



# COMPLIANCE

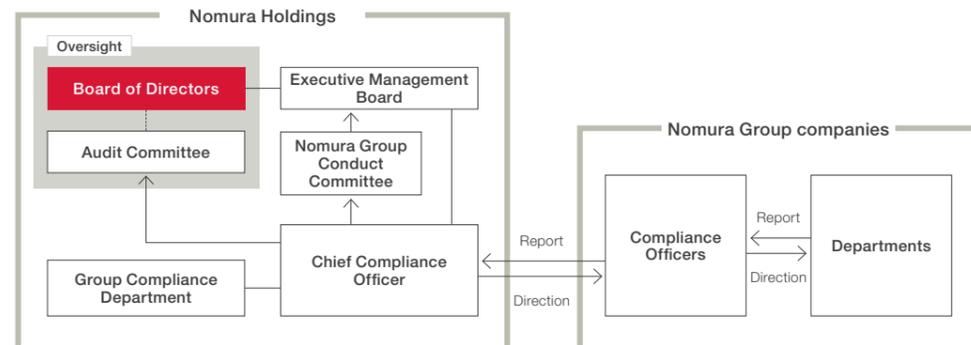
Recognizing compliance and conduct risk management to be critical to overall management, Nomura Group has established the "Conduct Program," a fundamental document that contains the frameworks and initiatives targeting compliance and appropriate conduct. This document is a key part of the Group's framework for achieving a high level of compliance and conduct risk management that transcends legal compliance.

Nomura Group engages in a variety of initiatives based on the Conduct Program to ensure that each and every member of the Group can act appropriately in accordance with the Nomura Group Code of Conduct, the guidelines stipulating the behavior required of professionals in a financial services group.

## Compliance and conduct risk management system

All Group companies and departments establish thorough compliance, and establish adequate control frameworks to ensure that their members do not engage in activities suspected of being in violation of laws or regulations. In the event that such issues arise, they are reported to members of senior management and handled appropriately.

Based on the Conduct Program, Nomura Group has a Group Conduct Committee comprising executive officers which deliberates on organizational aspects and important matters related to compliance and conduct risk management. The committee also verifies the effectiveness of the Conduct Program through monitoring and other measures.



Matters that have been discussed by the Group Conduct Committee are reported to the Executive Management Board. In addition, the Board of Directors periodically asks members of senior management to provide reports and provide opinions as needed, and otherwise manages the committee from both executive and supervisory angles, to ensure that initiatives are implemented appropriately in accordance with the Conduct Program. A Chief Compliance Officer has been appointed to oversee compliance for Nomura Group as a whole. In addition, all Group companies and overseas regions have a Compliance Officer. The Chief Compliance Officer, through instructions to the Group Compliance Department, works with the Compliance Officers of each Group company and overseas region to strengthen internal controls in response to global business development, and to develop and maintain the respective compliance structures of each Group company, including overseas offices.

For its part, Nomura Securities has established the post of Internal Administration Supervisor to be responsible for managing conduct risk in line with Japan Securities Dealers Association rules, as well as Sales Managers and Internal Administrators for each sales unit. Compliance Officers are also appointed in each branch and department, and are tasked with raising compliance awareness among employees and promoting legally-compliant business operations. The Compliance Division, which is responsible for conduct risk management, formulates internal rules and makes sure that all employees understand them, and monitors the status of compliance with rules at each department and branch. If problems are found, improvement measures such as re-educating employees or correcting rules are implemented. Through this entire process, the Compliance Division strengthens and improves legal and regulatory compliance as well as the internal control system.

## Approach to conduct risk management

- Compliance risk refers to the risk of incurring financial losses, including fines, or damage to reputation, as a result of violations of laws or regulations, actions that undermine the fairness and equality of financial markets, or improper conduct that adversely impacts client protection.
- Compliance risk includes conduct risk, which is the risk that the conduct of any member of Nomura Group deviates from the social norms and ethics required of a financial institution, and, as a result, adversely affects client protection and the soundness of the market.

Based on the non-financial risk management framework, Nomura Group has stipulated the approach and policies for conduct risk management in the Risk Appetite Statement and the Conduct Program.

