

Airline Executive Settles FCPA Charges

Feb. 4, 2016 – The Securities and Exchange Commission today announced that the CEO of South American-based LAN Airlines has agreed to settle charges that he violated the Foreign Corrupt Practices Act (FCPA) when he authorized improper payments to a third-party consultant who may have passed some money to union officials in the midst of a dispute between the airline and its unionized employees in Argentina.

An SEC investigation found that Ignacio Cueto Plaza, who was serving as president and chief operating officer at the time, authorized a sham consulting agreement and the company wired \$1.15 million in payments to the consultant's Virginia-based brokerage account. The unsigned agreement falsely stated that the consultant would undertake a study of existing air routes in Argentina. Cueto knew no such study would be performed and the consultant instead agreed to help settle the labor dispute, and Cueto also understood it was possible that the consultant would pass a portion of the payments along to union officials in Argentina. Cueto approved the payments to get the unions to abandon their threats to enforce the single-function rule and to get them to accept a wage increase lower than the amount asked for in negotiations.

The SEC's order instituting a settled administrative proceeding finds that Cueto violated the internal accounting controls, books and records, and false records provisions of the Securities Exchange Act of 1934. Without admitting or denying the findings, Cueto agreed to pay a \$75,000 penalty and must certify his compliance with the airline's policies and procedures by attending anti-corruption training among other undertakings.

The SEC's continuing investigation is being conducted by Denise Hansberry and Tracy L. Price of the FCPA Unit and supervised by Kara N. Brockmeyer. The SEC appreciates the assistance of the Justice Department's Fraud Section and the Federal Bureau of Investigation, and the agency also thanks foreign authorities including the Cayman Islands Monetary Authority for their assistance.

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