



## **Conflicts of Interest Management Principles**

State Street Bank and Trust Company, Tokyo Branch

### **1. Purpose**

As the services provided by financial institutions become increasingly more diverse, and the development of global financial conglomerization continues to take place, the possibility increases for multiple interests competing or conflicting with each other within financial institutions or financial groups, thereby raising concerns over potential conflicts of interest.

Under these conditions, State Street Bank and Trust Company, Tokyo Branch (State Street Bank and Trust Company shall be referred to as “Bank” and State Street Bank and Trust Company, Tokyo Branch shall be referred to as “Branch” hereinafter) must manage transactions that involve possible conflicts of interest to ensure that the interests of its customers are not unduly harmed.

In keeping with its status as a branch of a foreign bank under the Banking Act, the Branch has formulated the Conflicts of Interest Management Principles (hereinafter referred to as “Principles”) as part of its mandate under the aforesaid law to develop and maintain a system for the management of conflicts of interest.

### **2. Patterns of Transactions Involving Possible Conflicts of Interest, and the Process of Identifying Such Transactions**

#### **(1) Covered Transactions**

“Transactions Involving Possible Conflicts of Interests,” which are covered under the Principles, refer to transactions entered into by the Branch, the Bank (excluding the Branch), any Parent Financial Institution, Etc. (as defined in Numbered Item 3 below) or Subsidiary Financial Institution, Etc. (as defined in Numbered Item 3 below) of the Bank that may unduly harm the interests of customers (such transactions shall be hereinafter referred to as “Covered Transactions”).

Conflicts of interest may occur (1) between (i) the Branch, the Bank (excluding the Branch), or any Parent Financial Institution, Etc. or any Subsidiary Financial Institution, Etc. of the Bank and (ii) their customers; (2) between (i) customers of the Branch, the Bank (excluding the Branch), banking agents who are principally affiliated with the Branch, any Parent Financial Institution, Etc. or Subsidiary Financial Institution, Etc. of the Bank and (ii) other customers.

“Customer” means, in relation to the “Banking-Related Operations” (as defined below) carried out by the Branch, the Bank (excluding the Branch), banking agents who are principally affiliated with the Branch, or any Subsidiary Financial Institution, Etc. of the Bank, (1) a customer who has an existing business relationship, or (2) a customer who may possibly establish a business relationship, provided, however, that Customers of any Subsidiary Financial Institution, Etc. that are considered to have no connection to domestic operations (operations that are carried out by the Branch or any Branch Affiliate (as defined below) within

Japan) shall be excluded.

“Banking-Related Operations” mean operations which can be conducted by banks, and, to be specific, include core banking operations (deposit, loan and foreign exchange transactions) (pursuant to Article 10, Paragraph 1 of the Banking Act), incidental operations (pursuant to Article 10, Paragraph 2 of the said Act), financial instruments and exchange operations (Article 11 of the said Act), and other statutory operations (Article 12 of the said Act).

## **(2) Patterns of Transactions Involving Possible Conflicts of Interest, and Judging Criteria**

The following describes the patterns of Transactions Involving Possible Conflicts of Interest that one may encounter. However, it must be kept in mind that these patterns only serve as the judgment criteria for Transactions Involving Possible Conflicts of Interest, and, therefore, transactions should not necessarily be considered “Transactions Involving Possible Conflicts of Interest” because they fit such criteria. Also note that these patterns may be expanded or modified as necessary in the future.

- Through recommendations and advice given to a Customer by the Branch or any Branch Affiliate, the Customer has a reasonable expectation that his/her own interests will be given preference (duty of loyalty).
- The Branch or any Branch Affiliate may possibly obtain an economic gain or avoid an economic loss at the expense of a Customer (duty of loyalty).
- Incentives in the form of money, goods or services other than the normal commissions or fees or expenses are obtained or will be obtained in the future in relation to a transaction with any party other than a Customer (duty of loyalty).
- The Branch or any Branch Affiliate enters into a transaction with a Customer who should be protected by the Branch or such affiliate (self-representation).
- The Branch or any Branch Affiliate enters into a transaction whereby it stands on the side of the counterparty of a Customer who should be protected by the Branch or such affiliate (two-side representation).
- The Branch or any Branch Affiliate enters into a transaction with the counterparty of a Customer who should be protected by the Branch or such affiliate, effectively competing with the Customer (competitive transaction).
- The Branch or any Branch Affiliate enters into a transaction whereby it obtains a profit through the use of undisclosed information of a Customer who should be protected by the Branch or such affiliate (information exploitation).
- The Branch or any Branch Affiliate becomes involved in the same transaction by representing multiple sides, and as a result the transaction is not expected to have the same terms and conditions as the transaction under the normal circumstances (internalization of transactions).

