

Financial Statements

Statement of Comprehensive Income (in euros)

Year ended December 31, 2015

Notes 1 and 2

	2015	2014
REVENUE		
Contributions from members (Note 3)	4,066,769	4,211,050
Annual Conferences (Note 3)	120,000	120,000
Exchange Gain	7,014	10,753
Other (Note 3)	33,135	30,549
2015 Capacity Building Program (Note 14)	43,795	-
Total Revenue	4,270,713	4,372,352
EXPENSES		
Salaries and employee benefits (Note 4)	2,220,036	2,177,824
Rental and maintenance (Note 13)	87,869	88,047
Travelling	435,179	467,133
Office Supplies	22,592	35,480
Organization and follow up of meetings	64,784	103,879
Telecommunications	109,533	103,975
Delivery and communication	8,297	6,113
Printing and Annual Report	43,994	48,853
Information Technology	150,839	152,651
Professional fees	145,075	87,618
Educational programs and Technical Assistance	139,504	86,170
Miscellaneous	48,016	41,861
Exchange loss	-	-
PIOB Funding (Note 5)	100,000	100,000
Amortization of capital assets (Note 7)	40,413	39,316
2015 Capacity Building Program (Note 14)	43,795	-
Total Expenses	3,659,926	3,538,920
Taxation (Note 11)	-	-
Excess of revenue over expenses before tax (expenses over revenue)	610,787	833,432
Other comprehensive income net of tax	-	-
Total comprehensive income for the year net of tax	610,787	833,432

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

Statement Of Financial Position (in euros)

Year ended December 31, 2015

Notes 1 and 2

	2015	2014
ASSETS		
Current assets		
Cash (Note 6)	1,235,832	1,277,690
Term Deposits (Note 6)	4,000,000	3,000,000
Accounts Receivable (Note 8)	50,469	59,175
Prepaid Expenses (Note 9)	80,941	52,239
	5,367,242	4,389,104
Capital Assets (Note 7)	80,915	110,240
Total Assets	5,448,157	4,499,344
LIABILITIES		
Current Liabilities		
Accounts Payable and accrued liabilities (Note 8)	445,180	362,343
Contributions received in advance (Note 3)	493,833	238,646
Total Liabilities	939,013	600,989
MEMBERS' FUNDS		
Excess of revenue over expenses net of tax (expenses over revenue)	610,787	833,432
Unrestricted members' funds	3,898,357	3,064,923
Total members' Funds	4,509,144	3,898,355
Total liabilities and members' Funds	5,448,157	4,499,344

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

Statement of Changes in Net Assets (in euros)

Year ended December 31, 2015

Notes 1 and 2

		2015	2014
	UNRESTRICTED	TOTAL	TOTAL
Balance, beginning of year	3,898,357	3,898,357	3,064,923
Excess of revenue over expenses net of tax (expenses over revenue)	610,787	610,787	833,432
Balance, end of year	4,509,144	4,509,144	3,898,355

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

Statement of Cash Flows (in euros)

Year ended December 31, 2015

Notes 1 and 2

	2015	2014
OPERATING ACTIVITIES		
Total comprehensive income for the year net of tax	610,787	833,432
Depreciation of capital assets (Note 7)	40,413	39,316
Decrease (increase) in working capital items (Note 10)	318,028	(21,788)
Net cash generated	969,228	850,960
INVESTING ACTIVITIES		
Term deposits transactions (Note 6)	(1,000,000)	(2,500,000)
Capital expenditures (Note 7)	(11,086)	(95,557)
Net cash used	(1,011,086)	(2,595,557)
Net increase (decrease) in cash and cash equivalents	(41,858)	(1,744,597)
Cash and cash equivalents, beginning of period	1,277,690	3,022,287
Cash and cash equivalents, end of period	1,235,832	1,277,690
CASH AND CASH EQUIVALENTS		
Cash (Note 6)	1,235,832	1,277,690
Total cash and cash equivalent	1,235,832	1,277,690

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 March 31, 2016.

Measurement bases

The financial statements have been prepared on an accrual basis with all assets and liabilities, valued at cost or 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%
Vehicles	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 for the net amount 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 interest from term deposits (see Note 6).