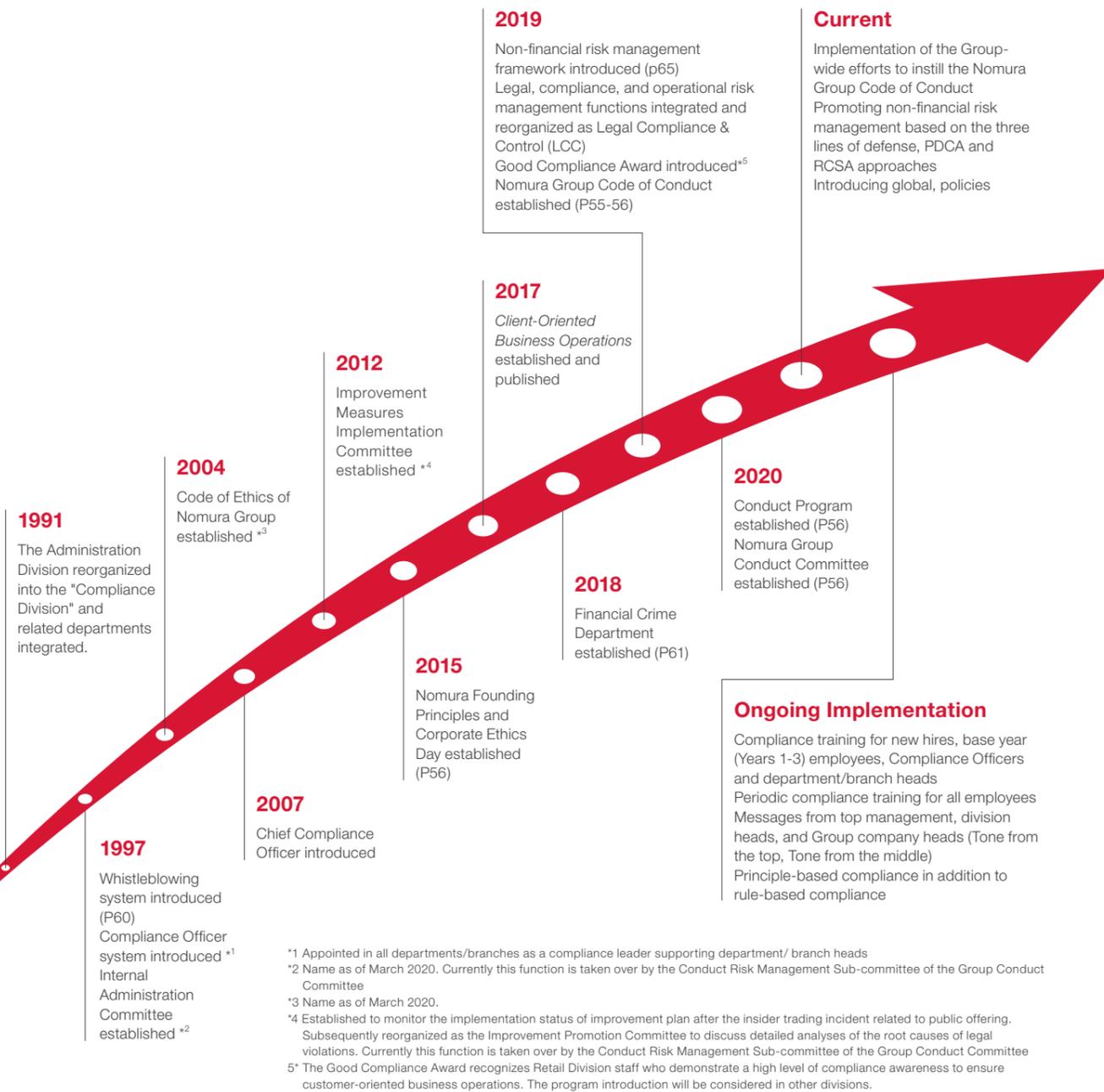
Based on the three lines of defense approach, as the first line of defense, division heads are responsible for managing conduct risk in their respective divisions. Each division has a Senior Conduct Officer, whose job is to assist the division head in managing conduct risk and keep the division head in check. Compliance and conduct-related departments are responsible for the second line functions. They provide advice and guidance with respect to the conduct risk management implemented by the first line of defense, keep the first line of defense in check, as well as

