

Establishment of a Framework for Compliance

The Osaka City Shinkin Bank works hard to establish a compliance framework of the highest thoroughness and efficacy, based on the Osaka City Shinkin Bank Action Guidelines.

What Is Compliance?

“Compliance” refers to compliance with applicable laws, regulations and guidelines. In the case of the Bank, it refers to strict observance of all laws applicable to its operations, the Bank’s own internal regulations and principles, and rules of conduct generally accepted in society.

The Compliance Environment for Financial Institutions in Japan

In recent years, as the social responsibilities and corporate ethics of financial institutions have come under close scrutiny, the establishment of a robust compliance framework has emerged as an issue of the utmost importance in corporate governance.

Meanwhile, the increased diversity of customer needs and the advance of financial liberalization have broadened these institutions’ scope for operation. As a result, in 2001 the Japanese government passed the Act on Sales, etc. of Financial Products. This law stipulates financial institutions’ duty of disclosure of risks and other important issues associated with financial products, and obliges these institutions to prepare and publish a solicitation policy, to ensure the propriety of solicitation activities.

In 2005, the Act on the Protection of Personal Information came into effect to ensure appropriate handling of personal information. This law mandates companies that collect personal information to circulate and publish the purpose for which it is used, and to prepare and publish a privacy policy. In addition, strict obligations regarding the acquisition, management and other use of individual numbers and personal information containing individual numbers (referred to below as “specific personal information”) were established when the Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure came into effect in 2015.

Also, in September 2007 the Financial Instruments and Exchange Act came into effect, establishing numerous regulations on the activities of financial institutions and requiring strict compliance with rules for the protection of users.

The Bank’s Compliance Framework

To achieve our social mission and establish a robust compliance framework, in March 1999 the Bank established the Compliance Committee and the Compliance Office (currently the Compliance Dept.). At the same time, in order to foster a corporate climate stressing compliance and establish a compliance framework, we formulated our *Compliance—Code of Conduct* for matters that must be observed by directors and employees, including basic policy for compliance with laws and regulations, a framework for compliance with laws and regulations, and guidelines for the conduct of directors and employees. This is distributed to all directors and employees and is subject to review when appropriate to ensure thorough understanding and implementation of compliance measures.

The Bank has also taken a series of steps to tackle money laundering and the funding of terrorism. Pursuant to the revised Act on the Prevention of Transfer of Criminal Proceeds enacted in October 2016, we updated our procedural document entitled the *Administrative Procedures for Confirming User Identities*, and clarified the management framework governing these tasks. We also established rules for confirming identities and reporting suspicious transactions at the time transactions are performed to prevent the acceptance of unlawful funds.

Basic Policy on Compliance

The Osaka City Shinkin Bank Action Guidelines are the Bank’s explicit statement of its basic policy toward compliance. These guidelines require all Bank employees and directors to comply strictly with all laws, cabinet orders and other regulations, support the achievement of the Bank’s public mission and social responsibilities, and work diligently for the benefit of customers, as stipulated below:

- 1) We strictly comply with the law, the rules of the financial industry and the regulations governing cooperative banks as we strive to fulfill our public mission and social responsibilities.
- 2) Aiming to put the Bank’s management principles, basic concept and code of conduct into practice, we place importance on listening sincerely to the expectations of our customers and the desires of the regional community, and taking proactive action to meet and exceed them.
- 3) We construct a robust system of internal controls, striving to prevent violations of laws and regulations.
- 4) We recognize that thoroughgoing compliance is the most important policy for the Bank’s management, and are working Bank-wide to be number one in customer trust and preference.
- 5) In strict compliance with all applicable regulations, the Bank rigorously controls customer information to prevent leaks and other incidents that can compromise customer privacy.
- 6) We aim to be a soundly managed Bank that actively discloses management information and takes sincere and effective measures against potential risks.
- 7) We take care never to conduct business dealings that are unreasonable or contrary to the social good, in order to build relationships of trust with our customers based on fair business dealings.
- 8) We decisively exclude and ban all relations with anti-social forces which threaten social order and safety.

Compliance Framework

To establish a robust framework for compliance, the Osaka City Shinkin Bank has constructed the management framework shown in the chart below, headed by a Board of Directors.

Compliance Framework

As of July, 2018