The account "Contributions received in advance" of the statement of financial position at 31 December 2015 includes funding received from members in 2015, amounting € 493,833; which are designated for subsequent periods (contributions of € 238,646 received in advance during 2014) as detailed in the chart below. Part of these contributions correspond to members' ordinary membership fees, the remainder correspond to contributions received in advance from nominated Board members in account of the 2015 Capacity Building Program (see note 14):

	2015	2014
Ordinary membership contributions	297,628	238,646
2015 Capacity Building Program (see Note 14)	196,205	-
Total contributions received in advance	493,833	238,646

(in euros)

4 Salaries and employee benefits. Secondment program

The average staff of the General Secretariat in 2015 and 2014 is shown in the chart below:

	2015			2014		
	Men	Women	Total	Men	Women	Total
Permanent staff	8	11	19	9	11	20
Seconddees	8	1	9	7	1	8
Intern	-	1	1	-	1	1
Total Staff	16	13	29	16	13	29

Total salary and employee benefits' cost are shown in the chart below:

	2015	2014
Gross salaries	1,896,092	1,837,552
Spanish social security	235,819	242,827
Other social benefits	88,125	97,445
Total salaries and employee benefits	2,220,036	2,117,824

(in euros)

In 2015 the Organization had the benefit of seconded staff from the Securities and Exchange Commission of Bangladesh (BSEC), the China Securities Regulatory Commission (CSRC), the Bundesanstalt für Finanzdienstleistungsaufsicht of Germany (BaFin), the Commissione Nazionale per le Società e la Borsa of Italy (CONSOB), the Financial Services Agency of Japan (JFSA), the Financial Supervisory Service of Korea (FSS), the Securities and Exchange Commission of Nigeria (NSEC), Capital Market Authority of Saudi Arabia (CMA) and the Financial Conduct Authority of United Kingdom (FCA).

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 offset in the Statement of Comprehensive Income. Consequently, the net difference between revenue and subsidized costs arising from social security adjustment is recognized on a net basis in the income statement under the "Salaries and employee benefits – Other social benefits" account, as shown in the chart below:

	2015	2014
Revenue associated to the Secondment Program	495,930	566,757
Subsidized expenditure associated to the Secondment Program	(489,099)	(571,574)
Net as at December 31, 2015	(6,831)	(4,817)

(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 and employees benefits – Other social benefits" account, related to the moving and relocation of the secondees from their country of origin to Madrid, amounting to € 50,312 (€ 33,438 for the year 2014).

There are two secondees 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 have 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: 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.

IOSCO has contributed €100,000 to the PIOB in 2015 and 2014, each.

6 Cash and Term Deposits

Cash is held in current bank accounts or bank term deposits denominated in euros in CaixaBank, Banco Santander, and BBVA, all 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 2015 and 2014 are shown in the charts below:

Counterparty (in euros)	Currency	Contract date	Maturity date	2015	
				Annualized interest rate	Amounts
Banco Santander*	Euro	10/01/2014	10/02/2016	0.541%	500,000
Banco Santander*	Euro	14/01/2014	14/02/2016	0.541%	500,000
Banco Santander*	Euro	17/01/2014	17/02/2016	0.541%	500,000
Banco Santander*	Euro	20/01/2014	20/02/2016	0.541%	500,000
Banco Santander*	Euro	01/02/2014	01/03/2016	0.541%	500,000
Banco Santander*	Euro	07/02/2014	07/03/2016	0.541%	500,000
BBVA	Euro	08/06/2015	07/06/2016	0.250%	250,000
BBVA	Euro	08/06/2015	07/06/2016	0.250%	250,000
BBVA	Euro	08/06/2015	07/06/2016	0.250%	250,000
BBVA	Euro	08/06/2015	07/06/2016	0.250%	250,000
Total as at December 31, 2015					4,000,000

(*) Term deposits with quarterly liquidity windows

Counterparty (in euros)	Currency	Contract date	Maturity date	2014	
				Annualized interest rate	Amounts
Banco Santander*	Euro	10/01/2014	10/02/2016	0.89%	500,000
Banco Santander*	Euro	14/01/2014	14/02/2016	0.89%	500,000
Banco Santander*	Euro	17/01/2014	17/02/2016	0.89%	500,000
Banco Santander*	Euro	20/01/2014	20/02/2016	0.89%	500,000
Banco Santander*	Euro	01/02/2014	01/03/2016	0.89%	500,000
Banco Santander*	Euro	07/02/2014	07/03/2016	0.79%	500,000
Total as at December 31, 2014					3,000,000

(*) Term deposits with quarterly liquidity windows.

