BANK FOR INTERNATIONAL SETTLEMENTS

The President

To all registered private shareholders
of the BIS

10 January 2001

Withdrawal of all BIS shares held by private shareholders

Dear Sir/Madam,

The Extraordinary General Meeting of the Bank for International Settlements (BIS) held on 8 January 2001 decided, in accordance with the recommendation of the Board of Directors, to restrict, for the future, the right to hold shares in the BIS exclusively to central banks and accordingly approved the mandatory repurchase by the BIS of all BIS shares held by private shareholders, against payment of compensation of CHF 16,000 for each share (equivalent to some USD 9,950 at the USD/CHF exchange rate on 8 January 2001).

As you will recall, the proposal to effect such a repurchase was described in a Note to Private Shareholders dated 15 September 2000 which was sent to each private shareholder registered in the books of the BIS and is available on the Bank's website www.bis.org.

Please find enclosed a second note to private shareholders providing details on the transaction; the old and the amended texts of the statutory provisions relevant to the withdrawal of privately held BIS shares are annexed to that note.

Also attached is a ***declaration and payment instruction form***[1]. Please note that, in order to enable the BIS to proceed with the payment of compensation, ***this form must be duly completed and signed, and returned to the BIS together with the corresponding certificate(s)***, using the enclosed envelope (registered mail is strongly recommended).

I would like, on behalf of the BIS, to express our gratitude to all private shareholders for their support over the years.

Yours sincerely,

[signed]

Urban Bäckström

Enclosures

[1] Separate letters will be sent for the American, Belgian and French issues of BIS shares.

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Note to private shareholders

Withdrawal of all shares of the Bank for International Settlements held by its private shareholders

1. Decision to proceed with the withdrawal

At its meeting on 10 September 2000, the Board of Directors of the Bank decided to restrict the right to hold shares in the BIS exclusively to central banks, and accordingly approved a proposal to proceed with the mandatory repurchase of all shares held by private shareholders against payment of compensation of CHF 16,000 for each share. After further consideration, the draft resolutions and the text of the proposed amendments to the Statutes were approved by the Board on 18 December 2000 and adopted by the Extraordinary General Meeting (EGM) held on 8 January 2001, effective immediately.

2. Amendment of the Statutes in connection with the withdrawal

In order to give effect to the EGM's decision on the mandatory repurchase of all privately held BIS shares, Articles 6, 12 and 15 to 18 of the Statutes were amended and a transitional provision was included as Article 18(A) of the Statutes. The old and the amended texts of the relevant statutory provisions are annexed to this note (the full text of the Statutes is available on the BIS website www.bis.org). The amendments can be summarised as follows:

a) The rule contained in Article 6 to the effect that shares of the third tranche of the capital of the BIS may only be subscribed or acquired by central banks (or, in exceptional cases, by a financial institution acting in lieu of a specific central bank and appointed by the BIS Board) was extended to apply to shares of all tranches of the Bank's capital (see the amended Article 15).

b) Articles 12 and 15 to 18 were amended to remove any possibility of registering non-central banks as shareholders of the BIS.

c) A new Article 18(A) was inserted as a transitional rule, providing for the cancellation of every registration of a private shareholder in the books of the BIS, and for the payment to those shareholders of compensation of CHF 16,000 for each share they hold. Article 18(A)(4) provides for the redistribution among shareholding central banks of shares repurchased from private shareholders.

The transaction has been carried out in accordance with the BIS's special status under international law as laid down in particular in the 1930 Convention respecting the BIS, the Bank's Constituent Charter and its Statutes. This special status provides inter alia that disputes concerning the interpretation or application of the Bank's Statutes, in particular between the Bank and its shareholders, must be referred for final decision to the Arbitral Tribunal provided for by the Hague Agreement of 20 January 1930.

