

ADMINISTRATIVE PROCEEDING
File No. 3-17379

SEC Charges Key Energy Services, Inc. with FCPA Violations

August 11, 2016 – The Securities and Exchange Commission today announced that Houston-based Key Energy Services, Inc. has agreed to pay \$5 million in disgorgement to settle charges that it violated the internal controls and books-and-records provisions of the Foreign Corrupt Practices Act (FCPA). The violations arose from payments its Mexican subsidiary, Key Mexico, made to a contract employee at Petróleos Mexicanos (Pemex), Mexico's state-owned oil company.

An SEC investigation found that Key Mexico made payments to the Pemex employee to induce him to provide advice, assistance and inside information that was used by Key Energy and Key Mexico in negotiating contracts with Pemex. Key Mexico paid the Pemex employee through an entity that provided purported consulting services to Key Mexico, even though Key Energy had not authorized the relationship with the consulting firm and lacked supporting documentation regarding the purported consulting work performed. The hiring of the consulting firm was arranged and approved by Key Mexico's then-country manager, who did not disclose to Key Energy the connection between the consulting firm and the Pemex employee. Key Mexico improperly recorded the transfers to the consulting firm as legitimate business expenses in Key Mexico's books and records, which were consolidated into Key Energy's books and records.

The SEC investigation also found that Key Energy personnel eventually became aware, at least as early as 2011, that Key Mexico was doing business with the consulting firm. Nevertheless, Key Mexico's relationship with the consulting firm continued, even though, contrary to Key Energy policy, neither Key Energy nor Key Mexico had conducted due diligence on the consulting firm and Key Mexico did not enter into a written agreement or contract with the consulting firm until 2013. Key Energy ultimately uncovered the consulting firm's relationship to the Pemex employee in 2014, when Key Energy began an investigation into other allegations concerning the country manager. From 2010 through at least 2013, Key Mexico paid the consulting firm at least \$229,000 for the purported consulting services.

The SEC's order finds that Key Energy violated Sections 13(b)(2)(A) and (B) of the Securities Exchange Act of 1934. Without admitting or denying the findings, Key Energy agreed to a cease-and-desist order and to pay \$5 million in disgorgement. In determining to accept the offer, the SEC considered cooperation Key Energy afforded to the SEC staff and the remedial acts undertaken by Key Energy. In addition, in determining the disgorgement amount and not to impose a penalty, the SEC considered Key Energy's current financial condition and its ability to maintain necessary cash reserves to fund its operations and meet its liabilities.

The SEC's investigation was conducted by Akita Adkins and Laura Bennett of the SEC's FCPA Unit and Fort Worth Regional Office, and supervised by Kara N. Brockmeyer and Jonathan P. Scott. The SEC appreciates the assistance of the Fraud Section of the U.S. Department of Justice's Criminal Division, the U.S. Attorney's Office for the Southern District of Texas and the Federal Bureau of Investigation.

See also: [SEC Order](#)