

**Charter of the
Finance and Audit Committee
of the
International Securities Exchange, Inc.**

Organization and Membership

The Finance and Audit Committee ("Committee") of the International Securities Exchange, Inc. ("ISE" or "Company") shall consist of at least three, and no more than five, non-industry members of the Board of Directors ("Board"). Committee members shall be appointed by the Board at its annual organizational meeting following the annual meeting of stockholders. The term of each Committee member is one year, with a member eligible for multiple terms as long as the member remains on the Board unless any member shall sooner resign or be removed, with or without cause, by the Board prior to the expiration of his or her term. The Board may appoint a director to fill any vacancy created on the Committee for any reason, and such successor shall serve for the remainder of the term of the Committee member he or she is replacing. The Committee shall select its chairperson.

A quorum of the Committee consists of a majority of the members. An act of the majority of the Committee members present at a meeting at which a quorum is present shall be the act of the Committee. The Committee also may act through unanimous written consent. The Committee may establish one or more subcommittees to focus on specific aspects of its duties and responsibilities and may delegate any of its responsibilities to any such subcommittee if it so chooses, provided that any subcommittee decisions are presented to the full Committee for ratification at its next scheduled meeting.

Purpose

The Committee's goals are to assist the Board in fulfilling its responsibilities to oversee: (1) the integrity of the Company's financial statements; (2) the Company's compliance with legal and regulatory requirements; (3) the independent auditor's qualifications and independence; and (4) the performance of the ISE's internal audit function and independent auditors.

The Committee shall prepare an audit committee report as and when required by the Securities and Exchange Commission (the "SEC") to be included in the Company's annual proxy statement.

Qualification Requirements for Committee Members

Each member of the Committee must be in compliance with the following standards:

- 1) Each member must be a non-industry director, as provided in Section 3.2 of the Company's Constitution;
- 2) Each member must be "independent," according to the criteria specified in Section 10A(m)(3) of the Securities Exchange Act of 1934 (the "Exchange Act"); and
- 3) Each member must be an "independent director," as defined in Sections 303A of the New York Stock Exchange Listed Company Manual.

Each member of the Committee shall have at least general familiarity with the following:

- 1) The accounting and reporting principals and practices applied by the Company in preparing its financial statements;
- 2) The regulatory and surveillance programs administered by the Company as part of its self-regulatory function; and
- 3) The data processing systems utilized by the Company.

At least one member of the Committee shall be designated as a "financial expert," as defined by the rules and regulations of the SEC. In addition, a member of the Committee shall not serve on the audit committees of more than three public companies.

Committee Meetings

The Committee will meet at least four times a year, with authority to convene additional meetings as circumstances require. The chairperson of the Committee will preside at each meeting of the Committee and, in consultation with the other members of the Committee, shall set the frequency and length of each meeting and the agenda of items to be addressed at each meeting; the chairperson will ensure that the agenda for each meeting, together with any other relevant materials, are circulated as soon as reasonably practicable in advance of the meeting. The meetings of the Committee may be called by: the Committee chairperson; the Secretary of the Company at the request of a majority of Committee members; or by the Company's Chief Financial Officer or by the Company's Head of Internal Audit. Members can participate in a meeting in person or through a conference telephone call or similar communications arrangement allowing all persons participating in the meeting to hear each other at the same time. The Chief Financial Officer shall be responsible for keeping the Committee minutes as the Committee shall direct.

No persons other than the Committee members have the right to attend meetings of the Committee. However, the Committee may invite other Board members, management, auditors or others to attend meetings and to provide pertinent information, as necessary. As determined by the Committee, it also will meet periodically (but not less than quarterly), with management, with internal auditors and with external auditors

Limitation On Committee's Role

The Committee's role is one of oversight and it recognizes that management is responsible for preparing the Company's financial statements and that the Company's independent auditor is responsible for auditing those financial statements. Additionally, the Committee recognizes that management, including the internal audit staff, as well as the independent auditor, have more time, knowledge and detailed information with respect to the Company than do Committee members. Consequently, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the independent auditor's work.

