The Trustees present their annual report and financial statements for the year from 1 April 2018 to 31 March 2019. The Chartered Institute for Securities & Investment (“CISI,” or “the Charity,” or “the Institute”) is registered as a charity in England & Wales by the Charity Commission (Registration No. 1132642) and in Scotland by the Office of the Scottish Charities Regulator (Registration No. SC040665). The company was incorporated by Royal Charter (Registration No. RC00834) and is governed by said Charter and its associated Bye Laws. The group results combine the results of the Charity with the results of the following:

a) Chartered Institute for Securities & Investment (Services) Ltd, a wholly owned UK subsidiary, which runs the trading activities of the Institute.

b) Securities & Investment Institute, a registered charity number 1036566 and a company limited by guarantee, governed by a memorandum and articles of association, company registration number 2687534. The company is dormant and a wholly owned subsidiary of CISI.

c) Chartered Institute for Securities & Investment (India), a branch, established in Mumbai and which acts as a liaison office for the Indian subcontinent.

d) Chartered Institute for Securities & Investment (Singapore) Pte Ltd, a wholly owned subsidiary of Chartered Institute for Securities & Investment (Services) Ltd, established in Singapore, which runs the trading activities of the Institute in South East Asia.

e) Securities & Investment Institute (China), a wholly owned subsidiary of Chartered Institute for Securities & Investment (Services) Ltd, established in the People's Republic of China, which runs the consulting activities of the Institute in China.

f) Chartered Institute for Securities & Investment (Services) Ltd (DMCC Branch), a branch of Chartered Institute for Securities & Investment (Services) Ltd, established in Dubai, UAE which acts as a representative office.

g) Chartered Institute for Securities & Investment (Services) Ltd, a legally registered Sri Lankan branch office of the UK company of the same name, which also provides operational support for the global activities of the Institute.

h) Chartered Institute for Securities & Investment (Services) Ltd is a branch registered as a representative office in the Philippines. This company does not trade in its own right.

i) Chartered Institute for Securities and Investment (services) Ltd. is registered as a wholly owned subsidiary in Ireland.

INVESTMENT POWERS

The Institute's Charter provides the Board with the power to invest monies not immediately required for its purposes in or upon such investments, securities or property as may be thought fit, subject to such conditions and with such sanction as may for the time being be imposed or required by law.

ORGANISATION

The Institute's ultimate management group comprises the non-executive Board of Trustees shown above, including up to three Board-appointed co-opted Trustees, which decides upon strategic and policy matters. The executive staff are organised into the departments of qualifications, membership & professional development, operations, international, corporate governance & support and services (Chartered Institute for Securities & Investment (Services) Ltd).

Chief Executive
Simon Culhane, Chartered FCSI

Director of Global Business Development
Kevin Moore, Chartered FCSI

Global Director of Finance
Colin Warner, FCA

Chief Operating Officer
John Preston

Global Director Learning
Susan Clements

CHARITABLE OBJECTIVES

The Institute's charitable objectives are to:
1. promote for the public benefit the advancement and dissemination of knowledge in the field of securities and investments;
2. develop high ethical standards for practitioners in securities and investments and to promote such standards in the United Kingdom and overseas; and
3. act as an authoritative body for the purpose of consultation and research in matters of education or public interest concerning investment in securities.

FUTURE ACTIVITIES

The CISI's key objectives for 2019/20 are:

1. Grow membership by net 5%.
2. Treble the throughput of projects and changes from the IT team vs. 2018/19.
3. Define and create functionality for a "My CISI" smartphone/tablet app.
4. Create and implement an "inclusion" strategy for staff.
5. Complete the revised CFP and financial planning pathway and attract 200 new entrants during the year.
6. Reduce staff turnover to 12.5-17.5%.
7. Engage with industry partners to create a wholesale qualification.

