The Trustees present their annual report and financial statements for the year from 1 April 2017 to 31 March 2018. 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 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 wholly owned subsidiary, 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 wholly owned subsidiary of Chartered Institute for Securities & Investment (Services) Ltd, established in Dubai, UAE which runs the consulting activities of the Institute in the Gulf Cooperation Council countries.

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 & Investments (Services) Ltd is registered as a representative office in the Philippines. This company does not trade in its own right.

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

Global Director of IT and Operations
John Preston

FUTURE ACTIVITIES

The CISI’s key objectives for 2018/19 are:

1. To consolidate the in-housing of our IT resources and deliver more development time for adding to system functionality.

2. Create and implement a full GDPR plan.

3. Complete the tender for our exam delivery provider, and streamline our processes around the new system.

4. Grow membership by a net 5%.


6. Reduce staff turnover to 15% or less.

REVIEW OF FINANCIAL POSITION

The financial results for the year were encouraging. After allowing for investment gains of £98,480 (£666,084 in 2016/17), the Institute recorded a retained surplus of £1.12m (£186,966 deficit in 2016/17) from income of £15.42m (£14.36m in 2016/17). Income increased by £1.07m (7.4%), while expenditure reduced by £805,384 (13.5%). While to some degree this reflects the additional costs of running two properties for a significant portion of the prior year, it nonetheless represents a genuine and significant improvement in the underlying operating result.

The Institute’s reserves increased by £1.12m (2016/7: £186,966 reduction) to a total of £12.17m (2016/7: £11.05m) after the Board had made a donation of £236,470 (2016/17: £50,000) to the CISI Educational Trust, which is a charity in its own right with a separate Board of Trustees.

The Institute has continued to maintain its healthy financial position, with free reserves of 8.6 months’ operating costs, considered by the Trustees as prudent (see reserves policy below). During the year, funds were applied towards achieving the Institute’s main objectives through the provision of relevant qualifications, membership, events and learning resources.

The Institute’s wholly owned UK trading subsidiary, which undertakes non-charitable activities, recorded a profit before tax of £107,147 (2016: loss of £9,815). This is in large part to a change in the accounting rules that affects the recognition of the timing of gift aid payments.

The Institute continues to remain financially independent,
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 fixed assets, at a level that is equivalent to between six and ten months’ running costs. At the year end the free reserves of the Institute amounted to £11,079,062 (2016/17: £9,577,573), which represented 8.6 months’ worth of the expected running costs for 2017/18.

While first discharging its obligations and carrying out its strategic plans, the Board hopes that, in the medium term, the Institute will be able to accumulate reserves closer 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 benefit effectively to the achievement of the aims of the organisation and are in line with the adopted policy. 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 £12,171,293.

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 accounts and they will be reviewed regularly by the ISC. During the year the Board agreed to a formal policy of only placing deposits 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 another 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 to manage the funds on a discretionary mandate and they 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. The MLTP grew by 3.3% in the year and was valued at £5,423,975 on 31st March 2018. 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 £236,470 to this charity (2016/17: £50,000).

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 FCA’s 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 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, 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 13 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 articles. 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 which contains information on the institute, its activities and their responsibilities under charity law.

During the year, the Board selected a new Chairman, Michael Cole-Fontayne, who will take up the position in October 2018 when our present Chairman, Sir Alan Yarrow, is due to step down. 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, FCIS(Hon).

The Board has delegated the power of appointment and removal of other members of staff to the CEO. 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 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 of 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** – The Charity has a Data Security Group comprising members from all departments to consider carefully all aspects of data security, in particular with regard to the new GDPR regulations. 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.

**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 storage facilities were upgraded at our London data centre, improving the quality and speed of backups. We have also upgraded our virtual host servers and installed additional server cover.

**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
- 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 2018. 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
Trustees' Report

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 Trustees. 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 it has been agreed that an internal quality assurance position will be created and filled in the coming year, which may in due course perform some of the functions of an internal audit.

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St Bride's House
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London EC4Y 8EH

Bankers
Bank of Scotland
600 Gorgie Road
Edinburgh EH11 3XP

Approved by the Board of Trustees on 26 July 2018 and signed on behalf of the Board by

Sir Alan Yarrow, Chartered FCSI(Hon)
Chairman

Alan Ramsay, FCA, FCSI(Hon)
Deputy Chairman