

TRUSTEES' REPORT

The Trustees present their annual report and financial statements for the year from 1 April 2016 to 31 March 2017. 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 is 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 MCSI

Global Director of Finance

Colin Warner, FCA

Global Director of IT and Operations

John Preston

Global Director of Learning

James Stockdale

FUTURE ACTIVITIES

The CISI's key objectives for 2017/18 are:

1. To take back development and support of our core customer management system from the present outsourced contractors.
2. To introduce compulsory CPD for all members.
3. To continue to develop our overseas operations through developing relations with regulators, statutory bodies and learning academies with the aim of having our exams recognised in at least 46 countries (currently 41) by the end of the year.
4. To produce a new edition of our integrity case studies workbook.
5. To complete development of our new website shop, making it easier both for customers to purchase products and for our operations team to process them.
6. To complete the upgrade of our suite of exam delivery software both to enhance its functionality and to keep it up to date with the latest platforms and operating systems, and to review alternative delivery options currently being created by specialist providers.

REVIEW OF FINANCIAL POSITION

The financial results for the year were satisfactory. After allowing for investment gains of £666,084 (£176,695 loss in 2015/16), the Institute recorded a retained deficit of £186,966 (£844,706 surplus in 2015/16) from income of £14.36m (£14.43m in 2015/16).

Income decreased by £69,717 (0.5%), while expenditure increased by £1,804,734 (13.5%). The Institute entered into a ten-year lease on new premises at 20 Fenchurch Street in April 2016. The lease on the head office premises at 8 Eastcheap will expire in August 2017. The rent-free period on the new premises has meant that the concurrent running has had no material detrimental effect on cash flow.

The considerable increase in expenditure is largely attributable to our office move where, in addition to the direct costs of moving, a higher rent, and higher depreciation charge on the leasehold improvements, we also incurred double running costs of £700,573 for the whole of the year as we wait for our lease on 8 Eastcheap to expire. We have also made a further provision of £265,358 against the remaining rent, rates and service charges due on that property up to the termination date of the lease on the grounds that the lease is deemed to be onerous.

Trustees' Report

The Institute's reserves decreased by £186,966 (2015/6: £844,706 increase) to a total of £11,053,333 (2015/6: £11,240,299) after the Board had made a donation of £50,000 (2015/16: £300,000) 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 a little over eight 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 loss before tax of £9,815 (2016: loss of £18,116). There is an expectation that the expenses incurred during the year that brought about this loss will generate net income in future years in excess of those costs.

The Institute continues to remain financially independent, deriving funding through fees charged in relation to its charitable activities such as individual membership, exams, and professional development events.

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 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 £9,577,573 (2016: £10,787,113), which represented slightly over eight months of the expected running costs for 2017/18. The fall in free reserves largely reflects the substantial additions to fixed assets made as a result of moving into new premises plus the additional costs of running two premises at once.

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 contribute 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.

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 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 16.3% in the year and was valued at £5,252,189 on 31st March 2017. 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 £50,000 to this charity.

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.

During the year, the Institute became 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

Trustees' Report

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 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 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.

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 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:

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 an improved failover facility was installed, bandwidth in our Colombo office was increased, and an updated business continuity plan was prepared in response to our move to new premises.

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.

Data breaches and Cybercrime – During the year we set up a data security group involving individuals representing all departments and are closely monitoring developments of the General Data Protection Regulation (GDPR).

Insourcing of BitMark – Following the decision to take back control of BitMark, our main customer database and bookings system, from our present outsourced provider in September 2017, we have been recruiting suitably qualified staff and have begun a detailed knowledge transfer process. We have also managed to secure the employment of one of the present development team to ensure continuity.

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 2017. 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 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.

REGISTERED OFFICE AND PROFESSIONAL ADVISERS

Registered Office

20 Fenchurch Street, 3rd Floor
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Solicitors

Bircham Dyson Bell LLP
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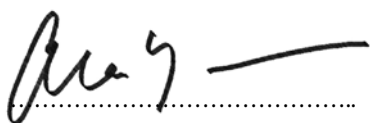
Auditors

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10 Salisbury Square
London EC4Y 8EH

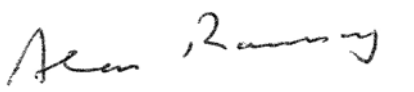
Bankers

Bank of Scotland
600 Gorgie Road
Edinburgh EH11 3XP

Approved by the Board of Trustees on 27 July 2017 and signed on behalf of the Board by



Sir Alan Yarrow, Chartered FCSI(Hon)
Chairman



Alan Ramsay, FCA, FCSI (Hon)
Deputy Chairman