REVIEW OF FINANCIAL POSITION

The financial results for the year were again solid. After allowing for investment gains of £456,969 (£98,480 in 2017/18), the Institute recorded a retained surplus of £1,117,977 (£1,117,960 in 2017/18) from income of £16.48m (£15.42m in 2017/18). Income increased by £1,060,355 (6.87%), while operating expenditure increased by £1,338,797 (9.29%).

The Institute's reserves increased by £1,197,977 (2017/8: £1,117,960) to a total of £13,369,270 (2017/8: £12,171,293) after the Board had made a donation of £200,300 (2017/18: £236,470).
RESERVES POLICY
The Institute has high operational gearing in a cyclical industry and therefore requires sufficient reserves to draw upon during times of industry downturn and to meet its charitable objectives. The Board has therefore adopted a policy of maintaining free reserves, defined as total net assets less tangible and intangible fixed assets, at a level that is equivalent to between six and ten months’ running costs. At the year end, the total free reserves of the Institute amounted to £12,585,743 (2017/18: £11,079,062), which represented 9.5 months’ worth of the expected running costs for 2019/20.
While first discharging its obligations and carrying out its strategic plans, the Board hopes that, soon the Institute will be have accumulated reserves close to the upper end of the policy range. This policy, together with the approach to investing reserves, is reviewed and approved annually by the Board. Such a review has been conducted during the year, including reviewing rates of interest received from the Charity’s deposit facilities utilised, to ensure that the Institute’s investments continue to contribute effectively to the achievement of the aims of the organisation and are in line with the adopted policy. A more fundamental review of our reserves policy, in the light of the shifts in the emphasis of advice from the Charities Commission, will be undertaken in the coming year.
The policy of the Charity with regard to payments to suppliers is to make payments no later than the agreed terms in relation to the goods or service received.
At the end of the year reserves totalled £13,369,270.

INVESTMENT POLICY
The Board has delegated the regular review and supervision of the investment of surplus funds to an Investment Sub-Committee (ISC), appointed by the Board and comprising suitably experienced trustees, which is tasked with addressing the maintenance of a short term cash portfolio and a medium to long term capital portfolio.

The Cash Portfolio
This consists of deposit accounts of various duration with institutions the ISC recommends, based on a review of credit risk, rates offered and administrative issues. There should be a spread of at least five accounts and they will be reviewed regularly by the ISC. Treasury deposits should only be placed with banks that had received a credit rating A or A+ from Fitch or S&P, A1 or A2 from Moody's and had not received a rating lower than those from any of those three agencies. All policies have been followed successfully.

The Medium to Long Term Portfolio
The ISC and the Board discuss the CISI's reserve funds on a regular basis and between them decide when and how much capital can be invested for a longer period. These funds then fall within the Medium to Long Term Portfolio (MLTP) where there will be wider investment powers.
Funds in the MLTP are invested with a view to achieving a total return in excess of that achievable on cash deposit over the medium to long term (3 to 5 years). The risk profile of the MLTP is medium risk. The ISC appoints qualified fund managers who then use an appropriate fund from their range to provide a suitable investment solution. The managers are expected to report to the ISC on a six-monthly basis to a given benchmark agreed at the time of appointment. The Global Director of Finance also monitors progress of the investments on a regular basis. An additional £1.6m was transferred to the fund in the year from the Cash Portfolio. The MLTP was valued at £7,549,868 on 31 March 2019. Currently the return on cash deposits is around 1%, so the growth in the year is viewed as being more than sufficient.

The ISC monitors the investments and reviews new opportunities on a regular basis; however, any appointment of managers requires the Board to delegate authority to the ISC on a case by case basis. The Board and the ISC consider styles of investment and any ethical or other restrictions on a regular basis.

CHARITABLE GRANTS
In 2010, an independent charity, the Chartered Institute for Securities & Investment Educational Trust, was formed. The CISI is a corporate trustee of this charity, but the other trustees are all independent from the main Board of the Institute. Its objectives are “to promote for the public benefit the advancement and dissemination of knowledge in the field of securities and investment”. During the year, the Institute donated £200,300 to this charity (2017/18: £236,470).

