101 and 102 of Regulation M to permit Dresdner Bank to continue, in the ordinary course of its business as described below and in accordance with applicable local law, to engage in the following activities outside the United States during the Offerings:

- **Market Making:** Dresdner Bank regularly makes bids and offers for Allianz Shares on the Frankfurt Stock Exchange ("FSE") and regularly purchases and sells Allianz Shares on the FSE, the other German stock exchanges in Berlin, Bremen, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart (the "Other German Exchanges") and in the over-the-counter market in Germany (and, in some cases, elsewhere outside the United States). Dresdner Bank effects these transactions for its own account, on both solicited and unsolicited bases, in order to provide liquidity to the market and to facilitate customer transactions.
- **Derivatives Market Making and Hedging:** As a derivatives market maker, Dresdner Bank issues, buys and sells derivatives on Allianz Shares

for its own account and for the account of its customers on the FSE, the Other German Exchanges, the stock exchanges in London, Paris and Zürich (the "Other Offshore Exchanges") and Luxembourg and Milan, the EUREX exchanges ("EUREX") and in the over-the-counter market in Germany, the United Kingdom and elsewhere outside the United States. These derivatives include listed and over-the-counter options, warrants, convertible securities and other structured products relating to Allianz Shares or to baskets or indices including Allianz Shares, as well as index futures on the foregoing. Dresdner Bank engages in derivatives market-making activities, on both solicited and unsolicited bases, in order to provide liquidity to the derivatives market and to facilitate customers' derivatives transactions. In addition, Dresdner Bank solicits and effects trades in Allianz Shares for its own account and for the accounts of its customers for the purpose of hedging positions (or adjusting or liquidating existing hedge positions) of Dresdner Bank and its customers that are established in connection with Dresdner Bank's derivatives market-making activities. These hedging transactions are effected on the FSE, the Other German Exchanges and in the over-the-counter market in Germany (and, in some cases, elsewhere outside the United States).

- **Unsolicited Brokerage:** Dresdner Bank effects unsolicited brokerage transactions in Allianz Shares by placing orders on the FSE, the Other German Exchanges and the Other Offshore Exchanges or effecting trades in the over-the-counter market in Germany, the United Kingdom and elsewhere outside the United States.¹ These transactions arise from unsolicited buy or sell orders received by Dresdner Bank from its customers, although Dresdner Bank may solicit the other sides of these transactions. In addition, Dresdner Kleinwort Wasserstein Securities LLC ("DrKW Securities"), Dresdner Bank's affiliated U.S. broker-dealer, may also engage in unsolicited brokerage activities of the kind described above, involving both Allianz Shares and ADSs (as defined below), with its customers in the United States. We ask that the requested relief also cover these activities of DrKW Securities.

The availability of the exemption Allianz is requesting would be conditioned on the disclosure and record-keeping undertakings outlined below.

¹ In the United Kingdom, Dresdner Bank effects unsolicited brokerage transactions through its affiliated broker-dealer, Dresdner Kleinwort Wasserstein Securities Limited ("DrKW Securities Ltd."). Throughout this letter, references to unsolicited brokerage activity of Dresdner Bank include this activity of DrKW Securities Ltd.

The following representations about the market for Allianz Shares and the activities of Dresdner Bank and other Allianz affiliates have been provided to me by Allianz.

I. The Market for Allianz Shares

The principal trading market for the Allianz Shares is Germany. The Allianz Shares are listed on the FSE, the Other German Exchanges and the Other Offshore Exchanges, and the FSE accounted for approximately 98.5% of the worldwide average daily trading volume in the Allianz Shares during 2002. Trading on the FSE accounted for approximately 99% of the average daily trading volume in Allianz Shares in Germany during this period.

In November 2000, Allianz listed the Allianz Shares in the form of American Depositary Shares ("ADSs") on the New York Stock Exchange ("NYSE"). Each ADS represents one tenth of an ordinary share of Allianz. During 2002, the United States accounted for slightly more than 1% of worldwide average daily trading volume in the Allianz Shares.

