

Compliance

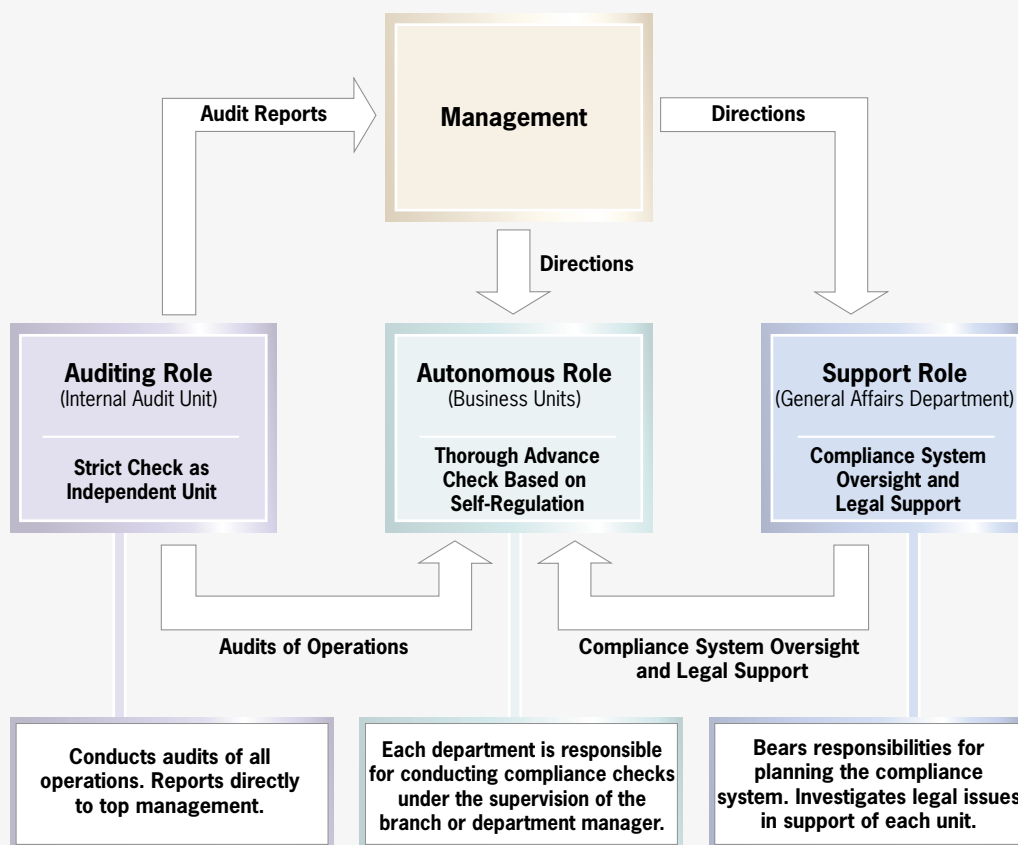
Strengthening the Compliance System

Compliance with the various laws and regulations comprising our social standards is an issue of great importance for financial institutions because of their central role in the financial system and social infrastructure. There is even greater demand for banks to behave responsibly and transparently as competition intensifies across geographic and industry boundaries and the market becomes more selective. It is in this context in which SMBC is placing high priority on the implementation of its compliance system. When we began operating as the new entity in April 2001, all employees were thoroughly instructed in the following aspects of our compliance code.

- All employees shall behave in a trustworthy manner, observe all laws and regulations, act in a highly ethical manner, and serve the public fairly and honestly.
- Employees are charged with providing value to customers and the Bank's growth must be linked to the furtherance of all stakeholder interests, including customers, shareholders and the public.

The SMBC Compliance System

To implement a compliance system, it is first necessary to clarify the framework for observing laws and regulations. At SMBC, we employ a dual system. Self-regulation by each department and branch is the primary level. Independent inspections conducted by the Internal Audit Unit constitute the secondary level.



To make this basic framework effective, in April 2001 we established a Compliance Committee that encompasses the entire organization. The committee is chaired by the director responsible for compliance issues and includes the heads of 15 departments and has a council with legal advisors. This structure ensures that each section of the Bank is examined for compliance from an impartial, neutral perspective.

● Compliance Manual

As a further step in our compliance regime, we distributed a compliance manual to each and every employee in April 2001. This manual, which is set out in a resolution of the Board of Directors, is not a mere list of the applicable laws and regulations. It contains control procedures and an employee code of conduct.

The code of conduct features 60 items that describe the related laws and regulations and provide procedural guidelines and specific examples of conduct.



Compliance manual

● Compliance Program

The Compliance Program is the detailed implementation plan formulated as resolutions by the Board of Directors to strengthen the Bank's compliance system. As the diagram shows, it is being implemented in four stages. The basic objective is to have the compliance system up and running in the Bank and consolidated subsidiaries as soon and as smoothly as possible within the 2001 fiscal year. We have made the concrete plan of the program, and have been setting up training programs and auditing systems. In addition, a compliance officer has been assigned to each department and branch to ensure that the laws and regulations are observed within the basic compliance framework according to the compliance manual.