Further, when determining whether or not there is any conflict of interest, the Branch will take into consideration all relevant factors, including the impact on the reputation of the Branch and its group companies. Note that any acts that are prohibited under the Financial Instruments and Exchange Act, and any other applicable laws and regulations are not covered under the Principles.

## **(3) Specific Examples**

"Transactions Involving Conflicts of Interest" may be described as the specific examples shown below, as well as any transactions similar thereto:

- A Customer is asked by the Branch or any Branch Affiliate to enter into a separate fee-based service agreement as a condition for setting up a new credit line or increasing

- the amount of an existing credit line for foreign exchange futures.
- A financial institution offering a wide range of services internalizes a transaction (including the case where the Branch places orders with a securities firm, etc. within the same group).
- An employee of the Branch of any Branch Affiliate receives gifts or entertainment (including those with no monetary value) that may possibly conflict with the interests of a Customer.

(Even though it is very unlikely that the following cases will actually occur as covered transactions, they are nonetheless presented herein for the purpose of raising awareness regarding the management of conflicts of interest among employees.)

- The Branch or any Branch Affiliate offers advice, etc. relating to the raising of funds to multiple customers who compete or are in conflict with each other.
- The Branch or any Branch Affiliate offers advice, etc. relating to the raising of funds to a Customer, while making a principal investment in the Customer, purchasing an asset from the Customer, or engaging in similar transactions.
- The Branch or any Branch Affiliate provides an investment research service to a Customer who receives advice relating to the raising of funds or credit, etc. from the Branch or such affiliate.
- The Branch or any Branch Affiliate offers advice relating to corporate defense to a Customer, while providing financing to another Customer competing or in conflict with the said Customer who plans to take over the said Customer.

### **3. Scope of Companies Covered under the Conflict of Interest Principles**

As stated in Numbered Item 1-(1) above, Covered Transactions refer to transactions that are entered into by the Branch, or any Parent Financial Institution, Etc., or Subsidiary Financial Institution, Etc. of the Bank (any banking agents who are principally affiliated with the Branch, any Parent Financial Institution, Etc., or Subsidiary Financial Institution, Etc. of the Bank shall be collectively referred to as "Branch Affiliates"). Branch Affiliates include State Street Global Advisors (Japan) Co., Ltd., State Street Trust and Banking Co., Ltd. as well as other entities of State Street Corporation who engage in such financial business as banking business, financial instruments business or insurance business in any foreign country in accordance with any foreign law or regulation.

"Parent Financial Institution, Etc." means any party falling under either of the following: (1) the parent legal entity, etc. of the Bank, (2) a subsidiary legal entity, etc. or affiliated legal entity, etc. of the parent legal entity, etc., or a subsidiary corporation, etc. or affiliated corporation, etc. of any specific individual shareholder of the company, as is a Financial Instruments Business Operator, a bank, an insurance company, a specially permitted business operator, a business operator who lends money or acts as an intermediary for the borrowing and lending of money, or a person or party who engages in such financial business as banking business, financial instruments business or insurance business in any foreign country in accordance with any foreign law or regulation.

"Subsidiary Financial Institution, Etc." means any party falling under either of the following: (1) a subsidiary legal entity, etc. of the Bank, (2) an affiliated legal entity of the bank, or a person or party who engages in bank agency business on behalf of the Branch, as is (a) a financial instruments business operator; (b) a bank, (c), an insurance company, (d) a specially permitted business operator, (e) a business operator who lends money or acts as an intermediary for the borrowing and lending of money or (f) a person or party who engages in financial instruments business, banking business or insurance business in a foreign country in accordance with the laws of that country.

#### **4. Organizational Structure for Managing Transactions Involving Possible Conflicts of Interest**

Compliance shall be the department in charge of managing transactions involving possible conflicts of interest, and the manager of Compliance shall be an accountable personnel. Such department in charge shall be responsible for identifying possible transactions that would have potential conflicts and maintaining all necessary management structures of the branch, and independence from sales department should be fully warranted. Compliance shall not be directed by sales with regard to the treatment on actual cases.

#### **5. Methods for Managing Transactions Involving Possible Conflicts of Interest**

When Transactions Involving Possible Conflicts have been identified, the Branch will use any, or a combination of the methods described below and other methods so as to protect the Customers that are impacted by these transactions in an appropriate manner (keep in mind that the methods described below are examples only, and therefore they may not actually be put into practice):

- Separation of the department that handles the Covered Transaction concerned from the department that handles other transactions with the Customer concerned.
- Modification of the terms or method of the Covered Transaction concerned or other transactions with the Customer concerned.
- Discontinuation of the Covered Transaction concerned or other transactions with the Customer concerned.
- Proper disclosure to the Customer concerned of the possibility that that his/her interests may be unduly harmed as a result of the Covered Transaction concerned (however, such disclosure shall be permitted only when there will be no breach of confidentiality on the part of the Bank, or any Parent Financial Institution, Etc. or Subsidiary Financial Institution, Etc. of the Bank).