The FSE, operated by Deutsche Börse AG, provides for trading in equities and bonds either through floor trading or through an exchange electronic trading system known as Xetra. The FSE is an order-driven market with transactions occurring through the automatic matching of buy and sell orders (on Xetra) or through officially appointed intermediaries (*Skontroführer*) in a semi-electronic system called Xontro (on the trading floor). In general, orders are executed giving priority to price and then to time of entry.

In 2002, the aggregate turnover on the FSE, for both equity and debt securities, was in excess of €3,028,000 million, and as of December 31, 2002 the overall market capitalization of equity securities listed on the FSE was approximately €658,500 million. As of December 31, 2002, there were 5,768 listed companies and 35,224 listed securities on the FSE. The primary market index is the Deutsche Aktien Index ("DAX"), which currently is comprised of 30 of the most prominent domestic companies listed on the FSE, including Allianz.

The Allianz Shares are a significant component of the DAX. As of March 31, 2003, Allianz's market capitalization was approximately €12,102 million (or approximately US\$13,209 million at March 31, 2003 exchange rates), making Allianz the eighth-largest listed German company in terms of market capitalization at that time. The Allianz Shares comprised 3.6% of the DAX as of March 31, 2003. During the year ended March 31, 2003, the worldwide average daily trading volume of Allianz Shares was approximately €250 million (or approximately US\$273 million at March 31, 2003 exchange rates).

II. Dresdner Bank's Market Activities

Allianz is one of the world's leading financial services providers, offering property-casualty insurance, life/health insurance, banking and asset management products and services. Allianz's headquarters are located in Munich, Germany. In addition, Allianz has subsidiary, branch, representative and similar offices worldwide.

Dresdner Bank is part of Allianz, but operates as a separate subsidiary with separate management in charge of day-to-day operations. Dresdner Bank conducts a full-service securities business outside the United States. Although Dresdner Bank has offices throughout the world outside the United States, its principal executive offices are located in Frankfurt and the market activities for which Allianz is seeking relief will be managed principally by representatives in Frankfurt. Dresdner Bank is regulated by and licensed under the German Banking Act (*Kreditwesengesetz*) in Germany and the Financial Services and Markets Act in the United Kingdom, and its branches and agencies in the United States are subject to applicable U.S. bank regulations, among other laws and regulations. Dresdner Bank has confirmed that the activities described below, for which it is requesting relief, are permitted under and would be conducted in accordance with applicable German and other local laws.

In the United States, Dresdner Bank conducts a securities business through DrKW Securities, a separate subsidiary, which has its principal offices in New York, New York. DrKW Securities is registered with the SEC as a broker-dealer and is a member of the National Association of Securities Dealers, Inc. and the NYSE. DrKW Securities will not engage in the activities for which Allianz is seeking relief (other than unsolicited brokerage); rather, these activities (including unsolicited brokerage) will be conducted by Dresdner Bank outside the United States as described below.

Market Making. Dresdner Bank conducts its market-making activities outside the United States and manages these activities from Frankfurt. Dresdner Bank purchases and sells Allianz Shares as principal to facilitate customer orders and provide liquidity to the market. These market-making transactions may be solicited or unsolicited by Dresdner Bank, and most of them are effected on the FSE, with the balance on the Other German Exchanges, in the German over-the-counter market and, in some cases, in the over-the-counter market elsewhere outside the United States. As noted above, the trading in Allianz Shares is based on an order-matching system, not an inter-dealer market with formal, officially designated market makers. Thus, with regard to Allianz Shares, neither Dresdner Bank nor any other dealer is obligated to make a market or to comply with any particular market-maker requirements, and they are free to discontinue market making at any time.

During 2002, Dresdner Bank was the sixth-largest market maker in the Allianz Shares, accounting for approximately 9.3% of the FSE average daily trading volume in the Allianz Shares. Dresdner Bank believes that it and four or five other

German banks, through their market making, account for the substantial majority (over 75%) of the average daily trading volume in the Allianz Shares. During the Offerings, Dresdner Bank intends to continue its market-making activities in accordance with its past practice, although the Offerings are likely to result in greater selling pressure and thus higher volumes of transactions by Dresdner Bank.

