

**CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS OF
REFCO INC.
ADOPTED AS OF JULY 31, 2005**

I. PURPOSE OF THE COMMITTEE

The purpose of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Refco Inc. (the “Corporation”) is (a) to assist the Board’s oversight of (i) the integrity of the Corporation’s financial statements, (ii) the Corporation’s compliance with legal and regulatory requirements, (iii) the qualifications and independence of the Corporation’s independent auditors, (iv) the performance of the Corporation’s independent auditors, and (v) the performance of the Corporation’s systems of internal accounting and financial and disclosure controls, and (b) to prepare the audit committee report required pursuant to the rules of the Securities and Exchange Commission (the “SEC”) for inclusion in the Corporation’s annual proxy statement.

II. COMPOSITION OF THE COMMITTEE

The Committee shall consist of three or more directors as determined from time to time by the Board. Each member of the Committee shall be qualified to serve on the Committee pursuant to the requirements of the SEC, the New York Stock Exchange (the “NYSE”), and any additional requirements that the Board deems appropriate.

The chairperson of the Committee shall be designated by the Board, *provided* that if the Board does not so designate a chairperson, the members of the Committee, by a majority vote, may designate a chairperson.

Committee members shall continue to be members until their successors are elected and qualified or until their earlier resignation or removal. Any member may be removed by the Board, with or without cause, at any time. Any vacancy on the Committee shall be filled by majority vote of the Board. No member of the Committee shall be removed except by majority vote of the Board.

Each member of the Committee must be financially literate, as such qualification is interpreted by the Board in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment to the Committee. In addition, at least one member of the Committee must be designated by the Board to be the “audit committee financial expert,” as defined by the SEC pursuant to the Sarbanes-Oxley Act of 2002.

No member of the Committee may serve on the audit committee of more than three public companies, including the Corporation, unless the Board has determined that such simultaneous service would not impair the ability of such member to serve

effectively on the Committee. The Committee shall review the related disclosure to be made in the Corporation's annual proxy statement.

III. MEETINGS OF THE COMMITTEE

The Committee shall meet as often as it determines necessary to carry out its duties and responsibilities, but no less frequently than once every fiscal quarter. The Committee, in its discretion, may ask members of management or others to attend its meetings (or portions thereof) and to provide pertinent information as necessary. The Committee should meet separately on a periodic basis with (i) management, (ii) the head of internal audit and (iii) the Corporation's independent auditors, in each case to discuss any matters that the Committee or any of the above persons or firms believes warrant Committee attention.

A majority of the members of the Committee present in person or by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other shall constitute a quorum.

The Committee shall maintain minutes of its meetings and records relating to those meetings.

IV. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

The Committee's role is one of oversight. The Corporation's management is responsible for preparing the Corporation's financial statements and the independent auditors are responsible for auditing those financial statements.

In carrying out its duties and responsibilities, the Committee's policies and procedures should remain flexible, so that it may be in a position to best address, react or respond to changing circumstances or conditions. The following duties and responsibilities are within the authority of the Committee and the Committee shall, consistent with and subject to applicable law and rules and regulations promulgated by the SEC, the NYSE, or any other applicable regulatory authority:

Selection, Evaluation and Oversight of the Auditors

(a) Be directly responsible for the appointment, compensation, retention and oversight of the work of the registered public accounting firm engaged for the purpose of preparing or issuing an audit report for inclusion in the Corporation's Annual Report on Form 10-K (such firm is referred to herein as the "independent auditors");

(b) Review and approve in advance the annual engagement letter of the Corporation's independent auditors, including the proposed fees contained therein, as well as all other engagements and relationships between the Corporation and such independent auditors. Approval of audit and permitted non-audit services will be by the Committee or by one or more members of the Committee as shall be designated by the Committee in accordance with the terms of the Corporation's Audit and Non-Audit Services Pre-Approval Policy, and the person or persons granting such approval shall

report such approval to the Committee at the next scheduled meeting. The Committee shall review the related disclosure to be made in the Corporation's periodic public filings.

