

Compliance

Our Approach

Management positions the strengthening of compliance and risk management as a key issue in enabling SMBC Group to fulfill its public mission and social responsibilities as a global financial group. We are therefore working to entrench such practices into our operations as we aim to become a truly outstanding global group.

Compliance Management

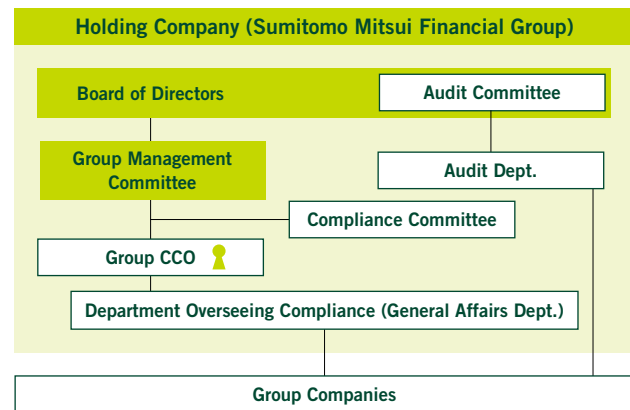
SMBC Group seeks to maintain a compliance system that provides appropriate instructions, guidance, and monitoring for compliance to ensure sound and proper business operations across the Group. Measures have been put in place to prevent misconduct and quickly detect inappropriate activities that have occurred to implement corrective measures.

SMBC Group has established the Compliance Committee, which is chaired by the Group CCO responsible for overseeing matters related to compliance. This committee comprehensively examines and discusses SMBC Group's various work processes from the perspective of compliance.

In addition, SMBC Group formulated the Group Compliance Program to provide a concrete action plan for practicing compliance on a group-wide level. SMBC and other Group companies develop their own compliance programs based on the Group program and take necessary steps to effectively install compliance frameworks.

The Company receives consultations and reports on compliance-related matters from Group companies, providing suggestions and guidance as necessary to ensure compliance throughout the Group.

Compliance Systems at SMBC Group



Initiatives for Supporting Healthy Risk Taking and Appropriate Risk Management

Management positions the strengthening of compliance and risk management as a key issue in enabling SMBC Group to fulfill its public mission and social responsibilities. SMBC Group is therefore devoted to improving its systems in these areas in order to become a truly outstanding global group. To this end, SMBC Group has defined the Principles of Action on Compliance and Risk to serve as guidelines for executives and employees in practicing compliance and other aspects of risk management.

Business units function as the risk owners responsible for compliance and risk management as it pertains to their

business. Acting in accordance with the Principles of Action on Compliance and Risk, business units practice healthy risk taking (business activities) coupled with disciplined compliance and risk management. The Compliance Unit performs monitoring, oversight, and training regarding the status of compliance and risk management at business units. Furthermore, the Internal Audit Unit verifies and evaluates the adequacy and effectiveness of compliance and risk management systems to help fortify these systems.

Anti-Money Laundering and Prevention of Funding Terrorist Organizations

SMBC Group strictly complies with AML/CFT regulations by establishing the Group policy and implementing effective internal control systems in each of the Group companies to ensure that our operations are sound and appropriate. The Group policy/systems are in accordance with the requirements of the relevant international organizations (e.g. the Financial Action Task Force Recommendations) and the law/regulation of relevant countries including Japan (e.g. U.S. “Office of Foreign Assets Control Regulations”).

Specifically, SMBC Group is developing systems to prevent its products and services from being used for money laundering (ML) and financing of terrorism (FT), which may have a massive negative impact on the economy.

Agreement with Federal Reserve Bank of New York

In April 2019, SMBC entered into a written agreement with the Federal Reserve Bank of New York (the “Reserve Bank”) to improve its New York Branch’s program for compliance with the Bank Secrecy Act (“BSA”) and related U.S. anti-money laundering (“AML”) laws and regulations, which was found to be inadequate by the Reserve Bank.

Under the terms of the written agreement, SMBC is required to undertake a number of actions to enhance the Branch’s overall BSA/AML compliance program, corporate governance and management oversight, the Branch’s customer due diligence and suspicious activity monitoring and reporting programs, internal audit, and the Branch’s program for compliance with the laws and regulations administered by the U.S. Department of the Treasury’s Office of Foreign Assets Control.

SMBC has already taken actions to improve compliance with U.S. AML requirements and is fully committed to complying with all of the terms set forth in the written agreement.

Response to Anti-Social Forces

SMBC Group has established a basic policy stipulating that all Group companies must unite in establishing and maintaining a system that ensures that the Group does not have any connection with anti-social forces or related individuals.

Specifically, the Group strives to ensure that no business transactions are made with anti-social forces or individuals. Contractual documents or terms and conditions state the exclusion of anti-social forces from any business relationship. In the event that it is discovered subsequent to the commencement of a deal or trading relationship that the opposite party belongs to or is affiliated with an anti-social force, we undertake appropriate remedial action by contacting outside professionals specializing in such matters.

Basic Policy for Anti-Social Forces

1. Completely sever any connections or relations from anti-social forces.
2. Repudiate any unjustifiable claims, and do not engage in any “backroom” deals. Further, promptly take legal action as necessary.
3. Appropriately respond as an organization to any anti-social forces by cooperating with outside professionals.

Customer Information Management

SMBC Group has established Group policies that set forth guidelines for the entire Group regarding proper protection and use of customer information. All Group companies adhere to these policies in developing frameworks for managing customer information.

SMBC and its Group companies establish and disclose privacy policies for their measures regarding the proper protection and use of customer information and customer numbers. Appropriate frameworks are established based on these policies.