Derivatives Market Making and Hedging. Dresdner Bank conducts its derivatives market-making and hedging activities outside the United States and manages these activities principally from Frankfurt. In Germany, Dresdner Bank is admitted under EUREX rules as a market maker and is the seventh-most significant market maker in derivatives on Allianz Shares, accounting for approximately 4% of the average daily market-making volume in such derivatives in 2002. This activity involves the issuance, purchase and sale of derivative products for its own account and for the accounts of its customers, on both solicited and unsolicited bases, on the FSE, EUREX, the Offshore Exchanges and the stock exchanges in Luxembourg and Milan, and in the over-the-counter market in Germany, the United Kingdom and elsewhere outside the United States. These derivative products include listed and over-the-counter options, warrants and other securities that are exercisable for or convertible into, or the value of which is determined by reference to, Allianz Shares or proprietary or third-party baskets or indices including Allianz Shares. These derivatives may also include index futures on the foregoing. Dresdner Bank's derivatives market making involves issuing, purchasing and selling derivatives on Allianz Shares in order to facilitate customer orders and provide liquidity to the market.²

In addition, as a result of its derivatives market making, Dresdner Bank will maintain varying positions in these derivatives, and its financial exposure to movements in the price of the Allianz Shares will vary from time to time. In order to manage this financial exposure, Dresdner Bank continually enters into hedging transactions that involve, in whole or in part, purchases and sales of Allianz Shares for Dresdner Bank's own account. Dresdner Bank also effects brokerage transactions in Allianz Shares, on both solicited and unsolicited bases, on behalf of its customers in order to assist them in hedging their derivatives positions. The derivative hedging transactions in Allianz Shares described above occur primarily on the FSE, with the balance occurring on the Other German Exchanges, in the over-the-counter market in Germany and, in some cases, in the over-the-counter market elsewhere outside the United States.

Unsolicited Brokerage. Dresdner Bank effects unsolicited brokerage transactions in Allianz Shares by placing orders on the FSE, the Other German Exchanges and the Other Offshore Exchanges or effecting trades in the over-the-counter

² As described below, Dresdner Bank would also effect solicited and unsolicited brokerage transactions in the Rights during the period when the Rights will trade on the FSE.

market in Germany, the United Kingdom and elsewhere outside the United States, in each case as agent. These transactions arise from unsolicited buy and sell orders received from its customers, although Dresdner Bank may solicit the other sides of these transactions. As noted above, DrKW Securities may also engage in unsolicited brokerage transactions in the Allianz Shares and ADSs with its customers in the United States. These transactions would be effected, in the case of ADSs, on the NYSE or in the over-the-counter markets in the United States and elsewhere or, in the case of Allianz Shares, in the non-U.S. markets described above.

Allianz has established "Chinese Wall" procedures to prevent price-sensitive information from passing between the sales/trading areas of Dresdner Bank and DrKW Securities and other areas of Allianz. Accordingly, during restricted periods prior to announcements of earnings results or other material developments that have not yet become public, all market-making and other ordinary course market activities of Dresdner Bank and DrKW Securities are permitted to continue. Under these Chinese Wall procedures, Dresdner Bank's and DrKW Securities' traders and sales force who conduct these market activities will generally be able to continue doing so during and outside these restricted periods, although senior management may restrict such activities in extraordinary circumstances. Allianz will continue to maintain these Chinese Wall procedures during the Offerings.

Affiliates of Allianz other than Dresdner Bank and DrKW Securities conduct market activities in Allianz Shares or ADSs in the ordinary course of their business. In connection with the Offerings, these other affiliates will comply with Regulation M, either by suspending their market activities during the relevant period or by conducting them in accordance with an available exception from Regulation M. These exceptions might include those available for "affiliated purchasers" as to which the conditions in paragraphs (3)(i)-(iii) of that definition are satisfied. Accordingly, Allianz is not seeking relief from the Staff for these activities.

