

Financial Statements

Statement of Comprehensive Income (in euros)

Year ended December 31, 2013

Notes 1 and 2

	2013	2012
REVENUE		
Contributions from members (Note 3)	4.049.949	4.120.585
Annual Conferences (Note 3)	120.000	120.000
Exchange Gain	-	-
Other (Note 3)	6.882	2.215
Total Revenue	4.176.831	4.242.800
EXPENSES		
Salaries and employee benefits (Note 4)	2.005.855	1.741.298
Rental and maintenance (Note 13)	83.559	97.147
Travelling	473.865	409.620
Office Supplies	36.848	37.314
Organization and follow up of meetings	43.074	97.863
Telecommunications	104.487	109.297
Delivery and communication	7.176	10.916
Printing and Annual Report	38.886	24.358
Computer	149.842	145.260
Professional fees	100.435	85.959
Educational programs and TA	121.559	74.427
Miscellaneous	43.691	40.092
Exchange loss	1.613	2.291
PIOB Funding (Note 5)	100.000	-
Foundation (legal, consulting fees & travel) (Note 6)	215.488	-
Amortization of capital assets (Note 8)	37.025	40.973
Total expenses	3.563.403	2.916.815
Taxation (Note 11)	-	-
Excess of revenue over expenses before tax (expenses over revenue)	613.428	1.325.985
Other comprehensive income net of tax	-	-
Total comprehensive income for the year net of tax	613.428	1.325.985

The accompanying notes are an integral part of the financial statements.

Statement Of Financial Position (in euros)

Year ended December 31, 2013

Notes 1 and 2

	2013	2012
ASSETS		
Current assets		
Cash (Note 7)	1.019.790	2.677.780
Term Deposits (Note 7)	2.502.497	-
Accounts Receivable (Note 9)	99.569	122.029
Prepaid Expenses	65.560	87.501
	3.687.416	2.887.310
Capital Assets (Note 8)	53.999	76.048
Total assets	3.741.415	2.963.358
LIABILITIES		
Current liabilities		
Accounts Payable and accrued liabilities (Note 9)	417.216	391.863
Contributions received in advance (Note 3)	259.276	120.000
Total liabilities	676.492	511.863
MEMBERS' FUNDS		
Excess of revenue over expenses net of tax (expenses over revenue)	613.428	1.325.985
Unrestricted members' funds	2.451.495	1.125.510
Total members' funds	3.064.923	2.451.495
Total liabilities and members' funds	3.741.415	2.963.358

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets (in euros)

Year ended December 31, 2013

Notes 1 and 2

		2013	2012
	UNRESTRICTED	TOTAL	TOTAL
Balance, beginning of year	2.451.495	2.451.495	1.125.510
Excess of revenue over expenses net of tax (expenses over revenue)	613.428	613.428	1.325.985
Balance, end of year	3.064.923	3.064.923	2.451.495

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows (in euros)

Year ended December 31, 2012

Notes 1 and 2

	2013	2012
OPERATING ACTIVITIES		
Total comprehensive income for the year net of tax	613.428	1.325.985
Depreciation of capital assets (Note 8)	37.025	40.973
Decrease (increase) in working capital items (Note 10)	209.029	149.941
Net cash generated	859.482	1.516.899
INVESTING ACTIVITIES		
Term deposits transactions (Note 7)	(500.000)	-
Capital expenditures (Note 8)	(14.975)	(36.591)
Net cash used	(514.975)	(36.591)
Net increase (decrease) in cash and cash equivalents	344.507	1.480.308
Cash and cash equivalents, beginning of period	2.677.780	1.197.472
Cash and cash equivalents, end of period	3.022.287	2.677.780
CASH AND CASH EQUIVALENTS		
Cash (Note 7)	1.019.790	2.677.780
Term deposits (Note 7)	2.002.497	-
	3.022.287	2.677.780

The accompanying notes are an integral part of the financial statements.