Authority of the Committee

The Committee is directly and solely empowered:

- 1) To appoint, compensate, retain (subject, if applicable, to shareholder ratification) and oversee the work of the public accounting firm employed by the Company for the purpose of preparing or issuing an audit report, or performing other audit, review or attestation services for the Company (including the financial audit and the electronic data processing audit, as well as any internal audit functions being outsourced to independent accounting firms) and to approve all audit engagement fees and terms. The oversight responsibilities include the authority to retain the external auditor, which includes the power to terminate the external auditor. The independent auditors must report directly to the Committee;
- 2) To resolve disagreements between management and the auditors;
- 3) To pre-approve all auditing services (which may entail providing comfort letters in connection with securities underwriting or statutory audits required for insurance companies for purpose of state law), internal control - related and permitted non-audit services performed by the Company's external financial audit firm, subject to the *de minimis* exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act which are approved by the Committee prior to the completion of the audit; the Committee may delegate to one or more designated members of the Committee the authority to grant pre-approvals hereunder provided that decisions of any member to whom authority is delegated shall be presented to the full Committee at its next scheduled meeting;

- 4) To conduct or authorize investigations of any matter within its scope of responsibilities with full access to all books, records, facilities and personnel of the Company; and
- 5) To retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of any investigation the Committee authorizes within the scope of its authority.

Responsibilities of the Committee

The Committee has the following responsibilities with respect to financial statements, financial and internal controls, internal audit, external audit, compliance and reporting:

Financial Statements

- 1) The committee shall review with management and external auditors any audit problems or difficulties, and management's response, including:
 - a) Any restrictions on the scope of the independent auditor's activity or on access to requested information;
 - b) Any accounting adjustments that were proposed by the auditor, but were "passed" by management as immaterial or otherwise;
 - c) Any communications between the audit team and the audit firm's national office relating to problems or difficulties encountered with respect to significant auditing or accounting issues; and
 - d) Any "management" or "internal control" letter issued or proposed to be issued by the audit firm to the Company;
- 2) The committee shall discuss the annual audited financial statements and quarterly financial statements with management and the external auditors, including the Company's disclosures under "Management's Discussion and Analysis of Financial Conditions and Results of Operations" prior to the filing of the Company's quarterly and annual reports on Form 10-Q and 10-K, respectively. The Committee's review of the audited annual financial statements shall include:
 - a) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any specific remedial actions adopted in light of material control deficiencies;
 - b) discussions with management and the independent auditors regarding significant financial reporting issues and judgments made in connection with the preparation of the financial statements and the reasonableness of those judgments;
 - c) consideration of the effect of regulatory accounting initiatives, as well as off-balance sheet structures on the financial statements;

- d) consideration of the judgment of both management and the independent auditors about the quality, not just the acceptability of accounting principles; and
 - e) the clarity of the disclosures in the financial statements.
- 3) The Committee shall receive and review a report from the independent auditors, prior to the filing of the Company's Annual Report on Form 10-K (or the annual report to shareholders if distributed prior to the filing of Form 10-K), on: all critical accounting policies and practices of the Company; all material alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, including the ramifications of the use of such alternative treatments and disclosures and the treatment preferred by the independent auditor; and other material written communications between the independent auditors and management;
 - 4) The Committee shall review and approve all related party transactions other than routine business transactions with members; and
 - 5) The Committee shall review and discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.

Financial and Internal Controls

- 1) The Committee shall review management's assessment of the effectiveness of internal control over financial reporting as of the end of the most recent fiscal year and the independent auditors' report on management's assessment;
- 2) The Committee shall discuss with management, the internal auditors, and the independent auditors the adequacy and effectiveness of internal control over financial reporting, including any significant deficiencies or material weaknesses identified by management of the Company in connection with its required quarterly certifications under Section 302 of the Sarbanes-Oxley Act; the Committee also shall discuss with management, the internal auditors, and the independent auditors any significant changes in internal control over financial reporting that are disclosed, or considered for disclosure, in the Company's periodic filings with the SEC;
- 3) The Committee shall review the current material financial arrangements of the Company to determine whether they are best serving the interests of the Company and the current and anticipated financial requirements of the Company;
- 4) The Committee shall review the annual budget request of the management of the Company, and if considered advisable, recommend to the Board for approval;
- 5) The Committee shall monitor performance in relation to the budget approved by the Board;
- 6) The Committee shall review and approve significant proposed amendments to the approved budget that may arise from time to time throughout the year,

and review and approve commitments that will have the effect of causing to be exceeded the total authorization provided in any one or more of:

- a) The annual budget approved by the Board;
- b) The Company's operating expense plan included in the budget; and
- c) The Company's capital expenditures plan included in the budget;

