

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 84996 / January 29, 2019

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 4017 / January 29, 2019

ADMINISTRATIVE PROCEEDING
File No. 3-18972

In the Matter of

GRUPO SIMEC S.A.B. DE C.V.

Respondent.

**ORDER INSTITUTING CEASE-AND-DESIST
PROCEEDINGS PURSUANT TO SECTION
21C OF THE SECURITIES EXCHANGE ACT
OF 1934, MAKING FINDINGS, AND
IMPOSING A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Grupo Simec S.A.B. de C.V. (“Respondent” or “Simec”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-And-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-And-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that

Summary

This matter involves violations of the federal securities laws in connection with the Respondent's Internal Control over Financial Reporting ("ICFR"). Respondent did not remediate material weaknesses in ICFR for ten consecutive annual reporting periods from fiscal year ended 2008 through fiscal year ended 2017, and it failed to complete in certain periods the required management evaluation of internal controls.

Respondent

1. Simec is headquartered in Guadalajara, Mexico and uses its two business segments – one in Mexico and one in the U.S. – to manufacture, process, and distribute iron and steel alloy products. The company's securities trade on the New York Stock Exchange under the symbol SIM. At all relevant times, Respondent filed periodic reports with the Commission, including Forms 20F, pursuant to Section 13(a) of the Exchange Act and related rules thereunder.

Background

2. Respondent disclosed material weaknesses in each of its Forms 10-K over a period of ten years, from 2008 through 2017. In two of those years (2015 and 2016), management disclosed it failed to complete the required management evaluation of ICFR.

3. Respondent's persistent and extensive material weaknesses indicate that management did not appropriately address, and in some periods adequately assess, its admitted ICFR material weaknesses and associated risks. For example, in each year from 2010 through 2017 (eight years), Simec disclosed that it lacked an "appropriate consolidation system to allow management to properly supervise the preparation of consolidated financial information..." In certain years this disclosure was coupled with an acknowledgment that a) Simec had a "very vulnerable procedure to determine costs due to manual calculations," and b) "[financial information of subsidiaries was presented at a level of detail that was insufficient to allow for a clear and precise understanding of operations." In each year from 2009 through 2017 (nine years), Simec disclosed that it did not have adequate accounting resources and/or adequate segregation of duties – corporate, or subsidiary-based, or both. In at least one year, Simec conceded that this "prejudiced the financial statement close process." In each year from 2011 through 2015 (five years), Simec acknowledged "inadequate supervision and controls...resulting in material accounting errors." From 2014 through 2016, Simec also disclosed it lacked "specific procedures for the approval of transactions with related parties."

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

4. In addition, SIM's CEO and CFO failed to complete their annual ICFR evaluation in two annual reporting periods. Specifically, in both 2015 and 2016, SIM disclosed that its "management did not assess the effectiveness" of its internal controls over financial reporting because its "internal audit department did not carry out the functions necessary to analyze [its] internal control during [the relevant year]; however...management considers that the deficiencies found in [the prior year] still persist."

5. Although Respondent hired a SOX consultant in August 2016, there was limited progress in devising a control structure and remediating material weaknesses prior to the staff's outreach in February 2017. Respondent completed the design and testing of its internal controls during the period ending March 2018 though there continues to be material weaknesses that it is still in the process of remediating.

Violations

6. As a result of the conduct described above, Respondent violated Exchange Act Rules 13a-15(a) and 13a-15(c), thereunder, which require issuers with classes of securities registered pursuant to Section 12 to file periodic and other reports with the Commission and maintain ICFR.

7. As a result of the conduct described above, Respondent violated Section 13(b)(2)(B) of the Exchange Act, which requires Section 12 registrants to devise and maintain a system of sufficient internal accounting controls.

Simec's Remedial Efforts

In determining to accept the Offer, the Commission considered remedial acts undertaken by Respondent and cooperation afforded the Commission staff.

Undertakings

Respondent has undertaken to:

8. Retain, at its own expense, a qualified independent consultant (the "Consultant") not unacceptable to the Commission staff, to review and evaluate Simec's ICFR and to provide recommendations for improvements as may be needed. This review and evaluation shall include an assessment of Simec's policies and procedures involving the approval and recording of current and historic transactions with related parties.