1 Governing Statutes and Purpose of the Organization

The non-profit organization IOSCO (hereinafter the Organization), incorporated under a private act in Canada (L.Q. 1987, Chapter 143) sanctioned by the Quebec National Assembly, is an association of securities regulatory organizations. During 2001 the Organization changed its domicile to Madrid (Spain). It is recognized by the Spanish Government by means of the Third Additional Disposition of Law 55/1999.

IOSCO is the international standard setter for securities regulation. Its current membership comprises regulatory bodies from over one hundred jurisdictions who have day-to-day responsibility for securities regulation and the administration of securities laws.

2 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards.

The financial statements are prepared in Euros which is the organization's functional currency.

These financial statements were authorised for issue by the Secretary General of the Organization on April 30, 2014.

Measurement bases

The financial statements have been prepared on an accrual basis with all assets and liabilities, valued at amortized costs.

Accounting estimates

The preparation of these financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates are based on management's best knowledge of current events and actions that the Organization may undertake in the future. Actuals results may differ from these estimates.

Revenue and cost recognition

Member contributions are deferred when prepaid and recognised as income only upon accrual and receipt. Revenue received in advance represents prepaid members contributions.

Operating costs are recognized as an expense when incurred.

Capital assets

Capital assets are recorded at cost less accumulated depreciation. Any impairment in the net recoverable amount as compared to the net carrying amount is recognized immediately.

Gains and losses on disposal are included in the Statement of Comprehensive Income.

Capital assets are depreciated over their estimated useful lives according to the following methods and annual rates:

	Methods	Rates
Furniture and fixtures	Straight-line	20%
Computer equipment		
Computers and Software	Straight-line	33%
Servers	Straight-line	25%

Foreign currency translation

The Organization's functional and presentational currency is Euros. Foreign currency transactions are accounted for in Euros at the rates of exchange prevailing at the transaction date. Exchange gains or losses on settlement of balances are recognized in the Statement of Comprehensive Incomes when they arise.

Monetary assets and liabilities denominated in foreign currencies are translated to Euros at the foreign exchange at the end of the reporting period. Foreign exchange differences arising on translation are included in the Statement of Comprehensive Income.

3 Revenue

Contributions from members include membership fees collected in the year, corresponding to contributions due for the reporting period and previous reporting periods and contributions from agencies applying for membership.

Annual conference revenue represents the contribution from the member hosting the Annual Conference.

Other revenue is comprised basically by sales of IOSCO documents and other revenues generated by capital assets.

4 Salaries and employee benefits. Secondment program

The average staff of the General Secretariat in 2013 is composed of 27 FTE, including 19 permanent staff and 7 secondees and 1 intern, being 14 staff members women and 13 men.

	2013	2012
Gross salaries	1,665,780	1,428,533
Spanish social security	237,547	191,174
Other social benefits	102,528	121,591
Total salaries and employee benefits	2,005,855	1,741,298

(in Euros)

In 2013 the Organization had the benefit of seconded staff from the China Securities Regulatory Commission (CSRC), Bundesanstalt für Finanzdienstleistungsaufsicht of Germany (BaFin), the Securities and Futures Commission of Hong Kong (SFC), the Financial Services Agency of Japan (JFSA), the Financial Supervisory Service of Korea (FSS), the Securities and Exchange Commission of Nigeria (NSEC), the Financial Services Board of South Africa (FSB), the Spanish Comisión Nacional del Mercado de Valores (CNMV), the Capital Markets Board of Turkey (CMB), the Financial Services Authority of United Kingdom (FSA), the Financial Industry Regulatory Authority of the United States (FINRA) and the Securities and Exchange Commission of the United States (SEC).

The normal mode of operation of the secondment program is for the Organization to enter into a trilateral agreement between the sponsoring member and the secondee, offering the secondee an employment contract in Spain.