7 Capital Assets

	Vehicles	Furniture and fixtures	Computer equipment	2015 Total
At the lower of recoverable value and cost				
Balance, beginning of year	37,561	104,599	621,049	763,209
Additions	-	-	11,086	11,086
Disposals	-	-	(6,103)	(6,103)
Balance, end of year	37,561	104,599	626,032	768,192
Accumulated depreciation				
Balance, beginning of year	(4,695)	(52,833)	(595,439)	(652,967)
Depreciation	(9,390)	(16,062)	(14,961)	(40,413)
Disposals	-	-	6,103	6,103
Balance, end of year	(14,085)	(68,895)	(604,297)	(687,277)
Net as at December 31, 2014	23,476	35,704	21,735	80,915

(in euros)

	Vehicles	Furniture and fixtures	Computer equipment	2014 Total
At the lower of recoverable value and cost				
Balance, beginning of year	-	59,485	608,166	667,651
Additions	37,561	45,114	12,882	95,557
Disposals	-	-	-	-
Balance, end of year	37,561	104,599	621,048	763,208
Accumulated depreciation				
Balance, beginning of year	-	(39,222)	(574,430)	(613,652)
Depreciation	(4,696)	(13,611)	(21,009)	(39,316)
Disposals	-	-	-	-
Balance, end of year	(4,696)	(52,833)	(595,439)	(652,968)
Net as at December 31, 2014	32,865	51,766	25,609	110,240

(in euros)

8 Accounts receivable and accounts payable and accrued liabilities

a) Accounts receivable

	2015	2014
Secondment Program contributions (see Note 4)	38,758	39,855
Other	11,711	19,320
Total Accounts receivable	50,469	59,175

(in euros)

b) Accounts payable and accrued liabilities

	2015	2014
Professional services	88,730	39,777
Occupancy	65,000	70,000
Spanish Taxes (employee's income tax withheld) and Social Security	96,221	106,985
Contractual staff commitments	105,979	54,000
Travelling	61,245	40,464
Other	28,005	51,117
Total Accounts payable and accrued liabilities	445,180	362,343

(in euros)

9 Prepaid expenses

Prepaid expenses comprise advance payments in the reporting period relating to services that will be rendered in subsequent periods. They are carried in the balance sheet until the service is rendered and expenses are recognized in the income statement.

Detail of prepaid expenses at 31 December 2015 and 2014 is as follows:

	2015	2014
Travel booked in advance for subsequent periods	80,941	52,239
Total Prepaid expenses	80,941	52,239

(in euros)

10 Information Included in the Statement of Cash Flows

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

	2015	2014
Accounts receivable	8,706	(40,394)
Prepaid expenses	(28,702)	(13,321)
Accounts payable and accrued liabilities	82,837	54,873
Contributions received in advance	255,187	20,630
Increases (decreases) in working capital	318,028	21,788

(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 costs (electricity, water, elevator maintenance, etc), which are agreed with CNMV on a yearly basis. The estimated revenue in kind associated to the 56% share to use free of charge of the 12 Oquendo premises is of € 216,349.

Finally, the agreement between CNMV and IOSCO set out that the CNMV will be responsible for meeting the structural 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 € 64,154 for 2015 (€ 67,642 in 2014).

13 Rental and Maintenance

	2015	2014
Estimated Spanish Authorities' charges for non-structural maintenance costs (see Note 12)	65,000	70,000
Other external maintenance services	22,869	18,047
Total rental and maintenance	87,869	88,047

(in euros)

14 2015 Capacity Building Program

The IOSCO Board approved at its June 2014 meeting a “pilot program” for additional capacity building activities to be carried out by the General Secretariat. These activities included the creation of an Online Toolkit and the organization of two additional regional training seminars. These capacity building activities for IOSCO members are in addition to the long-standing and on-going IOSCO education and training activities. The Online Toolkit included, at this initial stage, two modules, on Risk Based Supervision and Enforcement. The two additional regional seminars were focused on the same topics. The IOSCO Presidents Committee ratified this agreement in its resolution 2/2014.

The IOSCO Board also agreed that the “pilot program” would be funded by one time-off contributions of € 15,000 from nominated members to the IOSCO Board, paid in 2015 as a supplement to their 2015 annual membership contribution fees.

A total of € 240,000 have been received in 2015 from 16 nominated Board members.

The total costs incurred in 2015 to support and develop the 2015 Capacity Building Program have been € 43,795 (no costs incurred in 2014 for this concept). These costs correspond primarily to the professional consulting fees for the development of the materials for the Online Toolkit components.

The remainder of € 196,205 has been recognized as contributions received in advance from members (see note 3).

15 Auditors' remuneration

The total remuneration paid by IOSCO to its auditors is € 9,000 for 2015 and 2014, each.

16 Subsequent Events

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