

Compliance

Basic Approach

We position the strengthening of compliance and risk management as a priority 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.

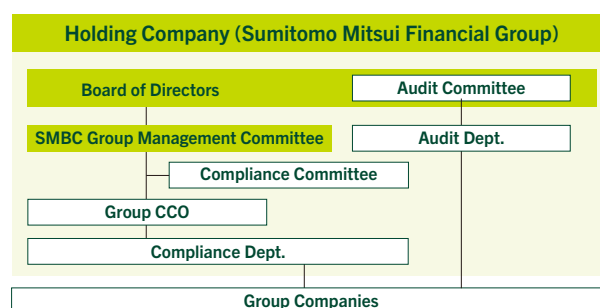
Compliance Management

SMBC Group seeks to maintain a compliance system that provides appropriate instruction, guidance, and monitoring for compliance to ensure sound and proper business operations on a Group-wide and global basis. We have put measures in place for the prevention, early detection, and correction of misconduct.

The Compliance Committee, chaired by the Group CCO responsible for overseeing compliance matters, broadly reviews and deliberates on operations within SMBC Group from the standpoint of compliance. On a Group-wide basis, it develops concrete implementation

plans to achieve compliance and develops company-specific compliance structures, and performs unified management of overseas compliance structures at overseas offices. In response to compliance-related consultations and reports from Group companies and overseas offices, the committee provides counsel and guidance as required to ensure overall compliance within the Group and globally.

Compliance Systems at SMBC Group



Initiatives for Achieving Healthy Risk Taking and Appropriate Risk Management

For companies to coexist with society and develop sustainably, it is crucial that they engage in sound risk taking and maintain appropriate risk management, including assurance of compliance. Financial institutions in particular must place importance on compliance and risk management in the execution of their business, given their public mission and weighty social responsibility.

Based on this recognition, SMBC Group positions the strengthening of compliance and risk management as a priority issue in fulfilling our public mission and social responsibilities. We strive for unending improving of the relevant structures in order to establish ourselves as a truly outstanding global group.

Specifically, SMBC Group has set forth its “Principles of Action on Compliance and Risk” to serve as guidelines for executives and employees in practicing compliance and risk management. Through continuous review of these principles, we work to confirm their effectiveness and improve our compliance status.



Anti-Money Laundering (AML), Countering the Financing of Terrorism (CFT) and Economic Sanctions

SMBC Group recognizes the importance of preventing money laundering and terrorist financing (ML/TF), and of compliance with regulations concerning state economic sanctions and therefore, undertakes every effort to prevent ourselves and employees, from engaging in, and/or providing assistance to, the commission of ML/TF, and to comply with regulations concerning economic sanctions imposed on states.

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

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.

Furthermore, SMBC is working to improve compliance on a global basis while taking other necessary actions based on the written agreement with the Reserve Bank.

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 antisocial 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 antisocial 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 guideline for the entire Group regarding the proper protection and use of customer information. All Group companies adhere to these policies in developing frameworks for managing customer information.

Group companies prepare frameworks for establishing and disclosing privacy policies that serve as policy for the proper protection and use of customer information, individual numbers, and other information.

Initiatives for the Prevention of Bribery and Corruption

To prevent business entertainment, the provision or receipt of gifts, or other actions that violate laws, regulations, or social practices and customs, SMBC Group has established the “SMFG Group Policies for Anti-Bribery Compliance and Ethics.” Following these policies, Group companies develop frameworks for the prevention of bribery and corruption. The Compliance Department conducts annual bribery and corruption risk assessments of the offices of major Group companies to identify transaction and counterparty-related risks and to inspect the effectiveness of controls. Risk assessment findings are reported to the Compliance Committee. Consultations are held with Group company offices identified as being at high risk, and appropriate risk mitigation measures are carried out at the companies and offices in question.