

Rating Action: Moody's places long-term ratings of NORD/LB on review with direction uncertain

18 Dec 2018

Rating review with direction uncertain extends to three rated subsidiaries and hybrid securities

Frankfurt am Main, December 18, 2018 -- Moody's Investors Service has today placed on review with direction uncertain all long term ratings and rating inputs of Norddeutsche Landesbank GZ (NORD/LB) and its rated subsidiaries, specifically Deutsche Hypothekenbank (Actien-Gesellschaft), NORD/LB Luxembourg S.A. Covered Bond Bank and the former Bremer Landesbank Kreditanstalt Oldenburg, whose outstanding debt has been assumed by NORD/LB. In addition, Moody's has placed on review for downgrade the Prime-2 short-term debt and deposit ratings of NORD/LB and its rated subsidiaries.

The rating actions follow NORD/LB's ad-hoc announcement on 3 December, providing an update on the bidding process to offer private investors a capital participation and stating that a further sizeable reduction of its impaired shipping loans may lead to a balance sheet loss and a temporary decline in its capital ratios. Moody's said that it expects clarity on the success of planned measures to stabilise and recapitalise the bank within several weeks, whereby the uncertain outlook also factors in the risk of failure or of a material delay of the planned measures, either of which could raise regulatory pressures on NORD/LB to find alternative sources of capital funds.

Concurrently, Moody's has also placed on review with direction uncertain the Caa1(hyb) ratings of NORD/LB's hybrid instruments issued as non-cumulative preference shares through its funding vehicles Fuerstenberg Capital Erste GmbH and Fuerstenberg Capital II GmbH.

Moody's Aa1 backed ratings for instruments that benefit from the grandfathering of statutory guarantees remained unaffected by today's rating action.

For a list of all affected ratings, please refer to the end of this press release.

RATINGS RATIONALE

- RATIONALE FOR INITIATING THE REVIEW ON THE LONG- AND SHORT-TERM RATINGS

The announcement of NORD/LB published on 3 December 2018 demonstrates the bank's continued very high vulnerability to downside risk for its shipping segment and the near-term pressure on its loss absorption buffers, if planned management actions were to fail to be implemented in the near term. Specifically, Moody's said that the announcement reflects the growing urgency to raise additional funds to provide higher coverage for NORD/LB's underperforming ship finance loans. In the same announcement, NORD/LB said that it is in the process of evaluating several offers received from private investors in the context of a bidding process initiated at the end of September 2018.

In this context, the placement of the long-term ratings on review with direction uncertain reflects the potential for diverging outcomes for NORD/LB's solvency, depending on the success of its stakeholders' efforts to attract fresh capital from a new shareholder and, at the same time, accelerate a clean-up of the bank's balance sheet from underperforming ship finance assets.

The placement of the review for downgrade of the short-term debt and deposit ratings principally reflects the same uncertainty. However, the negative direction includes Moody's expectation of the upside for the long-term ratings being limited to two rating notches which excludes the possibility of an upgrade of the short-term ratings to Prime-1.

- THE REVIEW UNCERTAIN OF NORD/LB'S LONG-TERM RATINGS WILL PRIMARILY FOCUS ON THE BCA

The review with direction uncertain of NORD/LB's and its affiliates' long-term ratings will mainly focus on the repositioning of the banks' b2 baseline credit assessment (BCA). This will be driven by the success (or failure)

of the ongoing efforts to clean up and recapitalise NORD/LB.

In this context, Moody's will take into account to what degree planned assets sales will improve NORD/LB's asset risk profile, and whether upcoming developments will lead to a higher (or lower) capitalisation of the group.

In addition, Moody's does not rule out to review other components of NORD/LB's and its affiliates' ratings. Specifically, in a downside scenario where NORD/LB's owners cannot close a transaction with a new stakeholder successfully, Moody's will take into account to what degree the bank may require capital support which may be provided through the cross-sector support mechanism of Sparkassen-Finanzgruppe. This could lead to a more favourable assessment of Moody's high affiliate support assumptions, which currently provides two notches of rating uplift from NORD/LB's BCA, lifting the Adjusted BCA to ba3.

- FOCUS OF THE REVIEW UNCERTAIN OF NORD/LB'S HYBRID RATINGS

The rating action on NORD/LB's preference shares was triggered by ad-hoc announcements of the two Fuerstenberg issuing vehicles on 4 December, stating that the instruments will be affected by a large loss of NORD/LB for the financial year 2018, specifically a large balance sheet loss in the unconsolidated accounts under local generally accepted accounting principles (local GAAP). Such a loss would have to be shared by investors in the non-cumulative preference shares issued by the two Fuerstenberg entities both, from suspended coupon payments and from a write-down of the principal of these instruments.

