

# Enhancing Legal Compliance

Led by the Legal Affairs Office of the Assets and Liabilities Managing Department the Bank is building systems for maintaining compliance with laws and regulations and proper bank management, and is making efforts to foster employees with a heightened awareness of expectations placed by the public in banks, and with a strong sense of ethics.

## Legal compliance system

The Bank has stipulated the Code of Conduct based on the CSR Charter, our management principles. A **Legal Compliance Committee** chaired by the senior managing director of the Bank takes the lead to comply with this Code of Conduct and to comply thoroughly with laws and regulations, and once in a fiscal year we draw up a **Compliance Program** and endeavor to implement it.

Specifically, training is conducted every year at each department, branch and affiliate in accordance with set themes, and the extent to which the training has been understood is monitored by the Head Office. Departments, branches and affiliates which are determined not to understand it sufficiently redouble their efforts and try to strengthen their legal compliance system by continuously implementing the PDCA cycle.

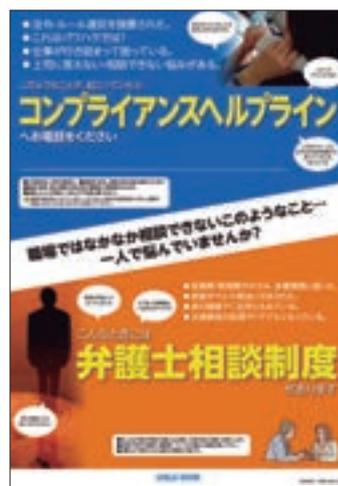
In fiscal 2019, we intend to run training programs with the themes of preventing money laundering using a risk-based approach, preventing recurrence of a misconduct, and enhancing cybersecurity literacy.

Instead of conventional lecture-type training, participatory training with a focus on discussion is being adopted.

## Whistle-blowing system established

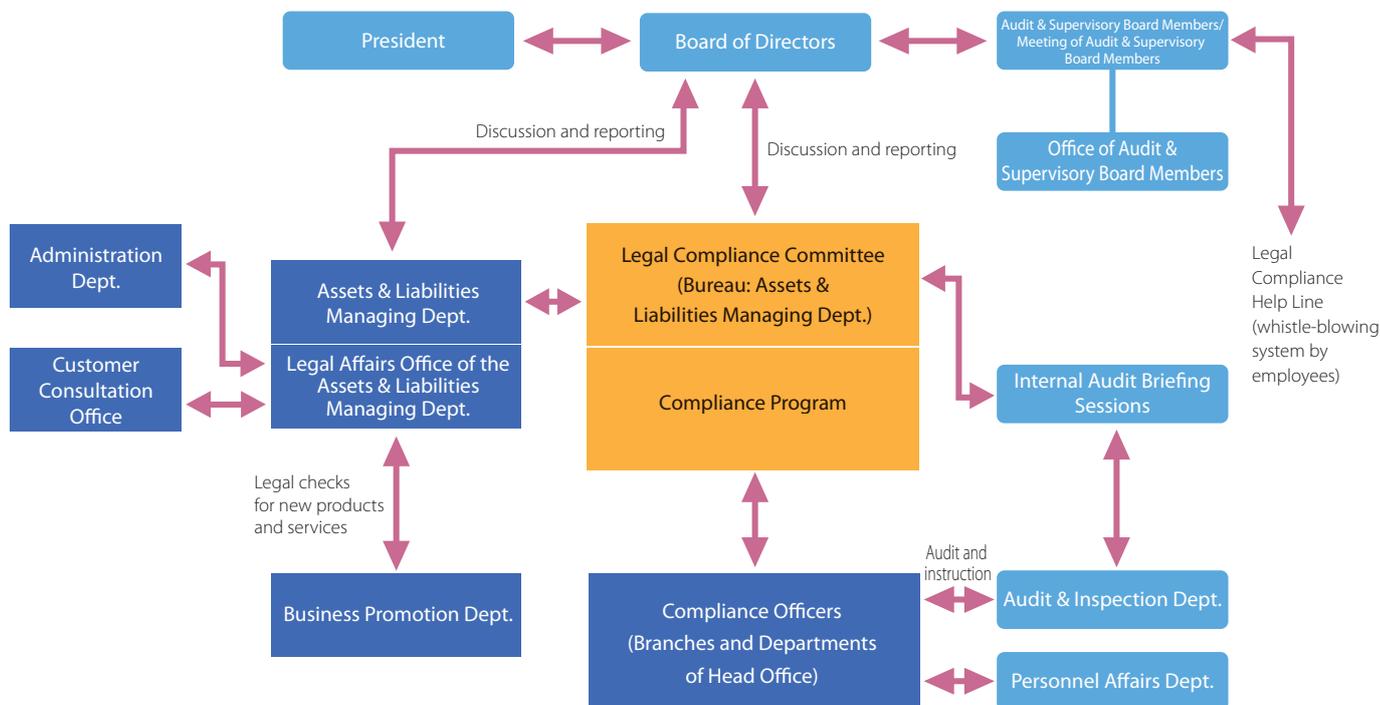
In order to promote compliance management, we have established a **legal compliance help line** (24 hours a day) for employees to contact when they have discovered a violation of laws, regulations, or rules in the workplace and cannot discuss their concerns with their superiors or colleagues.

