

## JCB

### CODE OF CONDUCT RELATING TO THE SEPARATION OF EUROPEAN PAYMENT CARD SCHEME AND PROCESSING ACTIVITIES RESPECTIVELY BETWEEN JCBI AND THE PROCESSING BUSINESS UNIT OF JCBI

(the “Code of Conduct” )

#### **1. Introduction**

- 1.1 JCB is a global payment card business with its headquarters located in Japan.
- 1.2 JCB carries on various activities within the European Union which relate to the use and acceptance of JCB cards. The activities that JCB entities undertake in Europe relating to the JCB payment card scheme are subject to European Union laws and regulations in certain specified respects.
- 1.3 The purpose of this Code of Conduct is to set out JCB's expectations and requirements relating to the separation of payment card scheme and processing activities in Europe, as required by applicable European Union laws and regulations as further described below.

#### **2. The interchange fees regulation**

- 2.1 In April 2015 the European Union issued its regulation on interchange fees for card-based payment transactions (Regulation (EU) 2015/751) (“**EU IFR**”). Following the UK's withdrawal from the EU, the EU IFR forms part of UK domestic law by virtue of section 3 of the European Union (Withdrawal) Act 2018 (“**EUWA**”) as amended in the Interchange Fee (Amendment) (EU Exit) Regulations 2019 (the “**UK IFR**”, the EU IFR and UK IFR together “**the IFR**”). The EU IFR was supplemented in October 2017 by the delegated regulation (EU) 2018/72 (the “**Delegated Regulation**”). The Delegated Regulation has been retained in the UK following the UK's withdrawal from the EU through the EUWA, as amended in the UK's Payment Systems Regulator's Technical Standards (Interchange Fee Regulation) Instrument 2019 (the “**Onshore Delegated Regulation**”). In this Code of Conduct, we refer to the EU IFR, UK IFR, Delegated Regulations and UK Regulations together as the “**Regulations**”. The IFR is aimed at creating a secure, efficient, competitive and innovative electronic payments market in the European Union.<sup>1</sup> The UK IFR has the same aims and objectives in the UK. As its name indicates, the IFR sets out new regulations relating to caps on interchange fees. In addition, it mandates the separation of scheme and processing to allow all processors to compete for customers of the scheme.

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<sup>1</sup> The IFR applies in all countries of the European Economic Area (“**EEA**”), which include the European Union Member States as well as Iceland, Liechtenstein and Norway. The UK IFR applies in the UK.

2.2 In order to comply with the Regulations, JCB has separated its payment card scheme related activities from its processing activities in Europe and the UK.

2.3 The separation of payment card scheme and processing activities requires that scheme and processing entities or business units should be independent in terms of accounting, organisation and decision making processes. JCB has chosen to comply with these separation obligations by carrying on scheme and processing activities, respectively, in separate legal entities as described below.

2.4 JCB's European payment card scheme activities and processing activities are carried on as follows:

- a) Payment card scheme activities are carried on by JCB International Co., Ltd ("JCBI"). JCBI is a company incorporated under the laws of Japan which carries on business from premises located in Japan (the "**European Payment Card Scheme**").
- b) Processing activities are carried on by the processing business unit of JCB International (Europe) Limited ("JCBIE") which is a company incorporated under the laws of England and Wales (the "**Processing Entity**").

### **3. The Code of Conduct**

3.1 Payment card schemes and processing entities which belong to the same group are required to have a code of conduct setting out how their respective staff are required to act in order to ensure compliance with the Regulations. This Code of Conduct sets out these requirements for the relevant staff of JCBI and JCBIE.

3.2 The Code of Conduct applies to relevant staff wherever they are located. In particular, JCBI staff located in Japan who are involved in European Payment Card Scheme activities are required to comply with the Code of Conduct even though they are located outside of the EU.

3.3 Both JCBI and JCBIE are committed to ensuring that they act in full compliance with their regulatory obligations and, therefore, require all applicable staff (see paragraph 4 below) to read and to adhere to this Code of Conduct. Breach of this Code of Conduct is a serious breach of your employment obligations and could result in disciplinary action being taken against you in accordance with the applicable disciplinary rules and procedures in place (please ask the Human Resources for further information).

3.4 If you have any questions regarding this Code of Conduct, you should contact the Human Resources for further information.

- 3.5 Any concerns relating to a breach of this Code of Conduct should be reported immediately to the corporate department.