VOLUNTEERS
The Institute derives benefit from the services of unpaid volunteers, by virtue of the time given by its Trustees (other than the Chairman who is remunerated for his services) and by practitioners who serve on various committees and panels. No donations in kind were received during the year.

RELATIONSHIPS WITH OTHER BODIES
In pursuit of its charitable objectives, the Institute provides relevant qualifications to the securities and investment industry, many of which are on the UK Financial Conduct Authority list of appropriate exams. The Institute is registered with the Charity Commission for England & Wales and with the Office of the Scottish Charity Regulator. It is recognised by Ofqual as an awarding body for the securities and investment industry, and is also accredited by the FCA for the issuance of Statements of Professional Standing to retail investment advisers.
The Institute is a founder member of the Chartered Body Alliance, along with the Chartered Insurance Institute and Chartered Banker Institute. The Alliance is an informal arrangement to co-ordinate and co-operate and does not involve a separate entity or joint venture. The Chartered Body Alliance believes that by working together the alliance will achieve greater public benefit, continuing to raise professionalism and trust across financial services by promoting high standards of knowledge, skill,
Trustees' Report

integrity and behaviour. Its core objectives are set out below.

1. Raising professionalism and trust across financial services.
2. Promoting high standards of competence, knowledge and ethical behaviour.
3. Making it easier for the public to access the services of qualified professionals.
4. Encouraging individuals in the sector to undertake recognised professional qualifications.

Board

The Board of the Chartered Institute for Securities & Investment meets four times per year and comprises all non-executive Trustees. The Trustees are typically employed in senior positions within firms operating in the securities industry. They are identified by existing Board members for their expertise or nominated by members of the Institute. Up to 15 Trustees are elected for a term of three years, either by a ballot of the membership at the AGM, or by the Board. If Board-appointed, the Trustee is required to stand down from the Board at the next AGM and seek re-election by membership ballot, in accordance with the Charity's Charter and Bye-Laws. Up to a further three Trustees may also be co-opted by the Board to serve such period as the Board decides. On election or appointment, the new Trustees are given an induction to the Institute, its activities and their responsibilities under charity law.

During the year, the Board elected a new Chairman, Michael Cole-Fontayn, who took up the position in October 2018.

The Board appoints the Chairman and the Chief Executive. The Chief Executive is not a Trustee. At its meetings, the Board considers matters including:

- policy and strategy;
- financial performance, including annual budgets;
- responses to industry consultation papers; and
- reports from the standing committees.

The executive staff of the Institute submits management information to the Trustees to enable them to discharge their duties. The Trustees may take independent advice at the Charity's expense.

Committees and Delegation

The Board has delegated some of its powers to certain committees and a full list of all committees, together with the names of the serving Trustees, are shown on pages 3 and 4. Those committees to which the Board has delegated powers have specific terms of reference. The Audit Committee is chaired by Alan Ramsay FCSI(Hon).

The Board has delegated the power of appointment and removal of other members of staff to the Chief Executive. The duties delegated to the CEO may be delegated by him/her to other members of staff as he/she sees fit.

Remuneration Policy

The Remuneration Committee reviews and approves or amends the overall salaries budget and proposed changes to salaries annually, based on recommendations from the Executive. It also reviews the remuneration of all Executive Directors and Chairman of the Board, including pension rights of Executives on an individual basis with regard to their performance reviews and current levels of remuneration and with reference to remuneration levels in other charities of comparable scale and complexity. The Remuneration Committee also approves the design and determines the targets for any performance-related pay schemes.

Trustees' Remuneration

All Trustees give their time freely and are not paid for their trusteeship, with the exception of the Chairman, who is remunerated for his services, as allowed by the Institute's Charter.

Key Risks

The following are the key risks assessed as the most significant for the Institute:

Data breaches and Cybercrime - Following the setup of a special project team that worked exclusively on GDPR compliance, a very substantial amount of work was undertaken on our systems, contracts, communications and staff awareness. Regular staff training is undertaken on information security and data protection and simulated "phishing" exercises are undertaken several times per year to keep staff alert to evolving threats and criminal techniques.