3. Compensation payable to the private shareholders

In accordance with the proposal of the Board of Directors of the BIS, the amount of compensation payable to the private shareholders was fixed by the EGM at CHF 16,000 per share. This amount is significantly higher than the price at which BIS shares were traded for a number of years prior to the announcement of the transaction: in particular, it represents a premium of 95%, 105% and 155% over the closing prices for the American, Belgian and French issues respectively on 8 September 2000 (the last trading day before the announcement of the proposed transaction). The price was determined on the basis of the valuations carried out by ***JP Morgan & Cie SA***, and a confirmation of the fairness of that price was delivered by the independent experts ***Arthur Andersen***.

JP Morgan & Cie SA were charged by the Board of Directors of the BIS with conducting a valuation of the BIS shares held by private shareholders. On the basis of the valuation methods and recommendations of JP Morgan & Cie SA, the Board of Directors adopted a price of CHF 16,000 per share. In early December 2000, the Board of Directors asked JP Morgan & Cie SA to review their valuation in the light of the most recent market developments. JP Morgan & Cie SA confirmed their initial report, and in particular that under current market conditions, their calculations produced an equivalent result to the earlier valuation used by the Board to determine the compensation.

Arthur Andersen, acting as independent experts, confirmed that the valuation methods chosen were appropriate and that compensation of CHF 16,000 per share was fair.

The conclusions of the work undertaken by the two firms of experts were summarised in our earlier note to private shareholders dated 15 September 2000 (which can be viewed on the BIS website).

4. Tax treatment of the compensation to be paid to private shareholders

The tax treatment of the compensation to be paid to private shareholders may vary significantly according to their country of residence and their personal tax situation, and may, in particular, differ from the rules applicable to revenue derived from the trading of shares on a stock exchange. Shareholders have accordingly been notified that it might be appropriate for them to seek professional advice. In addition, general aspects of the tax treatment of the compensation to be paid to private shareholders resident in the two jurisdictions where the shares are traded (France and Switzerland) were clarified, and appropriate information sent to those shareholders.

5. Practical implementation of the transaction

Pursuant to Article 18A(1) of the Statutes, the registration of all private shareholders in the books of the BIS has been cancelled. In place of their shares, these shareholders have acquired the statutory right to payment of compensation of CHF 16,000 per share. BIS shares are henceforth no longer traded on the Paris and Zurich exchanges.

All private shareholders of the BIS will receive, together with this note, a "Declaration and payment instruction" form with particulars relating to payment of compensation for this mandatory repurchase. This form should be completed and returned to the BIS to enable compensation to be paid at the earliest possible date. Private shareholders are asked to return their share certificate(s) (which have been cancelled by sole effect of the changes to the Statutes of the Bank) together with the form in order to ensure that payment is being made to the correct recipient and to avoid potential fraudulent use of certificates corresponding to withdrawn shares.

It is hoped that the transaction, including the payment of all compensation, will be completed speedily, subject to the resolution of exceptional cases in which the entitlement to compensation is unclear (involving, for instance, succession issues).

Annex: Amendments to the Bank's Statutes decided by the EGM on 8 January 2001.

Annex to Note to Private Shareholders

Amendments of the Bank's Statutes adopted by the Extraordinary General Meeting held on 8 January 2001

Old text	Revised text
Article 6	***Article 6***
The Board, upon a decision taken by a two-thirds majority, may, when it considers it advisable, issue on one or more occasions a third tranche of 200,000 shares and distribute them in accordance with the provisions of Article 8. Shares thus issued may be subscribed or acquired only by central banks or financial institutions appointed by the Board in accordance with the terms and conditions laid down in Article 14.	The Board, upon a decision taken by a two-thirds majority, may, when it considers it advisable, issue on one or more occasions a third tranche of 200,000 shares and distribute them in accordance with the provisions of Article 8.

Old text	Revised text
Article 12	***Article 12***
The shares shall be registered and transferable in the books of the Bank. The Bank shall be entitled without assigning any reason to decline to accept any person or corporation as the transferee of a share. It shall not transfer shares without the prior consent of the central bank, or the institution acting in lieu of a central bank, by or through whom the shares in question were issued.	(1) The shares shall be registered and transferable in the books of the Bank. (2) No share may be transferred without the prior consent of the Bank and of the central bank, or the institution acting in lieu of a central bank, by or through whom the shares in question were issued.