#### **4. Who must read this Code of Conduct?**

- 4.1 Every employee and officer of JCBIE who performs any function in relation to the Processing Entity and every employee and officer of JCBI who performs any function in relation to the European Payment Card Scheme activities are required to read and comply with this Code of Conduct.
- 4.2 Any other staff of the JCB Group other than JCBI or JCBIE who are seconded to, who work on, or who provide functions directly relating to processing activities undertaken by the Processing Entity or scheme activities undertaken by the European Payment Card Scheme must also be provided a copy of, and comply with, this Code of Conduct.
- 4.3 The implementation and maintenance of this Code of Conduct is the responsibility of, respectively, JCBI and JCBIE's corporate departments.

#### **5. What is the IFR separation requirement?**

- 5.1 The EUR IFR is a European Union regulation that has the force of law in all jurisdictions of the European Union and of the European Economic Area. The UK IFR applies in the UK.
- 5.2 The IFR requirement for "payment card schemes" to be separated from the "processing entity" is intended to encourage competition amongst card processors and to reduce processing costs relating to the execution of payment card transactions.
- 5.3 This is intended to be achieved by ensuring that processing activities are carried on separately and in a way that does not confer any competitive advantage on a processing entity within the same group as a payment card scheme. By creating a level playing field between processing entities in this way, the IFR intends to foster competition.
- 5.4 In broad terms, this means that payment card scheme and processing entities must conduct separate and independent businesses, that decision making must be carried out separately and that they must not share confidential information relating to their respective businesses with each other.
- 5.5 The more specific requirements around achieving separation are set out below.

#### **6. What are the specific obligations?**

- 6.1 The "separation requirement" requires payment card scheme and processing entities to:
- a) prepare separate financial accounts;
  - b) work separately and independently from each other;
  - c) have independent management and executive bodies that make decisions independently of each other; and
  - d) not share sensitive information with each other.

## **7. Shared services**

7.1 Although payment card scheme and processing activities must be carried on separately, the IFR does permit certain services to be shared between payment card scheme and processing entities subject to this not resulting in the sharing of sensitive information between them. Services that can be provided on a shared basis (the "Shared Services" ) are:

- a) marketing;
- b) finance and accounting;
- c) human resources;
- d) legal and compliance;
- e) information technology (IT); and
- f) office and facilities administration.

7.2 If you work in any of these departments you may be exposed to information relating to each of the European Payment Card Scheme and the Processing Entity. In these circumstances, you must not share that information with the other entity and must only use that information for the purposes for which it was provided to you.

7.3 The cost of the running the Shared Services departments will be split among the beneficiary departments through a costing model, determined by the estimated time for service delivered to each beneficiary department.

## **8. Prohibition on sharing sensitive information**

8.1 A key requirement in the Regulations is the prohibition on sharing sensitive information between the scheme and processing entities and vice versa. This prohibition applies whether information is shared directly or indirectly.

8.2 For these purposes "sensitive information" is information of a sensitive nature that provides a competitive advantage to either the payment card scheme or the processing entity.

8.3 The IFR prohibits the disclosure of this category of information between payment card schemes and processing entities since this would likely result in the recipient of that information gaining a competitive advantage when compared with third parties outside the JCB Group. This obligation is therefore a key aspect of ensuring a level playing field between JCB Group companies and third parties.

8.4 It should be noted that the prohibition applies only where the information is confidential, in the sense that has not been shared with other competitors.

8.5 For these purposes information could provide a "competitive advantage" if, in the event that the information was disclosed to a competitor, that competitor would have an advantage over other businesses in its field.

8.6 Examples of sensitive information subject to the prohibition include:

- a) information about new or potential licensees;
- b) details of pricing structures that deviate from published price lists;
- b) details of the product offerings that differ from standard or published product details;
- d) information relating to confidential commercial strategies and marketing initiatives.

## **9. Obligations on employees relating to sensitive information**

9.1 Employees of the European Payment Card Scheme and of the Processing Entity must ensure that sensitive information is not shared in breach of the prohibition.

9.2 The Processing Entity staff must not, therefore, share sensitive information with the European Payment Card Scheme and the European Payment Card Scheme's staff must not share sensitive information with the Processing Entity.

9.3 In order to comply with these sensitive information requirements, JCB has put in place IT processes that restrict the European Payment Card Scheme's access to the Processing Entity's information and the Processing Entity's access to European Payment Card Scheme's information. You must comply with these measures, and must not try and circumvent security measures preventing you from accessing sensitive information to which you are not entitled.

