

SECURITIES INVESTOR PROTECTION CORPORATION

AUDIT AND BUDGET COMMITTEE CHARTER

Section 1. Establishment

The Audit and Budget Committee (“Committee”) of the Board of Directors (“Board”) of the Securities Investor Protection Corporation (“SIPC”) is a committee established by action of the SIPC Chairman pursuant to Article 3, Section 1, of the SIPC Bylaws.

Section 2. Purposes

The purposes of the Committee are to assist the Board in

- (1) overseeing
 - (a) the integrity of SIPC’s financial statements and financial reporting;
 - (b) the overall effectiveness of SIPC’s internal financial controls; and
 - (c) SIPC compliance with any applicable auditing standards and requirements;
- (2) evaluating the independence, qualifications, and performance of SIPC’s external auditor, and
- (3) reviewing and evaluating SIPC’s proposed annual budget prior to its submission to the Board for action.

Section 3. Composition

As set forth in the SIPC Bylaws, the Committee shall be composed of three directors, one from each of the three classes of director. One member shall be designated by the Chairman of the Board to serve as the Committee chairman.

Section 4. Meetings

The Committee shall meet as needed to fulfill its responsibilities, but no fewer than four times annually. Each year, the Committee shall: (1) review and approve the audit engagement and review and approve the audit plan; (2) review the results of the audit; (3) review the SIPC Form 990, and make a recommendation thereon to the Board; and (4) review and evaluate the proposed budget prior to making a recommendation thereon to the Board. The Committee is to meet in separate executive sessions with the outside auditors at least once annually and at other times when considered appropriate. A majority of the incumbent Committee members shall constitute a quorum for the transaction of business.

Section 5. Authority and Responsibilities

The Committee shall have the following authority and responsibilities:

1. To inquire into any matter it considers appropriate to carry out its purposes and responsibilities, with access to all books, records, facilities, and personnel of SIPC;
2. With Board approval, to retain experts, advisors, and consultants, as appropriate, to assist it in carrying out its duties regarding the external audit, SIPC's accounting and internal controls, and selected internal audits;
3. To recommend to the Board the selection, retention, or termination of any independent external auditor to examine SIPC's accounts, controls, and financial statements, and to monitor the external auditor's performance;
4. To review annually the external auditor's formal written statement regarding the auditor's independence;
5. To ensure that the lead audit partner and the reviewing partner rotate off of the audit every five years or at such other time as the Committee determines in light of the exigency of circumstances;
6. To review and approve the scope of the annual audit of SIPC's financial statements including a discussion of the review of risk and the scope of the external auditor's evaluation of the effectiveness of internal controls;
7. To review and meet with management and the external auditor to discuss the results of the annual audit, including the audited financial statements and any other matters required to be reviewed under applicable standards or requirements;
8. To conduct private executive sessions at least annually with the external auditors;
9. To review SIPC's accounting and financial reporting controls with SIPC management and the external auditor;
10. To discuss with SIPC management and the external auditor, as appropriate, any audit concerns or difficulties and management's response;
11. To review and address any issues in an external audit's management letter, if issued;
12. To identify for the Board areas in the Corporation's operation warranting internal audit, and to recommend to the Board the selection of the auditor to conduct such audit;
13. To review the results of selected internal audits with the auditors and management;
14. To report audit findings to the Board, and make recommendations pursuant to the findings;

15. To review the SIPC Form 990 annually, and make a recommendation thereon to the Board, prior to the filing of the Form 990 with the Internal Revenue Service;
16. To review and meet annually with SIPC management to discuss the proposed annual budget for the ensuing fiscal year, and to recommend a final budget to the Board for approval; and
17. To periodically review the Committee's responsibilities as set forth in this Charter and to recommend any changes to the Board for consideration.