(c) Review the performance of the Corporation's independent auditors, including the lead partner and reviewing partner of the independent auditors, and make decisions regarding the replacement or termination of the independent auditors when circumstances warrant. Obtain at least annually from the Corporation's independent auditors and review a written report describing:

- (i) the independent auditors' internal quality-control procedures;
- (ii) material issues raised by the most recent internal quality-control review, or peer review, of the independent auditors, or by any inquiry or investigation by any governmental or professional authority, within the preceding five years, respecting one or more independent audits carried out by the independent auditors, and steps taken to deal with any such issues; and
- (iii) all relationships between the independent auditors and the Corporation (including a description of each category of services provided by the independent auditors to the Corporation and a list of the fees billed for each such category);

The Committee should present its conclusions with respect to the above matters, as well as its review of the lead partner and the reviewing partner of the independent auditors.

- (d) Evaluate the independence of the Corporation's independent auditors;

Oversight of Annual Audit and Quarterly Reviews

(a) Review and discuss with the independent auditors their annual audit plan, including the timing and scope of audit activities, and monitor such plan's progress and results during the year;

(b) Review and discuss with management, the Corporation's independent auditors and the head of internal audit, the following information which is required to be reported by the independent auditor:

- (i) critical accounting policies and practices to be used or changes to such policies and practices or new critical accounting policies and practices which will go into effect;
- (ii) alternative treatments of financial information that have been discussed by the independent auditors and management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors;

- (iii) other material written communications between the independent auditors and management, such as a management letter or schedule of unadjusted differences;
 - (iv) material financial arrangements of the Corporation which do not appear on the financial statements of the Corporation; and
 - (v) other material issues that the independent auditors believe warrant Committee attention.
- (c) Review and discuss with management, the Corporation's independent auditors and, if appropriate, the head of internal audit, the following:
- (i) the Corporation's annual audited financial statements and quarterly financial statements, including the Corporation's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," major issues related thereto, and certifications regarding the financial statements or the Corporation's internal accounting and financial controls and procedures and disclosure controls or procedures filed with the SEC by the Corporation's senior executives and financial officers;
 - (ii) where appropriate, "management" or "internal control" letters issued or proposed to be issued by the audit firm to the Corporation;
 - (iii) where appropriate, communications between the independent audit team and the independent audit firm's national office in relation to accounting or auditing issues presented by the engagement;
 - (iv) major issues regarding accounting principles and financial statement presentations, including significant changes in the Corporation's selection or application of accounting principles;
 - (v) analyses prepared by management or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative generally accepted accounting principles methods on the Corporation's financial statements, including analyses of the effects of alternative generally accepted accounting principles methods on the Corporation's financial statements; and
 - (vi) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Corporation;

(d) Review with the independent auditors any disagreements between the Corporation's independent auditors and management regarding financial reporting;

(e) Review and discuss on a regular basis with the Corporation's independent auditors any problems or difficulties encountered by the independent auditors in the course of any audit work, including management's response with respect thereto, any restrictions on the scope of the independent auditor's activities or on access to requested information, and any disagreements with management;

Oversight of the Financial Reporting Process and Internal Controls

(a) Review and discuss with management, internal audit and the independent auditor:

- (i) the adequacy and effectiveness of the Corporation's accounting and internal control policies and procedures on a regular basis, including the responsibilities, budget, compensation and staffing of the Corporation's internal audit function, through inquiry and discussions with the Corporation's independent auditors, management and head of internal audit;
- (ii) the Committee's level of involvement and interaction with the Corporation's internal audit function, including the Committee's line of authority and role in appointing and compensating employees in the internal audit function;

(b) Discuss guidelines and policies governing the process by which senior management of the Corporation and the relevant departments of the Corporation, including the internal auditing department, assess and manage the Corporation's exposure to risk, as well as the Corporation's major financial and other risk exposures and the steps management has taken to monitor and control such exposures;

(c) Review and discuss with management the progress and results of internal audit projects, and, when deemed necessary or appropriate by the Committee, assign additional internal audit projects to the head of internal audit;

(d) Review and discuss with management the Corporation's administrative, operational and accounting internal controls, including special audit steps adopted in light of the discovery of any significant and material control deficiencies;

(e) Receive periodic reports from the Corporation's independent auditors, management and head of internal audit to assess the impact on the Corporation of significant accounting or financial reporting developments that may have a bearing on the Corporation;

(f) Review and discuss with the independent auditors the results of the year-end audit of the Corporation, including any comments or recommendations of the Corporation's independent auditors and, based on such review and discussions and on

such other considerations as it determines appropriate, recommend to the Board whether the Corporation's financial statements should be included in the Annual Report on Form 10-K;