III. The Offerings

On March 20, 2003, Allianz announced the Rights Offering, a proposed capital increase involving the offering to Allianz shareholders of pre-emptive rights to purchase up to €4 billion of Allianz Shares (the "Rights"). In the Rights Offering, Allianz will issue up to approximately 117 million new Allianz Shares, representing approximately 44% of the total Allianz Shares issued as of March 31, 2003. The Rights will be offered primarily to existing shareholders outside the United States in accordance with Regulation S of the Securities Act of 1933 (the "Securities Act"). A relatively small portion of the Rights (up to approximately 5%) will be offered in private transactions in the United States solely to existing shareholders who are qualified institutional buyers as defined in Rule 144A under the Securities Act ("QIBs").

The Rights Offering subscription period is expected to last approximately two weeks following pricing, which is currently expected to occur on or around April 12, 2003, although the period could be extended. For approximately 10 trading days during the subscription period, the Rights will be traded on the FSE. Rights may be exercised at any time during – but only during – the subscription period. In the Underwritten Offering, the underwriters will agree, at the time of the pricing for the Rights Offering, to purchase from Allianz any Allianz Shares as to which Rights have not been exercised by the close of the Rights subscription period (currently expected to occur on or about April 29, 2003).³ The price at which the underwriters will purchase the unsubscribed shares from Allianz will at least equal the Rights Offering price but will be determined when the Rights Offering price is fixed. It is expected that the price paid by the underwriters to Allianz for the unsubscribed shares will be the subscription price fixed at the time of the pricing of the Rights Offering, plus some or all of the amount, if any, by which the price of Allianz shares exceeds such subscription price during the period from April 30 through May 5, or a date thereafter to be determined. The Underwritten Offering is currently expected to begin on or about the day after the Rights Offering subscription period ends. The Underwritten Offering will be made to investors in Germany and other non-U.S. jurisdictions on the basis of Regulation S, and in the United States will be conducted as a private placement to QIBs, in each case either at a fixed price or on an at-the-market basis. The closings of the Rights Offering and the Underwritten Offering are currently expected to occur on or about May 2, 2003 and May 5, 2003, respectively. The new Allianz Shares will be submitted for listing on the FSE and on the Other German Exchanges, as well as on the Other Offshore Exchanges. Allianz will prepare one or more offering documents for use in soliciting subscriptions and purchases in the Offerings, including subscriptions and purchases from QIBs in the United States.⁴

IV. Application of Regulation M

In connection with the Offerings, Allianz, directly or through underwriters, will offer and sell Allianz Shares to U.S. investors who are QIBs and will therefore be engaged in a distribution in the United States for purposes of Regulation M. With regard to Allianz, we have assumed that, under Regulation M, the restricted period for the Offerings (the “Restricted Period”) will begin one business day prior to the determination of the offering price in the Rights Offering and will end upon the completion of the Underwritten Offering in the United States. Thus, the Restricted Period for Allianz could last up to almost four weeks.

³ The underwriting arrangements will provide, in accordance with German corporate law requirements, that such purchase is effected through the exercise of rights initially subscribed to on behalf of the underwriters at the time of the pricing for the Rights Offering.

⁴ The actual dates of events in the Offerings described above could change.

As subsidiaries of Allianz that regularly purchase securities for their own accounts and/or the accounts of others, Dresdner Bank and DrKW Securities may be deemed to be "affiliated purchasers" of the issuer, as defined in Rule 100 of Regulation M.⁵ As such, their market activities will be subject to Rule 102 throughout the Restricted Period, except to the extent that any of them acts as a "distribution participant" subject to Rule 101.

While under German law Dresdner Bank is not permitted to underwrite shares in the Underwritten Offering, it will participate in both Offerings by acting as a global coordinator, by soliciting subscriptions or purchases from investors and by processing subscriptions pursuant to the Rights at the request of customers of Dresdner Bank and of other depository institutions. Accordingly, Dresdner Bank will be a "distribution participant" in the Offerings and its market activities will be subject to Rule 101 during the Restricted Period, at least until it completes its participation, after which it will be subject to Rule 102 as an affiliated purchaser until the Restricted Period ends.⁶ DrKW Securities, in contrast, will not act as a distribution participant and will thus remain subject to Rule 102 throughout the Restricted Period. Thus, we request relief for the market activities described in this letter under both Rules 101 and 102, whichever may apply.

