

Compliance

Compliance at SMFG

Basic Compliance Policies

As a financial services complex that fulfills the important mission of serving as a crucial part of the public infrastructure and meeting social responsibilities, SMFG has positioned the strengthening of the compliance system as one of the Group's top management priorities. As the core of its Groupwide philosophy, SMFG advocates its Business Ethics comprising the following five principles. Through adherence to these principles, we endeavor to construct an effective compliance structure, and with this, become an outstanding global corporate group.

Business Ethics

I. Satisfactory Customer Services

We intend to be a financial services complex that has the trust and support of our customers. For this purpose, we will always provide services that meet the true needs of our customers in order to obtain their satisfaction and confidence in the Group.

II. Sound Management

We intend to be a financial services complex which maintains fair, transparent, and sound management based on the principle of self-responsibility. For this purpose, along with obtaining the firm confidence of our shareholders, our customers, and the general public, we take a long-term view of our business and operate it efficiently, and actively disclose accurate business information about the Group. Through these procedures, we will maintain continuous growth on a sound financial basis.

III. Contribution to Social Development

We intend to be a financial services complex which contributes to the healthy development of society. For this purpose, we recognize the importance of our mission to serve as a crucial part of the public infrastructure and also our social responsibilities. With such recognition, we undertake business operations that contribute to the steady development of Japan and the rest of the world, and endeavor, as a good corporate citizen, to make a positive contribution to society.

IV. Free and Active Business Environment

We intend to be a financial services complex for which all officers and other employees work proudly and with great spirit. For this purpose, we respect people, and train and produce employees with professional knowledge and ability, thereby creating a free and active business environment.

V. Compliance

We intend to be a financial services complex that always keeps in mind the importance of compliance. For this purpose, we constantly reflect our awareness of these Business Ethics in our business activities. In addition, we respond promptly to directives from auditors and inspectors. Through these actions, we observe all laws and regulations, and uphold moral standards in our business practices.

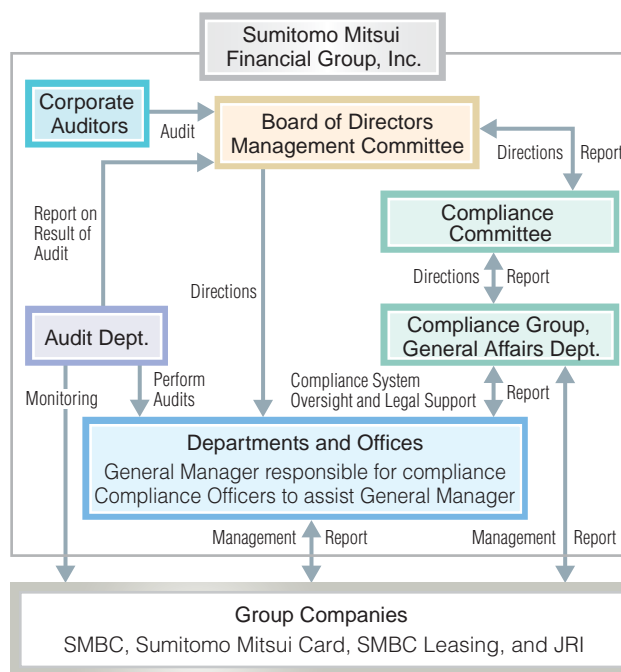
Management of Legal Risk

Legal risk, which refers to the possibility of loss (including reputational loss) arising from acts that break the law or violate the conditions of contracts, principally as a result of failure to sufficiently examine the legal implications before taking action, has become a matter requiring even greater attention in recent years, owing to the widespread deregulation of the financial sector.

Consequently, SMFG has laid down procedures for managing legal risk, collecting information on business laws and ordinances and examining the legal implications of new products, services and contracts under consideration. In these ways, SMFG is enhancing legal risk management.

Group Management of the Compliance System

Since the establishment of SMFG as a financial holding company in December 2002, we have been providing appropriate directions and guidance, as well as monitoring each Group company's compliance system, from the perspective of ensuring the sound and proper conduct of business activities throughout the entire Group.



Compliance at SMBC

Strengthening the Compliance System: A Top Management Priority

Compliance with laws, regulations, and other social standards is a matter of course for corporations. Ensuring compliance is a particularly important issue for banks because of their central role in the financial system and socioeconomic infrastructure.

Consequently, in accordance with the basic concept of compliance instituted throughout the Group, SMBC expects and demands that all directors, officers, and other employees assign utmost value to maintaining people's trust, abide by laws and regulations, maintain high ethical standards, and act fairly and sincerely.

SMBC's Compliance System and Management

As shown below, SMBC employs a dual structure whereby, firstly, each department and office is individually responsible for ensuring that its conduct complies with laws and regulations, and secondly, the independent Internal Audit Unit conducts impartial audits of department and branch compliance.

To make this basic structure effective, the bank conducts the following operations.

Compliance Manual

Set out in accordance with the resolution of the Board of Directors, the *Compliance Manual* lays out specific Rules of Action. These Rules of Action comprise 60 items describing relevant laws and regulations, as well as providing procedural guidelines and specific examples of conduct that must be followed by all directors and employees of SMBC.

Compliance Program

The program's primary objective is to effectively implement the compliance system at SMBC and its consolidated subsidiaries. The Board of Directors annually updates the compliance program. The Board of Directors decides concrete annual plans regarding compliance, which include a review of rules and regulations, as well as the content and schedule of training programs, to further strengthen the compliance system.

Appointment of Compliance Officers

A compliance officer has been assigned to each department and branch to ensure the integrity of the compliance framework.

Compliance Committee

The Compliance Committee is a cross-sectional organization, ensuring that compliance issues are reviewed and discussed widely. It is chaired by the director responsible for compliance issues and includes the heads of relevant departments. To enhance objectivity, the Committee includes outside legal experts who serve as advisors.

Compliance System Overview