(g) Establish and maintain free and open means of communication between and among the Committee, the Corporation's independent auditors, the Corporation's internal auditing department and management, including providing such parties with appropriate opportunities to meet separately and privately with the Committee on a periodic basis;

(h) Review and discuss with management and the independent auditor, as appropriate, the type and presentation of information to be included in the Corporation's earnings press releases (especially the use of "pro forma" or "adjusted" information not prepared in compliance with generally accepted accounting principles), as well as financial information and earnings guidance provided by the Corporation to analysts and rating agencies (which review may be done generally (i.e., discussion of the types of information to be disclosed and type of presentations to be made), and the Committee need not discuss in advance each earnings release or each instance in which the Corporation may provide earnings guidance);

(i) Review and recommend the appointment, reassignment, replacement, compensation or dismissal of the head of internal audit;

Miscellaneous

(a) Establish clear hiring policies by the Corporation for employees or former employees of the Corporation's independent auditors;

(b) Meet periodically with the general counsel, and outside counsel when appropriate, to review legal and regulatory matters, including (i) any matters that may have a material impact on the financial statements of the Corporation and (ii) any matters involving potential or ongoing material violations of law or breaches of fiduciary duty by the Corporation or any of its directors, officers, employees or agents or breaches of fiduciary duty to the Corporation;

(c) Prepare the report required by the rules of the SEC to be included in the Corporation's annual proxy statement and other reports required to be prepared by the Committee, and in each case state whether the Committee (i) has reviewed and discussed the audited financial statements with management, (ii) has discussed with the independent auditors the matters required to be discussed by SAS Nos. 61 and 90, (iii) has received the written disclosure and letter from the independent auditors (describing their relationship with the Corporation) and has discussed with them their independence, and (iv) recommended to the Board, based on the review and discussions referred to above, that the audited financials be included in the Corporation's Annual Report on Form 10-K for filing with the SEC;

(d) Review and approve in advance any services provided by the Corporation's independent auditors to the Corporation's executive officers or members of their immediate family;

(e) Establish procedures for (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;

(f) Secure independent expert advice to the extent the Committee determines it to be appropriate, including retaining, with or without Board approval, independent counsel, accountants, consultants or others, to assist the Committee in fulfilling its duties and responsibilities, the cost of such independent expert advisors to be borne by the Corporation;

(g) Fulfill the responsibilities allocated to the Committee in the Corporation's Code of Ethics for Chief Executive and Senior Financial Officers (the "Code of Ethics"), including (i) giving prior written approval, where appropriate, to a Senior Officer (as defined in the Code of Ethics) making any investment, accepting any position or benefits, participating in any transaction or business arrangement or otherwise acting in a manner that creates or appears to create a conflict of interest, and (ii) determining, or designating appropriate persons to determine, appropriate action in response to violations of the Code of Ethics, which action should aim to deter future violations or other wrongdoing and promote accountability for adherence to the Code of Ethics;

(h) Report regularly to the Board on its activities, as appropriate. In connection therewith, the Committee should review with the Board any issues that arise with respect to the quality or integrity of the Corporation's financial statements, the Corporation's compliance with legal or regulatory requirements, the performance and independence of the Corporation's independent auditors, or the performance of the internal audit function; and

(i) Perform such additional activities, and consider such other matters, within the scope of its responsibilities, as the Committee or the Board deems necessary or appropriate.

V. EVALUATION OF THE COMMITTEE

The Committee shall, on an annual basis and in coordination with the Nominating and Corporate Governance Committee, evaluate its performance. The evaluation shall address all matters that the Committee considers relevant to its performance, including a review and assessment of the adequacy of this Charter, and shall be conducted in such manner as the Committee deems appropriate.

The Committee shall report to the Board the results of its evaluation, including any recommended amendments to this Charter.

VI. INVESTIGATIONS AND STUDIES; OUTSIDE ADVISERS

The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities, and may retain, at the Corporation's expense, such independent counsel or other consultants or advisers as it deems necessary.

In discharging its role, the Committee is empowered to inquire into any matter it considers appropriate to carry out its responsibilities, with access to all books, records, facilities and personnel of the Corporation.

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This Charter is intended as a component of a flexible governance framework within which the Board, assisted by its committees, directs the affairs of the Corporation. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Corporation's Certificate of Incorporation and By Laws, it is not intended to establish by its own force any legally binding obligations.

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