

Memorandum

To: ISO Board of Governors

From: John C. Anders, Acting Corporate Secretary and Acting Chief Compliance Officer
Eric Leuze, Director of Enterprise Risk Management
Brenda Thomas, Executive Director of Human Resources

Date: April 12, 2007

Re: **Compliance Committee Update**

This memorandum does not require Board action.

On January 24, 2007 the ISO Board of Governors approved the Compliance Program and requested an update with respect to Management's formation of a Compliance Committee consistent with the program. This memorandum serves as this update and describes some next steps as well as an estimate of updates likely to be provided to the ADR/Audit Committee by the Compliance Committee this year.

It is clear that the Compliance Program is well on its way to full implementation based in large part on the existence of most key elements of an effective program, however, the tasks remaining in 2007 and through 2009 to assure complete success of the program are not insignificant. The first step in the process was to establish the Compliance Committee responsible for oversight of this process, which occurred on March 22, 2007, and to hold an initial scoping meeting, which occurred on April 5, 2007. A copy of the Compliance Committee Charter is attached for your information.

All current members of the Compliance Committee were present at the initial meeting and a schedule of future committee meetings was established. In addition, issues such as coordination with Enterprise Risk Management and Internal Audit, training, monitoring and reporting were discussed. It is still too early to report in any detail on these subjects and planned activities, but coordination remains ongoing and development of the training program for 2007 is underway. The goal is to train 100% of employees on the Compliance Program approved by the Board by the end of this year, with more specific training in targeted key risk areas in 2008.

The Compliance Committee expects to provide a more detailed update on Compliance Program related activities to the ADR/Audit Committee at a meeting in the third quarter of this year.