12 March 2007

Audit Committee Charter

1. Purpose

The Audit Committee is an advisory committee – established pursuant to Article 43 of the Bank's Statutes – to assist the Board in its oversight responsibilities with respect to audit and compliance and the implementation of the financial reporting.

The Committee's tasks are to review:

(i) the implementation of the Bank's internal control systems,

(ii) the implementation of the risk management plan,

(iii) the effectiveness of the internal audit function,

(iv) the independent audit process, including recommending the appointment and assessing the performance of the external auditor, and

(v) the Bank's process for monitoring compliance with relevant laws and regulations.

2. Membership

The Audit Committee is appointed by the Board of Directors and shall be composed of three or more members chosen among members of the Board of Directors. All members of the Audit Committee shall be independent of BIS Management.

Appointments to the Audit Committee shall be made for a term of up to three years and may be renewed. The Board appoints a Chairman.

In carrying out their responsibilities under this Charter, Committee members may call on special outside expertise and engage external consultants.

However, whenever a new Chairman of the Board takes office, the composition of the Committee should be reviewed by the Board.

3. Secretariat

The Audit Committee shall appoint a Secretary chosen among the members of the staff of the Bank.

Following the Chairman's approval, the Secretary shall circulate the agenda and supporting documentation to the members of the Audit Committee (with copies to Management and to the Head of Internal Audit) a reasonable period of time (usually one week) in advance of each meeting.

The proceedings of meetings of the Audit Committee shall be summarised in minutes prepared by the Secretary, a draft of which shall be circulated within one month following the relevant meeting.

4. Meetings

Meetings shall be held at a frequency determined by the Audit Committee but in any event at least four times a year. Special meetings may be convened by the Chairman as required.

Members of Management (designated by the General Manager) and the Head of Internal Audit will be invited to the meetings. The Bank's General Counsel, the head of its compliance function, the Head of Finance and the external auditor shall be invited to participate at meetings, as appropriate.

The Audit Committee shall hold a separate executive session with the Head of Internal Audit at each of its meetings and, at least once every year, with the external auditor. In addition, the Chairman shall at least once every year invite the General Counsel and the head of the Bank's compliance function to indicate to him if there are any matters he or she wishes to raise in a separate executive session.

The Chairman of the Board shall be provided with a copy of the minutes of each meeting of the Audit Committee. Members of the Board of Directors shall have access on request to the minutes. The Chairman of the Audit Committee reports on major items of the Committee's deliberations at the following Board meeting.

5. Roles and responsibilities

The Audit Committee, in fulfilling its purpose, will:

A. Internal Control

– review the implementation of key accounting policies and financial reporting;

– evaluate the implementation of the internal control systems and the risk management plan.

B. Internal Audit

– consider the scope of work and review and approve the annual audit plan and ensure no unjustified restrictions or limitations are made;

– review and approve the annual audit report;

– review the activities, resources and organisational structure of Internal Audit;

– contribute to the selection process for the appointment of the Head of Internal Audit; and

– ensure that findings and recommendations communicated by Internal Audit and Management's proposed responses are received, discussed and appropriately acted on.

C. Compliance

– review the effectiveness of the Bank's system for monitoring compliance with relevant laws and regulations (including internal rules) and the measures taken by Management as a result of its investigation of material incidents of non-compliance.

D. Relationship with the external auditor

– review the scope of work and audit plan;

– review the "Report on the annual audit of the Bank";

– consider the independence of the external auditor and any potential conflicts of interest;

– review the "Terms of Engagement" of the external auditor;

– discuss with the external auditor any audit problems encountered in the course of audit work, including any restriction on audit scope or access to information;

– discuss with the external auditor the appropriateness of the accounting policies applied in the Bank's financial reports;

– ensure that significant findings and recommendations communicated by the external auditor and Management's proposed responses are received, discussed and appropriately acted on; and

– review the performance of the external auditor and make recommendations to the Board of Directors for the appointment, reappointment or termination of appointment of the external auditor.

6. Access to personnel/information

The Audit Committee shall have unrestricted access to members of Management, staff and any information it needs to carry out its responsibilities.

The Audit Committee may request the Head of Internal Audit or the external auditor to conduct any internal inquiry on an issue falling within the scope of its responsibilities.

7. Implementation

This Charter has been approved at the 665th meeting of the Board of Directors on 12 March 2007. It may be amended by decision of the Board.