monitor and verify the effectiveness of the first line's measures. As the third line of defense, from an independent position, the Internal Audit Department studies and verifies the conduct risk management frameworks put in place by the first and second lines of defense, and gives advice for making improvements. Conduct risk management is conducted in accordance with the PDCA cycle approach. Under this approach, risks are identified, then assessed using the Risk and Control Self-Assessment (RCSA), controlled to prevent risks from materializing, and monitored using various indicators such as Key Risk Indicators (KRI).

Non-financial risks: Refer to P65  
The three lines of defense: Refer to P63

### Strengthening the conduct risk management framework

Nomura Group believes that compliance is not limited to legal compliance, but is also a means of satisfying society's expectations and engaging in common-sense behavior. We continuously work to strengthen our internal control system in order to achieve a level of compliance and conduct risk management surpassing legal compliance alone.



### Compliance and conduct training

Nomura Group provides comprehensive compliance and conduct training for all executive officers and employees on topics such as combating money laundering and the financing of terrorism, managing conflicts of interest, preventing insider trading, complying

with firewall regulations, and managing client information. We are working to raise the level of legal and regulatory knowledge among executives and employees, raise compliance awareness, and foster a corporate culture of pursuing appropriate business practices.

### Compliance Hotline

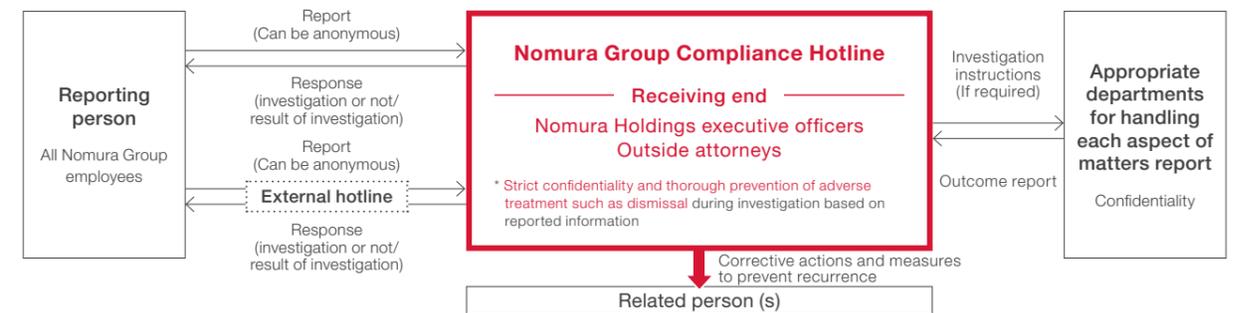
The firm has established the Nomura Group Compliance Hotline in order to maintain and ensure an effective compliance framework at each Nomura Group company. This Compliance Hotline is a means for all persons working at a Group company (including contract employees, temporary staff, etc.) who become aware of a potential legal or regulatory violation, an action that infringes on the Nomura Group Code of Conduct, or a suspicious action related to accounting or accounting audits, to directly report such information to specified persons, including outside attorneys, designated by Nomura Group (informants may also report through channels provided by specialist outside entities and have the option of remaining anonymous). The Compliance Hotline is accessible 24 hours a day, seven days a week, and is available in English and Japanese. Matters reported through the

Compliance Hotline are investigated under the direction of the person who received the report, while maintaining strict confidentiality for the reporting individual. If a problem is found, appropriate corrective measures are taken, and strict measures are in place to ensure that there is no retaliation against informants. Internal documents and the intranet are used to ensure that employees are familiar with the Compliance Hotline and to encourage them to use this system as necessary. By promoting the use of the Compliance Hotline, we are working to foster an environment in which anyone who senses something strange can speak up about it. In FY2019/20, there were 101 calls received via the Compliance Hotline, and in all cases a thorough review was conducted and appropriate measures were taken. In November 2019, Nomura was registered its whistleblowing system under the Japan Consumer Affairs Agency's "Whistleblowing Compliance Management System ("WCMS")."