During the review period, Moody's assessment will focus on the likely time horizon and the degree to which these instruments are at risk of suffering coupon suspension and a principal write-down. Such risks may depend on 1) the size of losses to be expected on NORD/LB's 2018 local GAAP results; 2) the potential for costly transactions at NORD/LB during 2019, which may create further local GAAP losses; 3) management decisions to use fresh capital funds to create reserves as part of the planned capital measures, that could be released at a later stage and used to reverse any temporary principal write down; and 4) the potential risk from NORD/LB's possible decision to call back these instruments for reasons relating to their reducing recognition as regulatory capital.

In a more benign scenario for capital note holders, NORD/LB's preference shares could benefit from the successful near-term implementation of its de-risking and capital-strengthening measures, which could lead to an improvement of NORD/LB's standalone credit strengths and thus its Adjusted BCA, from which these instruments are currently notched off.

More negative developments for capital note holders may prompt Moody's to return to an expected-loss rating approach, instead of its current approach of notching the hybrid instruments' ratings down from NORD/LB's Adjusted BCA.

- WHAT COULD CHANGE THE RATINGS - UP / - DOWN

Upside for NORD/LB's and its rated subsidiaries' ratings during the review period will materially depend on an upgrade of the banks' BCA and Adjusted BCA. The result of Moody's Advanced Loss Given Failure analysis already yields the best possible outcome for NORD/LB's ratings, and bears no further upside for deposits and senior unsecured debt.

A BCA upgrade will likely be prompted, if the bank's owners find and agree on a preferred bidder for their planned measures of selling nonperforming loans and injecting fresh capital. This involves that a transaction with a new shareholder can be closed within the short time frame of several weeks, as has been indicated by NORD/LB.

Moody's may downgrade NORD/LB's and its rated subsidiaries' ratings if NORD/LB's BCA and Adjusted BCA are downgraded.

Downside for NORD/LB's BCA would arise if the planned de-risking and recapitalisation measures were to fail or to get materially delayed. In this case, NORD/LB may be under rising regulatory pressure to address its capitalisation in early 2019 from other sources which would place pressure on the b2 BCA.

The impact of a BCA downgrade on the long-term and short-term ratings could be reduced or even offset by Moody's re-assessment of affiliate support, e.g. if higher support assumptions were justified by improved visibility of credible capital- and/or risk-reduction measures undertaken by Sparkassen-Finanzgruppe.

LIST OF AFFECTED RATINGS

..Issuer: Norddeutsche Landesbank GZ

Placed On Review:

- Adjusted Baseline Credit Assessment, Placed on Review Direction Uncertain, currently ba3
- Baseline Credit Assessment, Placed on Review Direction Uncertain, currently b2
- LT Counterparty Risk Assessment, Placed on Review Direction Uncertain, currently Baa2(cr)
- ST Counterparty Risk Assessment, Placed on Review for Downgrade, currently P-2(cr)
- LT Counterparty Risk Rating, Placed on Review Direction Uncertain, currently Baa2
- ST Counterparty Risk Rating, Placed on Review for Downgrade, currently P-2
- LT Issuer Rating, Placed on Review Direction Uncertain, currently Baa2 , Changed To Rating Under Review From Negative
- LT Bank Deposit Rating, Placed on Review Direction Uncertain, currently Baa2 , Changed To Rating Under Review From Negative
- ST Bank Deposit Rating, Placed on Review for Downgrade, currently P-2
-Junior Senior Unsecured Regular Bond/Debenture, Placed on Review Direction Uncertain, currently Ba1
-Subordinate Regular Bond/Debenture, Placed on Review Direction Uncertain, currently B1
-Senior Unsecured Regular Bond/Debenture, Placed on Review Direction Uncertain, currently Baa2 , Changed To Rating Under Review From Negative
-Subordinate Medium-Term Note Program, Placed on Review Direction Uncertain, currently (P)B1
-Junior Senior Unsecured Medium-Term Note Program, Placed on Review Direction Uncertain, currently (P)Ba1
-Senior Unsecured Medium-Term Note Program, Placed on Review Direction Uncertain, currently (P)Baa2
-Other Short Term, Placed on Review for Downgrade, currently (P)P-2
- Commercial Paper, Placed on Review for Downgrade, currently P-2

Outlook Actions:

-Outlook, Changed To Rating Under Review From Negative

..Issuer: Bremer Landesbank Kreditanstalt Oldenburg GZ

Placed On Review:

-Junior Senior Unsecured Regular Bond/Debenture, Placed on Review Direction Uncertain, currently Ba1

Outlook Actions:

-Outlook, Changed To Rating Under Review From No Outlook

..Issuer: Deutsche Hypothekenbank (Actien-Gesellschaft)

Placed On Review:

- Adjusted Baseline Credit Assessment, Placed on Review Direction Uncertain, currently ba3
- Baseline Credit Assessment, Placed on Review Direction Uncertain, currently b2