9.4 To help you comply with requirements around sensitive information some practical recommendations are set out below:

- a) if you are unsure whether information is "sensitive information" and/or whether disclosure to a particular recipient could result in a breach of the prohibition on disclosure of "sensitive information" you should not disclose that information without first clearing it with your immediate supervisor or line manager;

- b) you should exercise caution when sending emails to ensure that any email that contains sensitive information, or which you think may contain sensitive information, is not also sent to a recipient who is not entitled to receive that information;
- c) be aware that there may be common areas that staff involved in both scheme and processing activities could occupy. For example, bathrooms, entrance halls and meeting rooms may be used by both staff. You should not discuss sensitive information in these public areas; and
- d) these sensitive information requirements apply during outside of work hours and to communications made with personal devices.

## 10. Management

10.1 The Regulations require payment card schemes and processing entities to have separate and independent senior management and management body of directors. The senior management and management body of each of the European Payment Card Scheme and the Processing Entity are subject to conflict of interest policies relating to the separation of scheme and processing activities between JCBI and the processing business unit of JCBI (the “ **Conflict of Interest Policy** ” ).

10.2 There is a distinct segregation of senior management functions between the European Payment Card Scheme and the Processing Entity. The senior management of the European Payment Card Scheme and the Processing Entity are distinctly separated to minimise the potential conflict of interest.

10.3 A separate management body is established in the European Payment Card Scheme and in the Processing Entity.

10.4 A person ("Director") may only be a member of the European Payment Card Scheme’s management body and the Processing Entity’s management body where the following criteria are met:

- a) either or both of the European Payment Card Scheme and the Processing Entity have established separate management bodies (for e.g., separate board sub-committees) responsible for payment card scheme and processing activities;
- b) if the Director is involved in processing matters:
  - (i) the Director must not sit on, or receive sensitive information relating to the payment card scheme committee; and
  - (ii) the Director's remuneration for services provided to the Processing Entity must not be linked to the performance of the European Payment Card Scheme;
- c) If the Director is involved in payment card scheme matters:
  - (i) the Director must not sit on, or receive sensitive information relating to, the processing committee; and

- (ii) the Director's remuneration for services provided to the European Payment Card Scheme must not be linked to the performance of the Processing Entity; and
  - d) the Director must be specifically provided with a copy of the Conflict of Interest Policy and of the Code of Conduct prior to their appointment to the management body of the other entity or business unit (for example, if the Director already sits on a management body of the European Payment Card Scheme, then before their appointment to the Processing Entity), or as soon as reasonably possible after their appointment to the second management body. Where possible, the head of compliance of JCBIF should explain to the person the relevant requirements of the Regulations and the consequences of breaching these requirements.
- 10.5 The senior management of each of the European Payment Card Scheme and of the Processing Entity will prepare separate and independent annual operating plans that establish the budget for the respective entity (including capital and operating expenditure).
- 10.6 You should ensure that you are aware of the separate senior management and management body that apply to each of the European Payment Card Scheme and the Processing Entity. You should not discuss any operating budget, strategies or plans or other sensitive information with the management of the other entity or business unit unless you have been given permission by your direct supervisor or line manager, or unless it is compliance with an established JCB policy.
- 10.7 In addition, you should not attempt to influence the strategies or plans of the other entity or business unit, or seek information relating to such strategies or plans, or operating budget.
- 10.8 Senior management of the European Payment Card Scheme and of the Processing Entity cannot work for the other within a period of 1 year of ceasing work for that entity.

## **11. What does this all mean for you**

### *Compliance*

- 11.1 JCB has a strong compliance culture and ethic and we encourage this in our employees. You should at all times comply with both the form and intent of this Code of Conduct.
- 11.2 If you become aware of any breach of this Code of Conduct, or you become aware of facts which cause you to suspect that there has been a breach of this Code of Conduct, you must inform your line manager or the corporate department immediately. If for any reason you do not feel that you can raise such concerns with your line manager or the corporate department, then you should raise your concerns with the Human Resources.

