

SEC Charges Eletrobras with Violating Books and Records and Internal Accounting Controls Provisions of the FCPA

ADMINISTRATIVE PROCEEDING

File No. 3-18962

December 26, 2018 - The Securities and Exchange Commission today announced that it charged Brazil-based Centrais Elétricas Brasileiras S.A. with violating the books and records and the internal accounting controls provisions of the Foreign Corrupt Practices Act (FCPA).

According to the SEC's order, from approximately 2009 until 2015, former officers at Eletrobras Termonuclear S.A, Eletrobras' majority-owned (over 99%) nuclear power generation subsidiary, engaged in an illicit bid-rigging and bribery scheme among certain private Brazilian construction companies involving the construction of a nuclear power plant. According to the order, the officers also misused their official positions in authorizing unnecessary contractors and inflating the cost of an infrastructure project at Eletronuclear. The order finds that, in return, the construction companies involved in the scheme agreed to pay, and did pay, the former Eletronuclear officers approximately \$9 million.

According to the SEC's order, material weaknesses in Eletrobras' internal control over financial reporting, including the failure to maintain effective controls to ensure the completeness, accuracy, validity, and valuation over the purchase and payments of goods and services, directly contributed to the bribery scheme flourishing undetected for years. The order finds that Eletronuclear paid inflated contract costs and sham invoices, recorded these items as legitimate expenses for goods or services, and then consolidated them in Eletrobras' books and records.

The SEC's order finds that Eletrobras violated Sections 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934. Without admitting or denying the findings, Eletrobras agreed to the entry of a cease-and-desist order and to pay a \$2,500,000 civil money penalty. In determining to accept the offer, the SEC considered Eletrobras' cooperation, which included sharing facts developed during an internal investigation and voluntarily producing and translating documents. The SEC also considered Eletrobras' remedial acts, which included disciplining involved employees, enhancing internal accounting controls and compliance functions, remediating material weaknesses, and adopting new anti-corruption policies and procedures.

The SEC's investigation was conducted by Ernesto Palacios and Thierry Olivier Desmet of the SEC's FCPA Unit with assistance from Kathleen Strandell in the Miami Regional Office. The SEC acknowledges the assistance of the Department of Justice Criminal Division's Fraud Section, the Federal Bureau of Investigation, the Brazilian Federal Prosecution Service, and the Brazilian Federal Police in this matter.