

International Securities Exchange Holdings, Inc. Corporate Governance Principles

It is the goal of the International Securities Exchange Holdings, Inc. ("ISE" or "Company") to comply with all relevant "good governance" requirements as they continue to evolve, including the requirements of the Sarbanes-Oxley Act of 2002 and the corporate governance initiatives of the Securities and Exchange Commission and the New York Stock Exchange. As a public company listed on the NYSE, there must be a high level of public trust in the ISE.

Below are the ISE's Corporate Governance Principles, as drafted by the ISE Corporate Governance Committee and adopted by its Board of Directors. These principles operate in conjunction with the ISE's Charter and Bylaws. Based on recommendations of the Corporate Governance Committee, the ISE Board of Directors may amend these principles from time to time to reflect evolving principles of good corporate governance. To the extent applicable, these Principles also apply to the Company's subsidiaries, including International Securities Exchange, LLC.

1) Roles of Management and the Board of Directors

a) Management and Board Responsibilities

ISE's business is conducted by its officers and employees, under the direction of the Chief Executive Officer. The Board provides oversight of the ISE's business with the goal of enhancing the long-term interests of shareholders. The ISE's Board and management also conduct their activities recognizing long-term interests of other critical stakeholders, such as public investors, members, and the ISE staff.

b) Functions of the Board

In providing oversight of the ISE's business, the Board's functions include: selecting the Chief Executive Officer; providing input and evaluation regarding other officers; setting Chief Executive and Chief Operating Officer compensation and establishing overall compensation policy for the Company; reviewing, monitoring, and, where appropriate, approving fundamental financial and business strategies; assessing risk factors and reviewing mitigation options for the Company; monitoring company performance; monitoring relations with shareholders, employees, regulators, legislators, and other stakeholders; and evaluating the competitive landscape. Where the Board deems it appropriate, it may delegate these functions to appropriate committees.

2) Board Selection and Composition

a) Executive and Non-Management Directors

The ISE Bylaws establishes a Board consisting of no more than fifteen nor less than two directors, the number which shall be fixed from time to time exclusively pursuant to a resolution adopted by a majority of the Board, one of such directors whom shall be the Company's Chief Executive Officer.

b) Board Membership Criteria

The Company seeks to attract and retain talented and dedicated directors. The Corporate Governance Committee nominates director candidates. In general, the Company seeks a diverse and well-rounded Board with a combination of experience, management and financial skills, judgment, character and international background. As a group, Board members should have diverse experience in business, government, education and technology. In addition, directors should not be employed in an area that could give rise to conflicts of interest in pursuing the best interests of the Company. All directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively, and should be committed to serving on the Board for their entire term.

c) Independence of Directors

The Board's policy is that all ISE directors, other than the Chief Executive Officer director, must meet the current tests of independence, based on government regulations (including those of the Securities and Exchange Commission) and Section 303A of the New York Stock Exchange Listed Company Manual, as amended from time to time. The basis for any determination that a relationship is not material will be published in the company's annual proxy statement. The Corporate Governance Committee shall periodically review the compensation arrangements and other business relationships between directors and the Company, including the Company's charitable and political contributions, in order to monitor the continued independence of directors deemed independent.

d) Orientation of Directors and Continuing Education

The Secretary of the Company is responsible for providing an informal orientation program for all new directors. The Company, at its expense, also will provide continuing education opportunities for directors. This will include education about the business of the Company, as well as more generalized director development opportunities. As appropriate, the

Company will seek to have speakers or other persons attend Board meetings as part of an overall educational effort. The Corporate Governance Committee shall administer a continuing education program for all directors in compliance with the applicable rules developed by the New York Stock Exchange and approved by the Board.

e) Separation of Chairperson and Chief Executive Role

As required by the ISE Bylaws, the Company's Chairperson shall not be an officer of the Company. Thus, the Company will have a separate Chairperson and Chief Executive Officer. The Chairperson will preside at Board meetings and, working with the rest of the Board, will help establish and will advise on overall Company policy; the Chief Executive Officer will be responsible for the day-to-day operation and management of the Company.

f) Service on Other Boards

The Board does not believe that its members should be prohibited from serving on boards and/or committees of other organizations, and the Board has not adopted any guidelines limiting such activities, except that no member of the Audit Committee shall serve on the audit committee of more than three public corporations. However, the Board, in consultation with the Corporate Governance Committee, will take into account the nature of and time involved in a director's service on other boards in evaluating the suitability of individual directors and making its recommendations to the Company's stockholders. Service on boards and/or committees of other organizations should be consistent with the Company's conflict of interest policies included in its Code of Business Conduct and Ethics.