Secondment program revenue includes contributions from members sponsoring staff to join the General Secretariat temporarily. These contributions generally cover a portion of the seconded staff's salary costs paid through the Organization. Revenue is recognized based on the terms, amounts and payment schedule determined by the Secondment agreement between the Organization and the sponsoring member. The amounts payable to the secondee as part of the respective employment contract are recognized and accrued as an expense. In order to enhance comparability, the amounts corresponding to the secondment program, both revenue and expenditure have been removed from the Statement of Comprehensive Income and any differences between revenue and subsidized costs arising from social security adjustments are recognized on a net basis in the income statement in the salaries heading, as is shown in the chart below:

	2013	2012
Revenue associated to the Secondment Program	299,738	307,277
Subsidized expenditure associated to the Secondment Program	(312,779)	(310,387)
Net as at December 31, 2013	(13,041)	(3,110)

(in Euros)

In addition, as part of the secondment agreements and in compliance with the IOSCO Secondment Program, IOSCO assumes certain costs, which are also recognized in the income statement in the salaries heading, related to the moving and relocation of the secondees from their country of origin to Madrid, amounting to € 56,549 (€ 124,158 for the year 2012).

There is a minority of cases where, as distinct from the above trilateral agreement, the sponsoring member continues to take care directly of all the employment, administrative and financial requirements with regard to the secondee, where IOSCO does not have any direct formal employment link with the secondee and does not hold any financial obligation, and in consequence revenue and the related expenditure has not been accrued.

5 PIOB Funding

The Monitoring Group, is a group of international financial institutions and regulatory bodies committed to advancing the public interest in areas related to international audit standard setting and audit quality.

The members of the Monitoring Group are the Basel Committee on Banking Supervision, European Commission, Financial Stability Board, International Association of Insurance Supervisors, International Forum of Independent Audit Regulators, International Organization of Securities Commissions, and the World Bank.

The Monitoring Group's mission is to

- > cooperate in the interest of promoting high-quality international auditing and assurance, ethical and education standards for accountants;
- > monitor the implementation and effectiveness of the IFAC Reforms, and in that connection, to undertake an effectiveness assessment of the IFAC Reforms and other aspects of IFAC's operations that involve the public interest;
- > through its Nominating Committee, appoint the members of the Public Interest Oversight Board (PIOB);
- > monitor the execution by the PIOB of its mandate;
- > consult and advise the PIOB with respect to regulatory, legal and policy developments that are pertinent to the PIOB's public interest oversight; and
- > convene to discuss issues and share views relating to international audit quality as well as to regulatory and market developments having an impact on auditing.

The Public Interest Oversight Board (PIOB) was formally established in February 2005 as part of the IFAC Reform Proposals with the objective to increase investor and other stakeholder confidence that IFAC's public interest activities, including standard setting by IFAC's independent boards, are properly responsive to the public interest.

With the view of diversifying funding sources for the PIOB, the IOSCO Executive Committee decided in October 2011 to provide the PIOB a direct financial contribution of one hundred thousand Euros per year, starting in 2013.

6 IOSCO Foundation start-up costs

The IOSCO Board agreed in October 2012 to explore the feasibility of setting up an IOSCO Foundation to raise and apply additional funds to certain key activities. This exploratory phase consisted of seeking external legal, and tax advice for the creating of a legal entity and conducting a preliminary outreach exercise to assess the potential of raising resources from external funding sources

The costs of these activities have been fully funded by IOSCO and comprise: legal and tax advisory services, consulting fees and travel costs, to total €215,488 in 2013.

7 Cash and Term Deposits

Cash is held in current bank accounts or bank term deposits denominated in Euros in Barclays Bank, S.A.U., and Santander Private Banking, both EU entities with an upper medium credit rating. Cash balances include a small portion held in US dollar amounts. There are no restrictions for the use of cash.