Under both Rule 101 and Rule 102, Dresdner Bank would not be permitted to bid for or purchase, or attempt to induce any person to bid for or purchase, Allianz Shares during the Restricted Period, except to the extent that one of the specified exceptions under the applicable rule is available. There are no exceptions available under Rule 101 or Rule 102 that would permit Dresdner Bank to engage in the market-making or the derivatives market-making and hedging activities described in the first paragraph of this letter.⁷ In addition, there are no exceptions available under Rule 102 that would

⁵ Dresdner Bank would not qualify for the exception to the definition of "affiliated purchaser" set forth in paragraphs (3)(i)-(iii) thereof because, among other things, it intends to act as a market maker and engage as a broker-dealer in solicited transactions in Allianz Shares during the Restricted Period.

⁶ Although the Allianz shares easily meet the average daily trading volume and public float requirements set forth in Rule 101(c)(1), the exception for actively traded securities would not be available because Dresdner Bank is an affiliate of Allianz.

⁷ While derivatives on Allianz Shares generally would not be "covered securities" under Regulation M, the derivatives market making that Dresdner conducts may, in some cases, be regarded as involving inducements to purchase Allianz Shares. To avoid uncertainty, we ask that the exemption we are requesting apply to the

permit Dresdner Bank or DrKW Securities to engage in the unsolicited brokerage activities described in the first paragraph of this letter. Therefore, without the requested exemptive relief, Dresdner Bank and DrKW Securities would not be permitted to engage in their respective activities for an extended period of time, which could last up to almost four weeks.

Dresdner Bank believes that the withdrawal of a significant market maker in Allianz Shares in the primary market for those shares, which are among the most actively traded in Germany, for such an extended period of time could have harmful effects in the home market (and indirectly in the U.S. market) for the Allianz Shares. These effects could include an imbalance of buy and sell orders, particularly given the large number of shares to be distributed in the Offerings, and thus greater volatility and reduced liquidity. Also, as Dresdner Bank is a significant market maker in derivatives on Allianz Shares, if Dresdner Bank is precluded from conducting market-making activities in the derivatives or from effecting hedging transactions in Allianz Shares relating to the derivatives, the application of Regulation M could have adverse effects on the German market for the derivatives, as well as on Dresdner Bank's ability to manage hedge positions maintained by Dresdner Bank and its customers previously established in connection with this activity. Dresdner Bank and DrKW Securities may also be unable to execute unsolicited brokerage orders submitted by their customers in the normal course, thereby forcing their customers to take their orders elsewhere. The market-making, derivatives hedging and unsolicited brokerage activities described in this letter are also important aspects of Dresdner Bank's business as a major German financial institution and, therefore, interrupting those activities for such an extended period could also have an adverse impact on Dresdner Bank's business.

As noted above, the Allianz Shares would easily qualify as actively traded securities that are exempt under Rule 101(c)(1), with an average daily trading volume in the year ended March 31, 2003 of approximately €250 million (or approximately US\$273 million at March 31, 2003 exchange rates) and a public float value significantly in excess of \$150 million. Regulation M normally would not interfere with market-making and other market activities in actively traded securities, such as the Allianz Shares. However, because Dresdner Bank, a significant market maker in the shares, is an affiliate of the issuer, it cannot rely on the actively traded securities exception to do what market makers for large U.S. issuers are normally allowed to do during distributions by those issuers.

