

Memorandum

To: ISO Board of Governors

From: Roger Collanton, Vice President, General Counsel and Chief Compliance Officer

Date: December 10, 2014

Re: **Decision on modifications to the Audit Committee Charter**

This memorandum requires Board action.

The ISO conducts annual reviews of corporate policies and committee charters. In this year's review of the Audit Committee Charter, which requires by its own terms that Management review and suggest any appropriate updates for approval by the Board, Management recommends several modifications to the charter.

The proposed changes to the charter vary from stylistic changes to clarifications of roles and responsibilities. For example, the proposed charter reflects that the Audit Committee may fulfill certain responsibilities in conjunction with the full Board, such as the review of certain legal and regulatory matters with the General Counsel. The proposed charter also provides additional clarity to certain responsibilities, such as a qualification of the Committee's obligation to review fraud with internal and external auditors and with management, to apply only to "known or suspected" instances of fraud. Various stylistic modifications are also proposed to reflect current policy drafting practices and guidelines. Finally, the changes update the charter to reflect the Committee's oversight responsibility for not just one, but all codes of conduct, including for Board members, employees and contractors of the ISO.

Management discussed the proposed edits with the Audit Committee at their September and November meetings, and the attached modifications reflect the Committee's feedback.

Management recommends the following motion:

MOVED, that the ISO Board of Governors approves the modifications to the Audit Committee Charter as attached to the memorandum dated December 10, 2014.