The basic terms of the bank deposits as of 31 December 2013 are shown in the chart below:

Counterparty	Currency	Maturity date	2013	
			Annualized interest rate	Amounts
Santander Private Banking	Euro	06/10/2014	1.599%	500,000
Santander Private Banking	Euro	10/01/2014	0.860%	500,624
Santander Private Banking	Euro	12/01/2014	0.860%	500,624
Santander Private Banking	Euro	14/01/2014	0.860%	500,624
Santander Private Banking	Euro	16/01/2014	0.860%	500,625
Total as at December 31, 2013				2,502,497

8 Capital Assets

At the lower of recoverable value and cost	Furniture and fixtures	Computer equipment	2013
			Total
Balance, beginning of year	59,485	593,191	652,676
Additions	-	14,975	14,975
Disposals	-	-	-
Balance, end of year	59,485	608,166	667,651
Accumulated depreciation			
Balance, beginning of year	(29,824)	(546,803)	(576,627)
Depreciation	(9,398)	(27,627)	(37,025,)
Disposals	-	-	-
Balance, end of year	(39,222)	(574,430)	(613,652)
Net as at December 31, 2013	20,263	33,736	53,999

(in Euros)

	Furniture and fixtures	Computer equipment	2012 Total
At the lower of recoverable value and cost			
Balance, beginning of year	42,450	573,634	616,084
Additions	17,035	19,556	36,591
Disposals	-	-	-
Balance, end of year	59,485	593,190	652,675
Accumulated depreciation			
Balance, beginning of year	(21,834)	(513,820)	(535,654)
Depreciation	(7,990)	(32,983)	(40,973)
Disposals	-	-	-
Balance, end of year	(29,824)	(546,803)	(576,627)
Net as at December 31, 2012	29,661	46,387	76,048

(in Euros)

9 Accounts receivable and accounts payable and accrued liabilities

a) Accounts receivable

	2013	2012
Secondment contributions	82,402	112,039
Other	17,167	9,990
Total Accounts receivable	99,569	122,029

(in Euros)

b) Accounts payable and accrued liabilities

	2013	2012
Professional services	42,774	43,549
Occupancy	75,000	85,000
Spanish Taxes (employee's income tax withheld) and Social Security	97,912	77,542
Contractual staff commitments	79,406	43,041
Travelling	37,389	74,655
Other	84,735	68,076
Total Accounts payable and accrued liabilities	417,216	391,863

(in Euros)

10 Information Included in the Statement of Cash Flows

The increases (decreases) in working capital items are detailed as follows:

	2013	2012
Accounts receivable	(22,460)	22,802
Prepaid expenses	(21,941)	50,949
Accounts payable and accrued liabilities	(25,353)	(184,947)
Contributions received in advance	(139,275)	(38,745)
Increases (decreases) in working capital	(209,029)	(149,941)

(in Euros)

11 Taxation

On 29 December, 1999, the Spanish Parliament passed legislation (Law 55/1999), to exempt the Organization from Spanish income tax. On 23 November 2011, IOSCO signed a Headquarters Agreement with the Kingdom of Spain upgrading and improving the current legal and tax framework for IOSCO in Spain.

12 Government Assistance

As part of the localization agreement in Madrid, IOSCO receives from the Spanish Authorities the right to use a 56% share of the 12 Oquendo premises free of charge, exclusive of non-structural maintenance expenses (electricity, water, elevator maintenance, etc). The estimated revenue in kind associated to the 56% share to use free of charge of the 12 Oquendo premises is of 408,000 Euros.

Additionally, until 2012 (year included), in the agreement between the Comisión Nacional del Mercado de Valores (CNMV) and IOSCO, there was a cap to all non-structural maintenance expenses borne by IOSCO. This amount was adjusted annually by the corresponding Consumer Price Index. The total for non-structural maintenance expenses never exceeded the cap. In October the protocol between IOSCO and the Spanish Authorities was renegotiated and the cap on maintenance expenses was removed.

Finally, the agreement between the Comisión Nacional del Mercado de Valores (CNMV) and IOSCO set out that the CNMV will be responsible for meeting the costs of security and maintenance of security systems in the IOSCO premises; insuring the premises; and municipal and local property taxes. These revenues in kind have been estimated at € 89.207,84 for 2013 (€ 85,185 in 2012).

13 Rental and Maintenance

	2013	2012
Estimated Spanish Authorities' charges for non structural maintenance costs	75,000	85,000
Other external maintenance services	8,559	12,147
Total rental and maintenance	83,559	97,147

(in Euros)

14 Subsequent Events

In the opinion of the management there are no significant events that need to be reported.