WCMS: Under this system, companies evaluate their own whistleblowing programs and apply to have them registered. Each program is then reviewed by the designated registration organization to determine whether it meets the certification standards set forth by the Consumer Affairs Agency in its guidelines. If the application is approved, the company is registered and granted the right to use the official WCMS symbol.



### Compliance Hotline Flow Chart



### Segregation of customer assets and information security

In accordance with applicable laws and regulations, including the Financial Instruments and Exchange Act and the Personal Information Protection Act, Nomura Group works to properly protect customers' assets and information.

### Proper segregation of customer assets

Nomura Securities properly segregates the assets of its customers from the assets of Nomura Securities itself. Nomura Securities has requested that EY Shin Nihon LLC provide "Assurance related to legal compliance with segregated management of customer assets" in accordance with Practical Guideline No. 54 of the Industry Committee of the Japanese Institute of Certified Public Accountants. As of March 31, 2020, Nomura Securities had received from the auditor a written assurance to the effect that management's arguments in the management report on the segregation of customer assets were consistent with laws and regulations in all material respects. For more information, visit our website.

### Effective protection of clients' personal information and other information assets of the Group

The Nomura Group Information Security Policy provides the basic principles for appropriately protecting information assets. Each Group company has its own information security related regulations in accordance with this basic policy. We are also working to enhance the management of information provided to customers in accordance with the characteristics of each company's business activities. In particular, customer-related personal information is handled in line with rigorous standards set out in the Nomura Group Privacy Policy and other information security-related rules, and is handled in full compliance with the Personal Information Protection Act and other related laws and regulations. For further information, please refer to our website. We are considering introducing and using various IT tools required in the course of promoting new work styles such as telecommuting and web conferencing, from the perspective of making sure that data are properly managed.

Nomura's Segregation Management  
<https://www.nomura.co.jp/guide/system/bunbetsu/>

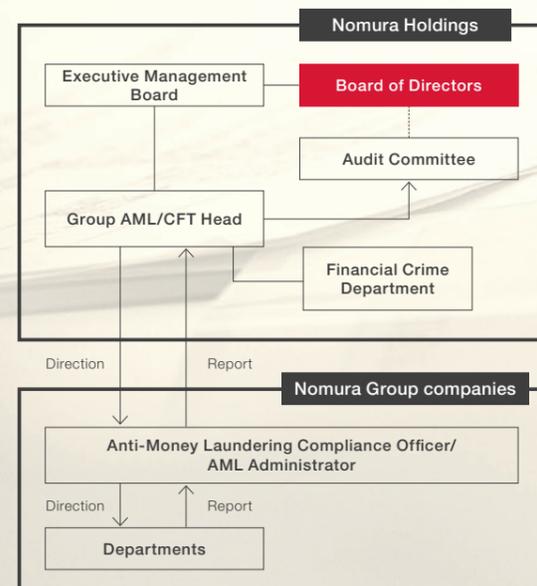
Nomura Group Privacy Policy  
<https://www.nomuraholdings.com/policy/privacy.html>

**Ensuring fair financial business practices**

**Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)**

The Nomura Group Code of Conduct sets forth the basic policy of preventing money laundering and combating the financing of terrorism (AML/CFT) with a high level of control to prevent proceeds from criminal activity from flowing into the financial and capital markets or to be used to finance terrorism. Nomura has also established the "Nomura Group Anti-Money Laundering and Combating the Financing of Terrorism Policy," a global policy on AML/CFT that stipulates the common rules to be established in each region and at each subsidiary. We have also established specific standards that apply across the entire Group in areas of particular importance, such as client due diligence and responding to economic sanctions. Nomura Group is working to strengthen its AML/CFT management system throughout the Group by complying with the laws and regulations of each country and by closely monitoring international regulatory developments, including recommendations by the Financial Action Task Force (FATF).

The Group AML/CFT Head is responsible for establishing and maintaining the effectiveness of Nomura Group's AML/CFT management system.



