

Compliance

Strengthening the Compliance System: A Top Management Priority

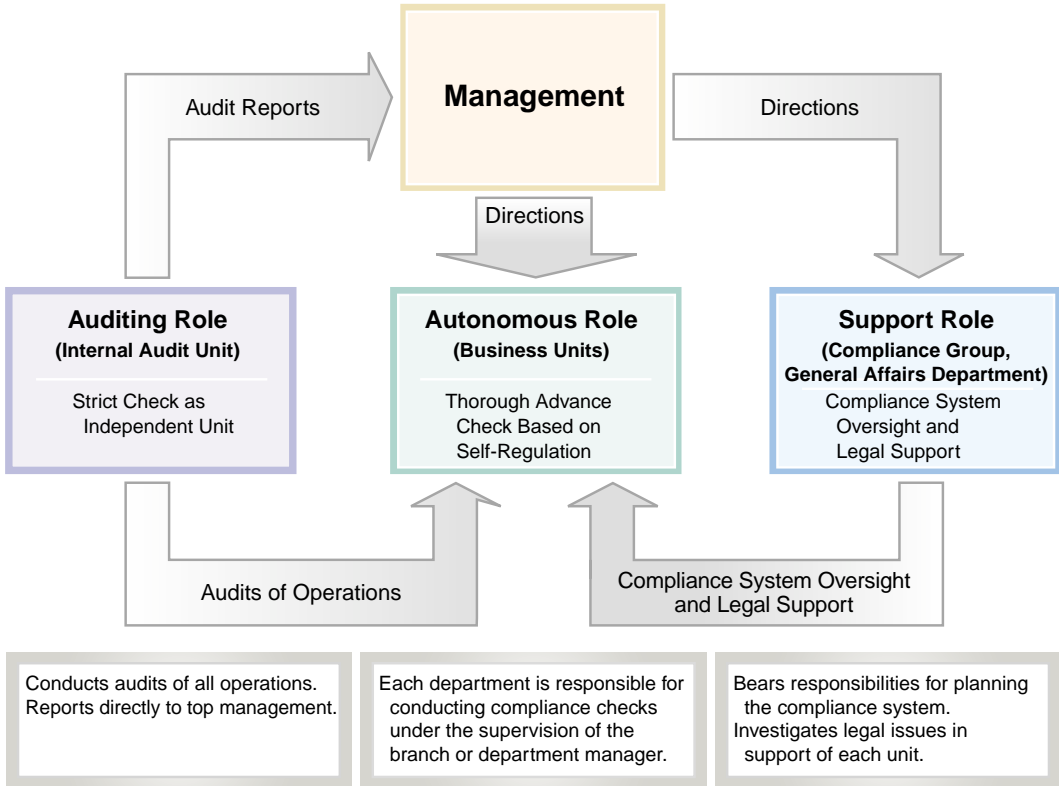
Compliance with laws, regulations, and other social standards is a matter of course for corporations. Ensuring compliance is a particularly important issue for banks because of their central role in the financial system and socioeconomic infrastructure. Moreover, demand for banks to behave responsibly and transparently has grown significantly as competition intensifies across national and industrial boundaries and the market becomes increasingly selective. Accordingly, strengthening the compliance system is one of our top management priorities at SMBC.

In this context, we expect and demand that all of our directors, officers, and other employees give utmost value to people’s trust in the Bank, abide by laws and regulations, maintain a high ethical viewpoint, and act fairly and sincerely. SMBC firmly believes that adherence to these aspects of compliance in our daily operations will support our prosperity, together with that of our shareholders, customers, other stakeholders, and society in general.

SMBC’s Compliance System

To implement a strict compliance system, it is first necessary to clarify the framework for observing laws and regulations.

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, our independent Internal Audit Unit conducts impartial audits of department and office compliance. To make this basic structure effective, 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 16 departments. In addition, with a view to enhancing objectivity, the Committee has legal advisors from outside the Bank as its council. This framework ensures that each section of the Bank is examined for compliance from an impartial, neutral perspective.



Compliance Manual

To further enhance the Bank's compliance system, we have provided each and every director, officer, and employee with a *Compliance Manual*. Set out in a resolution of the Board of Directors, this proprietary document is more than simply a list of applicable laws and regulations. Starting off with a statement of the Bank's "Business Mission," the *Compliance Manual* then lays out specific "Rules of Action." Based on "Objectives" and "Guiding Rules," these "Rules of Action" comprise 60 items describing relevant laws and regulations as well as providing procedural guidelines and specific examples of conduct.

In addition, we have established supplementary compliance rules applicable to specific organizations and operations, such as Department Rules, Business Office Rules, and Group Company Rules, in order to make sure that our operations are conducted in accordance with the *Compliance Manual*.

Compliance Program

SMBC's Compliance Program is a detailed, four-phased implementation plan formulated and resolved by the Board of Directors to strengthen the Bank's compliance system. The Program's basic objective is to get the compliance system running effectively both in the Bank and in all consolidated subsidiaries. We have made concrete plans for each phase of the Program and are currently enhancing training programs and the auditing system. In addition, a compliance officer has been assigned to each department and branch to ensure the integrity of the Bank's compliance framework, as well as to ensure that the Bank's conduct is in conformity with our *Compliance Manual*.