... LT Counterparty Risk Assessment, Placed on Review Direction Uncertain, currently Baa2(cr)
... ST Counterparty Risk Assessment, Placed on Review for Downgrade, currently P-2(cr)
... LT Counterparty Risk Rating, Placed on Review Direction Uncertain, currently Baa2
... ST Counterparty Risk Rating, Placed on Review for Downgrade, currently P-2
...LT Issuer Rating, Placed on Review Direction Uncertain, currently Baa2, Changed To Rating Under Review From Negative
...ST Issuer Rating, Placed on Review for Downgrade, currently P-2
...LT Bank Deposit Rating, Placed on Review Direction Uncertain, currently Baa2 , Changed To Rating Under Review From Negative
...ST Bank Deposit Rating, Placed on Review for Downgrade, currently P-2
...Senior Unsecured Regular Bond/Debenture, Placed on Review Direction Uncertain, currently Baa2, Changed To Rating Under Review From Negative
...Junior Senior Unsecured Regular Bond/Debenture, Placed on Review Direction Uncertain, currently Ba1
...Subordinate Medium-Term Note Program, Placed on Review Direction Uncertain, currently (P)B1
...Other Short Term, Placed on Review for Downgrade, currently (P)P-2
...Senior Unsecured Medium-Term Note Program, Placed on Review Direction Uncertain, currently (P)Baa2
...Subordinate Regular Bond/Debenture, Placed on Review Direction Uncertain, currently B1

Outlook Actions:

...Outlook, Changed To Rating Under Review From Negative

..Issuer: Fuerstenberg Capital Erste GmbH

Placed On Review:

...Non-cumulative Preferred Stock, Placed on Review Direction Uncertain, currently Caa1 (hyb)

Outlook Actions:

...Outlook, Changed To Rating Under Review

..Issuer: Fuerstenberg Capital II GmbH

Placed On Review:

...Non-cumulative Preferred Stock, Placed on Review Direction Uncertain, currently Caa1 (hyb)

Outlook Actions:

...Outlook, Changed To Rating Under Review

..Issuer: NORD/LB Luxembourg S.A. Covered Bond Bank

Placed On Review:

... Adjusted Baseline Credit Assessment, Placed on Review Direction Uncertain, currently ba3

... Baseline Credit Assessment, Placed on Review Direction Uncertain, currently b2

... LT Counterparty Risk Assessment, Placed on Review Direction Uncertain, currently Baa2(cr)

... ST Counterparty Risk Assessment, Placed on Review for Downgrade, currently P-2(cr)

.... LT Counterparty Risk Rating, Placed on Review Direction Uncertain, currently Baa2

.... ST Counterparty Risk Rating, Placed on Review for Downgrade, currently P-2

.... LT Issuer Rating, Placed on Review Direction Uncertain, currently Baa2 , Changed To Rating Under Review From Negative

.... ST Issuer Rating, Placed on Review for Downgrade, currently P-2

.... LT Bank Deposit Rating, Placed on Review Direction Uncertain, currently Baa2 , Changed To Rating Under Review From Negative

.... ST Bank Deposit Rating, Placed on Review for Downgrade, currently P-2

.... Senior Unsecured Medium-Term Note Program, Placed on Review Direction Uncertain, currently (P)Baa2

Outlook Actions:

....Outlook, Changed To Rating Under Review From Negative

..Issuer: Norddeutsche Landesbank GZ, New York Branch

Placed On Review:

.... LT Counterparty Risk Assessment, Placed on Review Direction Uncertain, currently Baa2(cr)

.... ST Counterparty Risk Assessment, Placed on Review for Downgrade, currently P-2(cr)

.... LT Counterparty Risk Rating, Placed on Review Direction Uncertain, currently Baa2

.... ST Counterparty Risk Rating, Placed on Review for Downgrade, currently P-2

.... Commercial Paper, Placed on Review for Downgrade, currently P-2

Outlook Actions:

....Outlook, Changed To Rating Under Review

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in August 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related

rating outlook or rating review.

Please see www.moody's.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moody's.com for additional regulatory disclosures for each credit rating.

Katharina Barten
Senior Vice President
Financial Institutions Group
Moody's Deutschland GmbH
An der Welle 5
Frankfurt am Main 60322
Germany
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Carola Schuler
MD - Banking
Financial Institutions Group
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Releasing Office:
Moody's Deutschland GmbH
An der Welle 5
Frankfurt am Main 60322
Germany
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454



© 2018 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as

applicable). This document is intended to be provided only to “wholesale clients” within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY’S that you are, or are accessing the document as a representative of, a “wholesale client” and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to “retail clients” within the meaning of section 761G of the Corporations Act 2001. MOODY’S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be reckless and inappropriate for retail investors to use MOODY’S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

Additional terms for Japan only: Moody's Japan K.K. (“MJKK”) is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. (“MSFJ”) is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization (“NRSRO”). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.