In addition, because the Offerings will be made in the United States only to QIBs, the exemption for transactions during a distribution pursuant to Rule 144A would be available but for the fact that the Allianz Shares being offered would not meet the fungibility requirement set forth in paragraph (d)(3) of Rule 144A. However, a

derivatives market making as well as the derivatives hedging and other activities in Allianz Shares described in this letter.

critical element of the rationale for this exemption would apply with regard to the Offerings nonetheless: the U.S. distribution will be made solely to QIBs, which are large, sophisticated investors that are able to "obtain, consider and analyze market information" and are therefore able to understand and minimize the risks that are the focus of Regulation M.⁸

For the foregoing reasons, Allianz asks the Staff to provide an exemption from Regulation M that would allow Dresdner Bank to continue to engage in the market activities described above during the Restricted Period, as permitted under market practice and applicable law in its home country. For similar reasons, Allianz also asks the Staff to permit DrKW Securities to continue its unsolicited brokerage activities in the ordinary course of its business as described in this letter.

V. The German Regulatory Market

The principal laws and regulations that apply to Dresdner Bank's market activities in Germany are the German Stock Exchange Act (*Börsengesetz*), the rules and regulations set forth by the FSE (the "FSE Rules") and the other stock exchanges and the German Securities Trading Act (*Wertpapierhandelsgesetz*). These laws and regulations cover, among other things, prohibitions on insider trading and market manipulation, as well as professional trading in securities and disclosure.

The market oversight authority for transparency and compliance is divided among different bodies, including, in particular, the FSE Surveillance Office (*Handelsüberwachungsstelle*), the Hessian Stock Exchange Supervisory Authority (*Börsenaufsichtsbehörde*) and the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, or BaFin).

Under the German Stock Exchange Act and the FSE Rules, the FSE oversees price formation, execution and settlement of transactions to ensure transparency and fair trading. Under the German Stock Exchange Act and the FSE Rules, the FSE has established a Surveillance Office, which has responsibility for market supervision, monitoring compliance and investigating violations. In addition, a stock exchange supervisory authority supervises each German stock exchange. The stock exchange supervisory authority has broad powers to investigate violations and impose disciplinary measures, including the right to issue such orders to the stock exchange or any trading participant as are necessary and appropriate to prevent infringements of law or to counteract other circumstances impacting the proper conduct of stock exchange trading and settlement and the monitoring thereof. In addition, the BaFin supervises the prohibitions on insider trading and market manipulation and compliance with disclosure obligations. The BaFin has the authority to investigate alleged violations of these

⁸ See Release No. 34-38067 (December 20, 1996).

prohibitions and refer its findings to the appropriate public prosecutors for criminal prosecution. Under the FSE Rules, every market participant is required to submit to the FSE the volume of its purchases and sales, and the FSE takes measures to ensure that information necessary to maintain a transparent market is made public. This applies, in particular, to the prices and volumes of securities traded on the trading floor and on Xetra.

The German Securities Trading Act provides remedies for abusing confidential information that is likely to influence the prices of securities. Market manipulation and dissemination of inaccurate statements to affect the prices of listed securities are prohibited. Insider trading and price manipulation in Germany are criminal offenses.

German stock corporations are generally prohibited from trading in their own securities. However, based on a shareholders resolution, domestic or foreign credit institutions, majority owned by a stock corporation, can be authorized to buy and sell shares of such stock corporation for trading purposes. The trading position in shares acquired for this purpose may not, at the end of any day, exceed 5% of the stated capital of the stock corporation. The annual general meeting of Allianz adopted such a resolution on June 12, 2002. In addition, German stock corporations and their respective subsidiaries, collectively, are generally restricted from holding more than 10% of the stock corporation's own shares.

Broker-dealers in Germany are required to keep a daily record of orders received and transactions carried out, in which all information necessary to enable the reconstruction of the transactions and the supervision of the related operations must be recorded. In addition, broker-dealers conducting securities business in Germany are required to report to the BaFin all securities transactions relating to securities or derivatives admitted to trading on an organized market within a member state of the European Union. Broker-dealers are required to report the transactions to the BaFin no later than the working day following the day on which the transaction was entered into if the transaction is connected with a securities service or is an own-account transaction. Dresdner Bank would be subject to these rules with respect to the market activities described in the first paragraph of this letter.