Old text	Revised text
Article 15	***Article 15***
Any subscribing institution or banking group may issue or cause to be issued to the public the shares for which it has subscribed.	Shares may be subscribed or acquired only by central banks, or by financial institutions appointed by the Board in accordance with the terms and conditions laid down in Article 14.

Old text	Revised text
Article 16	***Article 16***
Any subscribing institution or banking group may issue to the public certificates against shares of the Bank owned by it. The form, details and terms of issue of such certificates shall be determined by the bank issuing them, in agreement with the Board.	The Bank may at its discretion issue share certificates to its shareholders.

Old text

Article 17

The receipt or ownership of shares of the Bank or of certificates issued in accordance with Article 16 implies acceptance of the Statutes of the Bank and a statement to that effect shall be embodied in the text of such shares and certificates.

Revised text

Article 17

Ownership of shares of the Bank implies acceptance of the Statutes of the Bank.

Old text

Article 18

The registration of the name of a holder of shares in the books of the Bank establishes the title to ownership of the shares so registered.

Revised text

Article 18

The registration of the name of a shareholder in the books of the Bank establishes the title to ownership of the shares so registered.

New text

Article 18(A)(Transitional provisions)

In accordance with the resolutions of the Extraordinary General Meeting held on 8 January 2001 and in order to implement Article 15 of the Statutes as amended, the Bank will, on a compulsory basis, repurchase each share which, as of that date, is registered in the name of a shareholder other than a central bank (a "private shareholder"), against payment of compensation of CHF 16,000 for each share, as follows:

(1) On 8 January 2001, the registration of each private shareholder will be cancelled in the books of the Bank. As from this cancellation, every private shareholder will lose all rights appertaining to shares which are repurchased (including all rights to the payment of any future dividend), subject to the provisions of Article 54; every private shareholder will receive, in exchange for every share which is ipso jure transferred to the Bank, a statutory right to the payment of the amount of compensation referred to above.

(2) With a view to the payment of the compensation, the Bank will promptly send each private shareholder a notice inviting that private shareholder: (a) to provide written confirmation that he or she has not transferred or otherwise disposed of any share registered on 8 January 2001 in his or her name; (b) to provide written instructions for payment of the compensation by the Bank; and (c) to return the corresponding share certificates to the Bank.

(3) Upon receiving a complete response to the notice sent out pursuant to Article 18(A)(2), and after it has carried out all appropriate verifications, the Bank will pay each private shareholder the amount of compensation due to that shareholder. If a private shareholder has transferred or otherwise disposed of any share for which he or she is the registered shareholder prior to 8 January 2001, and the Bank is aware of that transfer, the Bank will pay the amount of compensation due from it to the successor in title of the registered shareholder after it has carried out all appropriate verifications. If there is any doubt as to any entitlement to compensation in respect of any share, or if there is no response or only an incomplete response to the notice sent by the Bank pursuant to Article 18(A)(2), the Bank may, on such terms as it may deem appropriate, place in escrow the amount of compensation until such time as the interested parties appropriately establish their rights. Any transfer of a share which has not been notified to the Bank before the date on which the compensation is paid will have no effect with regard to the Bank.

(4) The Board will redistribute, in the manner in which it considers appropriate, the shares repurchased from private shareholders either (a) by offering them for sale to central bank shareholders against payment of an amount equal to that of the compensation paid to the private shareholders, or (b) by offering them for subscription as bonus shares by central bank shareholders in proportion to the number of shares held (including, if applicable, any share purchased pursuant to (a) above), it being understood that this redistribution may be achieved by a combination of (a) and (b).

(5) The Board is authorised to take all decisions it deems necessary in connection with the implementation of these transitional provisions, including delegating to the General Manager as appropriate responsibility for practical execution.