### *Office and IT separation*

- 11.3 You will be situated in a work space that is specifically designated to the activities that you provide. You are not able to, and you should not try to, access floor space which has been allocated to the other entity or activities. Similarly, if you see someone from the other entity or activity in your work space you should ask them to leave and report this as a breach of the Code of Conduct to your supervisor or line manager.
- 11.4 Common areas have been designated (for example kitchen areas, main office spaces and bathrooms) that both scheme and processing staff may access. When you are in a common area you should avoid discussing matters that relate specifically to your work. In particular, you should be very careful not to disclose any "sensitive information" (see Section 8 above) when in a common area.
- 11.5 In addition to the work space separation, IT has established restrictions to prevent European Payment Card Scheme and Processing Entity employees from accessing information relating to the other entity. You should not email or otherwise share documents with staff of the other entity or business unit that they cannot access, nor should you ask staff of the other entity or business unit to provide you with access to documents that you cannot access.
- 11.6 These IT restrictions will also prevent you from printing documents to printers located in the work space of the other entity or business unit. You should comply with these printing and IT restrictions.

### *Staff Separation*

- 11.7 You must ensure that any interactions with staff of the other entity or business unit do not breach the requirements of this Code of Conduct. You are permitted to share information and to work with shared services staff, although you must take reasonable steps to ensure that no sensitive information is indirectly passed between the European Payment Card Scheme staff and the Processing Entity staff and vice versa.
- 11.8 Similarly, legitimate business reasons may exist for the staff of the European Payment Card Scheme and the staff of the Processing Entity to work together. However, any such legitimate business arrangements must be conducted in accordance with this Code of Conduct, the Conflict of Interest Policy and all other applicable JCB policies and manuals.
- 11.9 All such business arrangements between the European Payment Card Scheme and the Processing Entity must also be conducted on an "arms length" basis and must in no circumstances involve the sharing of sensitive information.
- 11.10 Human resources are a shared service function and both the European Payment Card Scheme and the Processing Entity may engage with Human resources on a regular and business basis. However, as with all shared services, you should be aware of the risk of indirectly



passing sensitive information to the other entity or business unit. Human resources staff should be aware of this risk and take steps to ensure that any sensitive information they share from either the European Payment Card Scheme and the Processing Entity are not shared between each other.

### *Remuneration*

11.11 JCBI's and JCBIE's remuneration policies comply with the Regulations. Therefore, the remuneration of the Processing Entity's staff reflects the performance of the Processing Entity and is not directly or indirectly linked to the performance of the European Payment Card Scheme. Similarly, the remuneration of the European Payment Card Scheme's staff reflects the performance of the European Payment Card Scheme and is not directly or indirectly linked to the performance of the Processing Entity.

### *Business arrangements*

11.12 When entering into arrangements or relationships with customers, the European Payment Card Scheme and the Processing Entity must not enter into arrangements with customers that would treat the other entity more favourably than any other competitor. For example, European Payment Card Scheme staff of JCBI should not offer customers discounts on Processing Entity services that it does not offer to other third party processors.

## **12. Breach of this Code of Conduct**

12.1 JCB, JCBI and JCBIE take their obligations under the Regulations seriously. Staff who are required to comply with this Code of Conduct (see paragraph 4 above) ("**Relevant Staff**") may be subject to disciplinary action (in accordance with the applicable disciplinary rules and procedures in place, copies of which can be obtained from human resources) if they do not comply with this Code of Conduct. Breach of this Code of Conduct by Relevant Staff will be treated as a serious disciplinary offence and could result in disciplinary action being taken, up to and including dismissal.

12.2 If you notice or become aware that another Relevant Staff member is in breach of this Code of Conduct then you should report it to your line manager, or to the head of compliance. If you do not report knowledge of such breach, this may be taken to be a breach of this Code of Conduct by you and may result in disciplinary action being taken against you.

## **13. Development of new solutions**

13.1 The Processing Entity's staff are permitted to work with the European Payment Card Scheme's staff on the design of the rules, practices, standards and implementation guidelines for the execution of card-based payment transactions, subject to compliance with the conditions and principles set forth below.

13.2 In order for the Processing Entity's staff to assist with the design of the rules, practices, standards and implementation guidelines for the execution of card-based payment transactions:

- a) the tasks related to the design of the single set of rules must be offered to other processing entities on a non-discriminatory basis; and
  - b) the design of the rules must involve a representative sample of all processing entities participating in the JCB payment card scheme.
- 13.3 Before the European Payment Card Scheme' s staff and the Processing Entity 's staff collaborate on any project in accordance with this section of the Code of Conduct, approval must be obtained from the corporate department.
- 13.4 Where the European Payment Card Scheme' s staff and the Processing Entity's staff collaborate on any project under this section of the Code of Conduct, care should be taken to ensure that no sensitive information is passed between the entities other than as approved by the corporate department in the initial approval for the relevant innovation project.