VI. Relief Requested

As discussed above, Allianz is seeking exemptive relief from Rules 101 and 102 of Regulation M, as applicable, to permit Dresdner Bank to continue to engage in the market-making, derivatives market-making and hedging and unsolicited brokerage activities described in the first paragraph of this letter during the Regulation M distribution period for the Offerings. Dresdner Bank would conduct these activities in the ordinary course of its business and in accordance with applicable law in the German and other non-U.S. markets, all as described in this letter. Allianz also asks for relief to

permit DrKW Securities and DrKW Securities Ltd. to engage in unsolicited brokerage activities in the normal course of business in the United States and the United Kingdom, respectively, as described in this letter.

As a condition to the relief being requested, Allianz would undertake to include disclosure in the offering documents that will be distributed to U.S. investors that participate in the Rights Offering and/or the Underwritten Offering. The disclosure would be substantially similar to the following:

"During the distribution of Allianz Shares in the offering of the subscription rights and the underwritten offering, Dresdner Bank, a subsidiary of Allianz AG, intends to engage in various dealing and brokerage activities involving Allianz shares outside the United States. Among other things, Dresdner Bank intends to make a market in Allianz shares by purchasing and selling Allianz shares and derivatives (such as options, warrants and other instruments) relating to Allianz shares for its own account and the accounts of its customers. Dresdner Bank also intends to engage in trades in Allianz shares for its own account and the accounts of its customers for the purpose of hedging their positions established in connection with the derivatives market making described above, as well as to effect unsolicited brokerage transactions in Allianz shares with its customers. These activities may occur on the Frankfurt Stock Exchange, the other German stock exchanges in Berlin, Bremen, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart and the stock exchanges in London, Luxembourg, Milan, Paris and Zürich and in the over-the-counter market in Germany or elsewhere outside the United States. Dresdner Bank's affiliated U.S. broker-dealer may also engage in unsolicited brokerage transactions in Allianz shares and American Depositary Shares representing Allianz shares with its customers in the United States. Dresdner Bank is not obliged to make a market in Allianz shares or derivatives on Allianz shares and any such market making may be discontinued at any time. These activities could have the effect of preventing or retarding a decline in the market price of the Allianz shares. "

As a further condition to the relief being requested, Dresdner Bank will undertake to keep records (the "Records") of the date and time when Allianz Shares are purchased, the market in which the purchase is effected, the amount of Allianz Shares purchased and the price of the purchase, for each purchase of Allianz Shares that Dresdner Bank makes during the Restricted Period (this information will not include any client-specific data, the disclosure of which is restricted under German bank secrecy laws). Dresdner Bank will maintain the Records for a period of two years following the Restricted Period. Upon the written request of the Director of Market Regulation of the SEC (the "Director"), Dresdner Bank will make the Records available at Dresdner Bank's offices in Germany for inspection and copying by an authorized representative of the SEC. If it is not feasible for the SEC to examine the Records at offices of Dresdner


Bank in Germany, or if the Director requests and the expense of doing so is not unreasonable, Dresdner Bank will make a copy of the relevant Records available at the SEC's offices in Washington, D.C.

In connection with the relief requested by Allianz in this letter, please note that substantially similar exemptive relief from Rule 101 and Rule 102 of Regulation M was granted to UBS AG under your exemptive letter of September 22, 2000.⁹

* * *

If you have any questions about this request, please do not hesitate to contact me (212-558-3882) or William D. Torchiana (212-558-4056) in our New York office or David B. Guenther in our Frankfurt office (011-4969-4272-5524). I appreciate your assistance in this matter.

Very truly yours,



David B. Harms

cc: Paul Dudek, Esq.
(Division of Corporation Finance
Securities and Exchange Commission)

Dr. Peter Hemeling
Bernd Honsel
Dr. Uta Sigl
Dr. Reinhard Preusche
(Allianz AG)

bcc: William D. Torchiana
David B. Guenther
(Sullivan & Cromwell LLP)

⁹ See 2000 SEC No-Act. LEXIS 915.