We have also jointly established a system that allows employees to **consult with lawyers** and solve problems early when they face legal problems outside the workplace.



Poster publicizing the Bank's whistleblowing system

## Legal compliance system



# Compliance

## Measures against money laundering

In recent years, measures against money laundering and terrorism funding (hereinafter, the “unlawful financing”) are becoming increasingly important as an issue to be addressed by Japan and internationally. The Bank is taking measures to effectively prevent more complex and sophisticated form of unlawful financing by cooperating with related authorities.

Amid this situation, in February 2018, the Financial Services Agency developed and announced the “Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism” that clarify basic approaches of effective measures against the unlawful financing taken by financial institutions.

Under the guidelines, banks and other financial institutions are required to additionally confirm more items than required by the Act on Prevention of Transfer of Criminal Proceeds, depending on details and conditions of customer transactions, in addition to items required by the said Act and other laws.

## Major initiatives of the Bank

- Launched the “project team for measures against money laundering and the financing of terrorism” for promoting cross-departmental efforts in July 2018
- Revised the “risk evaluation report concerning money laundering” (hereinafter, the “risk evaluation report”) in December 2018
- Put in place the Money Laundering Countermeasures Office as an expert supervising organization in the Assets & Liabilities Managing Department to strengthen a structure for preventing the unlawful financing in January 2019.

Currently, we are proceeding with measures in sequence to reduce the Bank’s risks from the unlawful financing based on the risk evaluation report, in addition to improvement of various training systems and encouragement of acquisition of related qualification.

## Measures to eliminate anti-social forces

The Bank has traditionally taken active measures to eliminate anti-social forces. To strengthen these measures, we have adopted an “anti-social forces elimination clause” to the Ordinary Deposit Regulations and other rules. Under the clause, if an account holder is found to belong to anti-social forces, the Bank can suspend or cancel any transaction with the account holder at its discretion. At the same time, we established the **“Shiga Bank Anti-social Forces Elimination Regulations.”**

New customers are requested to represent and declare that they do not belong to anti-social forces, before they open an ordinary deposit account.

## Special fraud prevention system

### Protecting customer deposits from “special fraud”

The Bank is taking various measures as described below to protect important deposits of customers from “special fraud” that has become a social problem and offer safe services.

- (1) **The Bank’s employees speaking to customers at bank counters and ATM areas and observe their facial expressions and behavior carefully.**
- (2) **Putting up posters at ATM areas and lobbies**
- (3) **Posting notice on the webpage**
- (4) **Conducting internal training programs**
- (5) **Conducting lectures at each branch**
- (6) **Internally commending recipients of a certification of appreciation for special fraud prevention and sharing good examples of preventive measures among all branches on a timely manner**
- (7) **Strengthening cooperation with the police and related organizations (study meetings, distribution of fraud alert flyers, use of automated calls, etc.)**
- (8) **Adopting the “cashier’s check” plan**
- (9) **Limiting part of the ATM transfer function**

Thanks to these measures, we received 15 certifications of appreciation for special fraud prevention from police stations in Shiga Prefecture during one year from January to December 2018 (19 certifications in 2017 and 15 in 2016). Many cases of special fraud attempts were prevented because employees were highly conscious of special fraud when serving customers at counters, lobbies and ATMs and the Bank ensured swift and close cooperation with the police.

The Bank will continue to prevent special fraud cases increasing every year by considering itself as a “last bastion” of protecting customers’ important deposits from financial crime.

## System for managing conflict of interest

“Managing conflict of interest” refers to appropriately managing transactions that may cause a conflict of interest in order not to harm interests of customers unfairly as increasingly sophisticated financial transactions more likely lead to a conflict of interest between customers and financial institutions.

The Bank executes its business not to harm interests of customers unfairly, concerning transactions that may cause a conflict of interest “between a customer and the Bank or its affiliate” and “between customers of the Bank Group,” in accordance with laws and regulations.

### Personal information protection and management

While advanced information and communication technology represented by the Internet, social media, cloud services and FinTech has brought more convenient services, it has also been pointing to growing importance of appropriate protection and management of personal information.

What we believe matters most is appropriate and strict handling of customers' personal information (including My Number individual numbers for social security and taxation). To this end, we established the "Personal Information Protection Policy" and the "Basic Policy on Handling of Specific Personal Information, etc." as basic policies for appropriate and strict handling of personal information. (These policies are available in Japanese on the Bank's website.)

Based on these policies, we only use the personal information within the scope informed through our website and leaflet in advance. In addition, to prevent leakage of information, we put various safety management measures in place for administrative procedures and system technologies, and regularly review these measures for improvement.

### System for listening to the voice of customers

The Bank as a whole is striving to offer and improve customer-oriented products and services by listening to the various "voice" of customers.

