

Press Release



Embraer Paying \$205 Million to Settle FCPA Charges

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Washington D.C., Oct. 24, 2016 —

The Securities and Exchange Commission today announced a global settlement along with the U.S. Department of Justice and Brazilian authorities that requires aircraft manufacturer Embraer S.A. to pay more than \$205 million to resolve alleged violations of the Foreign Corrupt Practices Act (FCPA).

The SEC's complaint alleges that Embraer made more than \$83 million in profits as a result of bribe payments from its U.S.-based subsidiary through third-party agents to foreign government officials in the Dominican Republic, Saudi Arabia, and Mozambique. Embraer allegedly created false books and records to conceal the illicit payments, and also engaged in an alleged accounting scheme in India.

According to the SEC's complaint, \$3.52 million in bribes were paid to an official in the Dominican Republic's air force to secure a military aircraft contract in that country, and \$1.65 million in bribes were routed to an official in Saudi Arabia to win business there. An alleged \$800,000 payment was made at the behest of a Mozambican government official as a condition of obtaining a contract with a state-owned airline in that country. Approximately \$5.76 million was allegedly paid to an agent in India in connection with the sale of three highly specialized military aircraft for India's air force, and the payments were falsely recorded in Embraer's books and records as part of a consulting agreement that wasn't legitimate.

"As alleged in our complaint, Embraer realized significant revenues by surreptitiously using third parties to mask bribes paid to government officials with influence over contracts it was competing to win," said Andrew J. Ceresney, Director of the SEC Enforcement Division.

Kara N. Brockmeyer, Chief of the SEC Enforcement Division's FCPA Unit, added, "Embraer's alleged misconduct spanned multiple continents, and it has taken significant ongoing coordination among international regulators and law enforcement agencies to uncover the company's complex bribery schemes."

Under the settlement, Embraer must pay a \$107 million penalty to the Justice Department as part of a deferred prosecution agreement, and more than \$98 million in disgorgement and interest to the SEC. Embraer may receive up to a \$20 million credit depending on the amount of disgorgement it will pay to Brazilian authorities in a parallel civil proceeding in Brazil. Embraer must retain an independent corporate monitor for at least three years.

The SEC's investigation was conducted by Ernesto Palacios and Thierry Olivier Desmet of the FCPA Unit with assistance from Kathleen Strandell. The SEC appreciates the assistance of the Department of Justice Criminal Division's Fraud Section, the Federal Bureau of Investigation, the Brazilian Federal Prosecution Service, the Brazilian Federal Police, Brazil's Comissão de Valores Mobiliários, the South African Financial Services Board, the Swiss Financial Market Supervisory Authority (FINMA), the Banco Central del Uruguay, the Spanish Comisión Nacional del Mercado de Valores, and the French Autorité des Marchés Financiers.

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