However, the Committee need not review and approve any such amendments or commitments if they are consistent with the Company's Financial Policies and Procedures, as approved by the Committee;

- 7) The Committee shall review fee changes proposed by the management, and if considered advisable, recommend to the Board for approval;
- 8) The Committee shall recommend to the Board any changes that the Committee considers advisable with respect to the financial arrangements and methods of and terms for additional financings or reductions of current financings;
- 9) The Committee shall consider the effectiveness of the Company's internal control system, including information technology security and controls, operational controls, and regulatory and compliance controls; and
- 10) The Committee shall review with the independent auditors, the Chief Financial Officer, the Head of Internal Audit, and other appropriate personnel the scope of the internal and external auditor's review of internal control over financial reporting, electronic data processing, operations and surveillance and obtain reports on significant findings and recommendation, together with management's responses and review the extent to which recommendations made by the internal auditors or by the independent auditors have been implemented.

Internal Audit

- 1) The Committee shall review with management and the Head of Internal Audit, and approve, the charter, plans, activity reports, staffing, organizational structure and budget of the internal audit function;
- 2) The Committee shall review and concur in the appointment, replacement or dismissal of the Head of Internal Audit;
- 3) The Committee shall review the effectiveness of the internal audit function, including compliance with the Institute of Internal Audit's Standards for the Professional Practice of Internal Auditing; and
- 4) The Committee shall on a regular basis meet separately with the Head of Internal Audit to discuss any matters that the Committee or Head of Internal Audit believes should be discussed privately.

External Audit

- 1) The Committee shall review the qualification, performance and independence of the external auditors, including:

- a) At least annually, obtain and review a report by the independent auditors describing:
 - i) The firm's internal quality control procedures;
 - ii) Any material issues raised by the most recent internal quality control review, or peer review, of the firm, or by any inquiry or investigation by government or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and
 - iii) In order to assess the auditor's independence, all relationships between the independent auditor and the Company;
 - b) Receive the written disclosures and letter from the independent auditor required by Independence Board Standard Number 1, as may be modified or supplemented, and discuss with the independent auditor the independent auditor's independence;
 - c) Take into account the opinion of management and the Head of Internal Audit;
 - d) Review and evaluate the lead partner of the independent auditors; and
 - e) Present its conclusions with respect to the independent auditors to the full Board;
- 2) The Committee shall ensure the regular rotation of the lead audit partner as required by law and consider whether there should be a regular rotation of the audit firm itself; and
 - 3) The Committee shall set clear hiring policies for employees or former employees of an independent auditor, which guidelines shall meet the requirements of applicable law, regulations and listing standards;

Compliance

- 1) The Committee shall review the effectiveness of controls for monitoring compliance with laws and regulations and the results of management's actions (including follow-ups and disciplinary action) for any instances of non-compliance;
- 2) The Committee shall establish procedures for:
 - a) The receipt, retention and treatment of received complaints regarding accounting, internal accounting controls, or auditing matters; and
 - b) The confidential anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- 3) The Committee shall review the findings of any examinations by regulatory agencies, and any auditor observations; and
- 4) The Committee shall review the Company's compliance systems with respect to legal and regulatory requirements and review the Company's code of conduct and programs to monitor compliance with such programs. The Committee shall receive corporate attorneys' reports of evidence of a material

violation of securities laws or breaches of fiduciary duty.

Reporting and Other Responsibilities

- 1) The Committee shall regularly report to the Board about Committee activities and issues that arise with respect to the quality and integrity of the Company's financial statements, effectiveness and efficiency of financial and internal controls being in place, the Company's compliance with legal and regulatory requirements (including Automation Review Policy requirements), and the performance of internal audit function;
- 2) The Committee shall discuss the Company's policies with respect to risk assessment and risk management, including the risk of fraud; the Committee also shall discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures;
- 3) The Committee shall periodically review and assess the adequacy of this Charter, requesting Board approval for proposed changes, and ensuring appropriate disclosure as may be required by law or regulation; and
- 4) The Committee shall perform an evaluation of its performance at least annually.

Disclosure

This Charter shall be made available on the Company's website. The Company shall include a statement in its Annual Report on Form 10-K filed with the SEC indicating that a copy of this Charter is available on its website and in print to any stockholder who requests a copy.

Adopted: March 9, 2005