3) Board Operation and Structure

a) Selection of the Chairperson

The ISE Bylaws provides that the Board selects the Chairperson from the directors by a two-thirds vote. The Board will select the Chairperson based on criteria the Board feels best serve the ISE. However, as required by the ISE Bylaws, the Chairperson shall not be an officer of the Company.

b) Term Limits

While the ISE Bylaws does not impose term limits on directors (other than the Chief Executive Officer), it is the policy of the Company that directors also serve a maximum of three consecutive two-year terms, with a person being eligible for election again after a two-year hiatus. However, the

Company also believes it is important that there be a smooth transition from its original non-management directors to their successors. Thus, the Company believes it may be appropriate for up to four of the eight original non-management directors to serve one additional term. This would result in a transition to new non-management directors over a four-year period, rather than a two-year period. The Corporate Governance Committee will determine whether, and how, to provide for this phased transition.

c) Executive Session

Non-management directors (that is, all directors except the Chief Executive Officer) will meet in executive session at all regularly-scheduled Board meetings. Non-management directors also will meet in executive session upon the request of any such director. In addition, the Board will meet in special session (with the Chief Executive Officer, but without other members of management) as often as it deems necessary.

d) Assessment of Board Performance

The Board will perform an annual self-assessment. The Corporate Governance Committee will be responsible for conducting this self-assessment using such forms or other procedures that it believes are appropriate.

e) Change in Status of Board Member

In any situation where a director's job status changes, either upon a significant change in employment status at the same employer or upon a change of primary employer, the director must tender his or her resignation to the Board, which the Board, in consultation with the Corporate Governance Committee, may, but need not, accept.

f) Board Compensation

The Compensation Committee shall conduct periodic reviews of the status of Board compensation in relation to other comparable companies and make recommendations to the Board with respect to the appropriate form and amount of director compensation. Such remuneration should be set at a level that is reasonable in light of market factors and sufficient to attract and retain experienced, dedicated and talented Board members. As part of a director's total compensation, and to create a direct linkage with corporate performance, the Board believes that a meaningful portion of a director's compensation should be provided and held in common stock of the Company.

Director remuneration (including Company stock or stock-options) is the only direct or indirect compensation that a non-management Board member may receive from the Company. That is, no such director may receive consulting income or any other financial remuneration (other than fees for performing the functions of a director) from the company. However, a director may receive reimbursement for his or her expenses incurred on behalf of the Company and also may be indemnified for liabilities incurred in Company-related activities. Changes in Board compensation, if any, should come at the suggestion of the Compensation Committee, but with full discussion and concurrence by the Board.

4) Board Meeting Procedure

a) Frequency and Locations of Meetings

The Board will meet at least four times a year. The Company may call additional meetings as needed, including telephonic meetings. In addition, the Board will consider having periodic off-site planning meetings as it deems appropriate. It is expected that Board members will attend every meeting in person. While attendance by telephone generally is acceptable for special meetings, attending regularly-scheduled meetings via telephone should be only a last resort if attendance is not otherwise possible.

b) Selection of Items for Agenda

The Chief Executive Officer, with the advice of the Chairperson, will set the agenda for Board meetings. All Board members have the ability to add items to the agenda and to raise topics not on the agenda at the meeting.

c) Distribution of Materials

The ISE staff will circulate Board materials sufficiently before a meeting to provide Board members with sufficient time to review the material. Absent special circumstances, the staff will circulate such material approximately one week before a regularly-scheduled meeting. All Board material should be concise, yet provide the Board with sufficient background and detail on matters coming to the Board.

d) Management Attendees

The Board encourages management attendance and presentations at meetings. This allows the Board to receive information necessary to make informed decisions. This also promotes personal interaction between Board members and the Company's managers. It is expected that at the request of the Chairperson of the Board or any committee Chairperson,

Company officers or appropriate employees shall be made available to attend a particular Board or committee meeting.

e) Communications with Non-Management Directors

The Company shall maintain a method for interested parties to communicate directly and confidentially with the Chairperson of the Corporate Governance Committee or with the non-management directors as a group, and such method shall be disclosed on the Company's website.