The Financial Crime Department was established to assist the Group AML/CFT Head in maintaining an effective AML/CFT management framework. Each Nomura Group company designates an Anti-Money Laundering Compliance Officer who is responsible for that company's AML/CFT management framework. Nomura Securities appoints AML/CFT Officers in each department and branch to oversee the planning and implementation of the AML/CFT management framework.

**Concrete measures to prevent money laundering**

Using a risk-based approach, Nomura Group has established a range of measures aimed at preventing money laundering and other illegal activities.

**Examples of Nomura Securities' measures**

**Customer due diligence**

Due diligence when clients open accounts and continuous updates of client information, etc.

**Transaction monitoring**

Introduction of a system to monitor abnormal transactions

**Formulating, implementing, verifying, and reviewing policies, procedures, plans, etc.**

Verification and check of the status of AML/CFT, and reconsideration and improvement of the management framework

**Three lines of defense**

Implementation of risk mitigation measures through the first line (sales departments), checks and balances through the second line (compliance-related departments), and independent verification through the third line (Audit Division)

**Group-wide management framework**

Established the "Nomura Group Anti-Money Laundering and Combating the Financing of Terrorism Policy" to strengthen the internal control system throughout the Group. In addition, regular training and education on AML/CFT are conducted to foster awareness within the firm. Training is provided to all employees and Group companies, as well as to employees by position and department.

**Elimination of transactions with anti-social forces**

In order to eliminate transactions with anti-social forces, the Nomura Group Code of Conduct, the guideline that all Nomura people must abide by, stipulates that Nomura must reject all transactions with anti-social forces or groups, with a basic policy of eradicating all ties with anti-social forces.

**Prevention of bribery and corruption**

The Nomura Group Code of Conduct stipulates that all executives and employees must understand and comply with all applicable laws and regulations, including laws regulating bribery and tax evasion. Suspected violations of laws and regulations, including bribery, and acts in violation of The Nomura Group Code of Conduct are subject to reporting under the Nomura Group Compliance Hotline. Nomura Securities has established the "Guidelines for Gifts and Entertainment" applicable to entertaining public officials as well as officers and employees of private sector organizations, and strives to prevent bribery and ensure fair transactions by carrying out continuous training to make sure all people in the company are aware of and understand these guidelines. We also monitor the use of entertainment expense accounts to ensure that they are used appropriately.

**Prevention of insider trading**

In accordance with laws and regulations, Nomura Securities prohibits accepting orders knowing that they violate or are likely to violate insider trading laws and regulations. Also, in order to prevent insider trading, we have prepared an insider registration card. When accepting an order from a related party of a listed company (an insider), we first confirm that the order will not be an insider trade or the party in question does not possess undisclosed material information. Furthermore, Nomura Securities has established the "Regulations on Corporate Confidential Information Management," and the "Regulations on Material Nonpublic Information

obtained from Public Officials." These regulations stipulate the systems for managing and reporting undisclosed corporate information and undisclosed material information, as well as the prohibited acts such as soliciting securities if in possession of such information.

**Measures to prevent conflicts of interest**

Nomura Group provides global financial services through numerous Group companies. We have established a conflict of interest management system based on the "Nomura Group Conflicts of Interest Management Policy" to ensure that conflicts of interest with customers do not materialize. Specifically, each Group company develops its own system to appropriately manage conflicts of interest. Nomura Holdings' Group Compliance Department, which is in charge of managing conflicts of interest, determines whether a risk of conflicts of interest exists within Nomura Group. If there is concern about a conflict of interest, the Nomura Holdings Group Compliance Department appropriately manages the situation to prevent any conflicts of interest from materializing.

**Examining market manipulation and other unfair transactions**

Nomura Securities examines transactions on a daily basis to determine whether there is a risk that our own transactions, or those we execute on behalf of clients, could constitute unfair trading, such as market manipulation, intentional market formation, or insider trading. Based on the review, we interview and give warnings to those persons who have engaged in transactions that are suspected of being unfair. We continuously monitor transactions in accounts for which we deem there to be a risk of recurrence of suspicious trades. If no improvements are seen, we stop executing received orders, and take other appropriate measures. In addition, we periodically analyze the results of examinations, verify the effectiveness of the examinations and the soundness of the examination system as part of our effort to build and maintain an appropriate trading management framework.