9. The Consultant should not have provided legal, auditing, or other services to, or have had any affiliations with, the Respondent during the two years prior to the issuance of this Order.

10. Respondent and the Consultant shall agree that the Consultant is an independent third-party and not an employee or agent of the Respondent. In addition, Respondent and the Consultant agree that no attorney-client relationship shall be formed between them.

11. The Consultant shall be required to enter into an agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the Consultant shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with Simec, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity. The agreement will also provide that the Consultant will require that any firm with which he/she is affiliated or of which he/she is a member, and any person engaged to assist the Consultant in performance of his/her duties under this Order shall not, without prior written consent of the staff, enter into any employment, consultant, attorney-client, auditing or other professional relationship with Simec, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

12. Respondent shall provide, within forty five (45) days of the issuance of this Order, a copy of the engagement letter detailing the Consultant's responsibilities to Melissa Hodgman, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549-5553.

13. Respondent shall cooperate fully with the Consultant, including providing the Consultant with access to its files, books, records, and personnel as reasonably requested for the above-referenced review, and obtaining the cooperation of respective employees or other persons under Simec's control.

14. Respondent shall require the Consultant to report to the Commission staff on its activities as the staff may request.

15. Respondent shall require the Consultant, within thirty (30) days of being retained (unless otherwise extended by the Commission staff for good cause), to provide Simec and the Commission staff with (i) an estimate of the time needed to complete the review and analysis, and (ii) a proposed deadline, subject to the approval of the Commission staff, for the preparation of a written report describing the review and analysis ("Report").

16. Respondent shall require the Consultant to issue the Report by the approved deadline and provide the Report simultaneously to Simec and the Commission staff. The Report shall evaluate the adequacy of Simec's ICFR, including controls over related party transactions, and make recommendations for improvements, as may be needed.

17. Within thirty (30) days of the issuance of the Report, Simec and the Consultant shall advise the staff of the date by which Simec will adopt and implement any recommendations in the Report. As to any recommendation that Simec considers to be, in whole or in part, unduly burdensome or impractical, Simec may submit in writing to the Consultant and the Commission staff a proposed alternative reasonably designed to accomplish the same objectives, within thirty (30) days of the Consultant's issuance of the Report. Simec shall then attempt in good faith to reach an agreement with the Consultant relating to each disputed recommendation and request that the Consultant reasonably evaluate any alternative proposed by Simec. If, upon evaluating Simec's proposal, the Consultant determines that the suggested alternative is reasonably designed to accomplish the same objectives as the recommendations in question, then the Consultant shall approve the suggested alternative and make the recommendations. If the

Consultant determines that the suggested alternative is not reasonably designed to accomplish the same objectives, the Consultant shall reject Simec's proposal. The Consultant shall inform Simec and the Commission staff of the Consultant's final determination concerning any recommendation that Simec considers to be unduly burdensome or impractical within fourteen (14) days after the conclusion of the discussion and evaluation by Simec and the Consultant. Within fourteen (14) days after the final determination of any disputed recommendation, Simec shall submit to the Consultant and the Commission staff the date by which Simec will adopt and implement the recommendation, subject to the approval of the Commission staff.

18. Respondent agrees that the Commission staff may extend any of the dates set forth above at its direction.

19. Within thirty (30) days after Simec notifies the Consultant that the recommendations have been implemented, Respondent shall certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertaking(s), provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence. The certification and supporting material shall be submitted to Melissa Hodgman, Associate Director, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent cease and desist from committing or causing any violations and any future violations of Section 13(b)(2)(B) of the Exchange Act and Rules 13a-15(a) and 13a-15(c), thereunder.

B. Respondent shall comply with the undertakings enumerated in Paragraphs 8-19.

C. Respondent shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$200,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

- (2) Respondent may make direct payment from a bank account via [Pay.gov](https://www.pay.gov) through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Respondent as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Melissa Hodgman, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549-5553.

D. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Brent J. Fields
Secretary