5) Board Relationship with Management

a) Evaluation of the Chief Executive Officer and Chief Operating Officer

The Compensation Committee will have the primary authority to evaluate the performance of the Chief Executive Officer and the Chief Operating Officer, and will make recommendations to the full Board regarding the compensation of these officers. The Compensation Committee will conduct this review based on both objective and subjective criteria regarding company performance, the meeting of strategic objectives, and management development.

b) Management Development

The Chief Executive Officer will have primary responsibility for assessing the performance of management and providing for management development. The Compensation Committee, working with the Chief Executive Officer, will set compensation policy for the Company.

c) Succession Planning

The Chief Executive Officer has primary responsibility for establishing succession planning for the company. Such planning covers not only the Chief Executive Officer, but also other members of management. At least annually the Chief Executive Officer will have a discussion with the Board regarding his or her succession plans for management.

d) Board Access to Management and Advisors

Board members shall have access to the Company's management to ensure that directors have access to all information to make proper decisions. It is assumed and expected that Board members will use their judgment to be sure that this contact is not distracting to the business operation of the Company. The Board and its committees shall have the right at any time to retain independent outside financial, legal or other

advisors, without prior approval of any officer of the Company, the Company shall pay any fees and expenses of such advisors and the officers of the Company shall cause the Company to enter into such retainer or engagement agreements as may be directed by the Board or a committee in order to engage such advisor.

6) Board Committees

a) Number and Structure of Committees

There are four standing Board committees: (1) Executive; (2) Finance and Audit; (3) Compensation; and (4) Corporate Governance. The Board has the flexibility to form new committees, to disband committees and to establish ad hoc committees as necessary. All standing Board committees operate pursuant to a Board-established charter and all ad hoc committees operate pursuant to a specific Board resolution.

b) Charters

Each of the Finance and Audit, Compensation and Corporate Governance Committees shall have its own charter, which will set forth the purposes, goals and responsibilities of such committee and the qualifications for committee membership, procedures for committee member appointment and removal, committee structure and committee reporting to the Board. Current versions of these charters shall be available on the Company's website and in print to any stockholder who requests a copy.

c) Committee Liaisons

The following officers are appointed to be the staff liaison with Board committees: the Chief Financial Officer for the Finance and Audit Committee and the Compensation Committees; and the General Counsel and Corporate Secretary for the Executive and Corporate Governance Committees.

d) Committee Agendas

The chair of each committee establishes the committee agenda.

e) Assignment of Committee Members and Chairs

All non-management directors serve on the Corporate Governance Committee; the Finance and Audit Committee and the Compensation Committees consist entirely of non-management members. The membership of the Executive Committee is fixed under the ISE Bylaws at no less than four members, and includes the Chairperson, the Vice

Chairperson, and the Chief Executive Officer. The Board will appoint committee chairpersons pursuant to the advice of the committee. The ISE Bylaws establishes the Chief Executive Officer as the Chairperson of the Executive Committee.

f) Frequency and Length of Committee Meetings

Committee Chairs, will set frequency and lengths of meetings. The Finance and Audit Committee shall meet at least four times a year; and the Compensation and Corporate Governance Committees shall meet at least twice a year.

7) ISE Ethics Policy

Board members must act ethically at all times and must adhere to the highest ethical standards. The ISE Code of Business Conduct and Ethics provides that no director may directly or indirectly participate as a Board or committee member in any matter that would substantially affect his or her interest or the interests of any related person. An interested director must disqualify himself or herself from any such matter by informing the ISE Chairperson or the chair of a committee, as appropriate, of the conflict. The Board, pursuant to a majority vote, also may disqualify a director due to a conflict. The Corporate Governance Committee can provide advice to the Board or the other committees on these matters.

8) Amendment

These Corporate Governance Principles are subject to future amendments as the Board may find necessary or appropriate for the Company. The Corporate Governance Committee shall review these Corporate Governance Principles on at least an annual basis, and report to the Board with any recommendations it may have in connection therewith. Such review shall be referred to in the Company's annual proxy statement.

9) Disclosure

These Corporate Governance Principles will 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 Securities and Exchange Commission indicating that a copy of these Corporate Governance Principles are available on its website and in print to any stockholder who requests a copy.

Effective: September 1, 2006