Regulatory Compliance - The Charity is reliant on Ofqual for its status as an examination provider and has, during the past two years, undergone two very rigorous audits of its processes that have uncovered several areas for remediation. A dedicated task force was set up to exhaustively review all aspects of our obligations in this area and an external expert was hired to ensure that the process was completed as thoroughly as possible. This process is now complete and Ofqual appear satisfied.

IT Infrastructure - The Charity is very reliant on IT but mitigates the risk through employing expert consultants, completing rigorous resilience tests and updating and renewing its key software regularly. During the year our web services were migrated to the new TLS 1.2 protocol, and multifactor authentication was introduced. We have continued to upgrade operating systems and applications as new versions become available.

Reputation and Accredited Body status - The Charity relies heavily on being accredited to set and manage exams and award qualifications accordingly. This could be put at risk by a serious lapse that damages its reputation. To mitigate this risk, the Charity has many procedures in place, closely monitored by the Institute's Membership Committee, to assure the compliance of systems, staff and training partners including a social media policy, annual reviews of partners' competence, FCA accreditation, plus requiring all staff to take competence tests in the Bribery Act and data protection law.

Internal Control and Risk Management

The Trustees acknowledge that they are responsible for the maintenance of an effective system of internal control. However, no system of internal financial control can provide absolute assurance against material misstatement or loss. The Trustees have considered the major business risks and control objectives relevant to the Institute and controls were found to be appropriate and generally satisfactory. The Institute's control objectives include:

- the maintenance of the industry's confidence in the Institute's relevance, integrity and status;
- the identification and evaluation of business risks, through regular risk assessment and review, and the direction of operating and financial strategy;
- the nurturing of high ethical standards, effective communications and a strong overall control environment;
- the safeguarding of the assets of the Institute and the effective use of resources; and
Trustees' Report

The promotion of detailed financial and operational controls necessary for the production of reliable and up-to-date financial information.

The Board has conducted a review of the effectiveness of the system of internal control for the year ended 31 March 2019. In pursuit of the above control objectives the Institute has in place a number of key internal controls and processes that include:

• liaising with its members and their employers to ensure the Institute's continued relevance;
• formally identifying, evaluating and reviewing risks;
• communicating the high standards of behaviour expected of its employees by inclusion of the Institute's code of conduct in employment contracts and additionally, through formal objective setting and performance appraisal schemes, including regularly identifying and taking action to satisfy training needs;
• creating a secure environment to protect the Charity's assets and regularly reviewing management information to ensure the effective use of resources;
• seeking legal protection for CISI trademarks and domain names by registering them in appropriate jurisdictions;
• operating signing limits to ensure that the Charity cannot be committed financially without proper authority, and producing regular financial reports for Board review which include estimates and judgments made by the business managers.

The Institute's Audit Committee currently comprises four non-executive members. Its scope includes the assessment of the cost effectiveness of the external Auditors, consideration of the financial statements of the Chartered Institute for Securities & Investment and the consideration of any internal control matters, which may be brought to its attention. The Board has reviewed the need for an internal audit function and does not consider that such a function is necessary given the size and nature of its operations, however an internal quality assurance position has been created and filled during the year, which may in due course perform some of the functions of an internal audit.

Approved by the Board of Trustees on 11 July 2019 and signed on behalf of the Board by

Michael Cole-Fontayn, MCSI
Chairman

Alan Ramsay, FCA, FCSI(Hon)
Deputy Chairman

REGISTERED OFFICE AND PROFESSIONAL ADVISERS

Registered Office
20 Fenchurch Street
London EC3M 3BY

Solicitors
BDB Pitmans LLP
50 Broadway
London SW1H 0BL

Auditors
Crowe U.K. LLP
St Bride's House
10 Salisbury Square
London EC4Y 8EH

Bankers
Bank of Scotland
600 Gorgie Road
Edinburgh EH11 3XP