

Financial Statements

Statement of Comprehensive Income (in Euros)

Year ended December 31, 2017

Notes 1 and 2

	2017	2016
REVENUE		
Contributions from members (Note 3)	5,625,480	5,089,926
Annual Conferences (Note 3)	120,000	120,000
Exchange Gain	-	3,057
Other	31,577	23,943
2015 Capacity Building Program (Note 14)	22,390	56,295
Total Revenue	5,799,447	5,293,221
EXPENSES		
Salaries and employee benefits (Note 4)	2,941,114	2,662,457
Rental and maintenance (Note 13)	107,053	96,575
Travelling	429,699	421,397
Office Supplies	58,307	37,250
Organization and follow up of meetings	85,897	76,340
Telecommunications	66,001	100,497
Delivery and communication	3,037	10,939
Printing and Annual Report	20,319	36,174
Information Technology	178,891	150,859
Professional fees	134,693	138,563
Educational programs and Technical Assistance	252,286	154,364
Miscellaneous	48,848	44,361
Exchange loss	14,673	-
PIOB Funding (Note 5)	100,000	100,000
Amortization of capital assets (Note 7)	49,188	38,791
2015 Capacity Building Program (Note 14)	22,390	56,295
Total Expenses	4,512,396	4,124,862
Taxation (Note 11)	-	-
Excess of revenue over expenses before tax (expenses over revenue)	1,287,051	1,168,359
Other comprehensive income net of tax	-	-
Total comprehensive income for the year net of tax	1,287,051	1,168,359

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

Statement of Financial Position (in Euros)

Year ended December 31, 2017

Notes 1 and 2

	2017	2016
ASSETS		
Current assets		
Cash (Note 6)	3,058,270	3,199,425
Term Deposits (Note 6)	4,265,000	3,000,000
Accounts Receivable (Note 8)	110,846	118,179
Prepaid Expenses (Note 9)	26,712	8,520
	7,460,828	6,326,124
Capital Assets (Note 7)	215,720	80,258
Total Assets	7,676,548	6,406,382
LIABILITIES		
Current Liabilities		
Accounts Payable and accrued liabilities (Note 8)	487,653	347,444
Contributions received in advance (Note 3)	224,341	381,435
Total Liabilities	711,994	728,879
MEMBERS' FUNDS		
Excess of revenue over expenses net of tax (expenses over revenue)	1,287,051	1,168,359
Unrestricted members' funds	5,677,503	4,509,144
Total members' Funds	6,964,554	5,677,503
Total liabilities and members' Funds	7,676,548	6,406,382

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

Statement of Changes in Net Assets (in Euros)

Year ended December 31, 2017

Notes 1 and 2

		2017	2016
	UNRESTRICTED	TOTAL	TOTAL
Balance, beginning of year	5,677,503	5,677,503	4,509,144
Excess of revenue over expenses net of tax (expenses over revenue)	1,287,051	1,287,051	1,168,359
Balance, end of year	6,964,554	6,964,554	5,677,503

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

Statement of Cash Flows (in Euros)

Year ended December 31, 2017

Notes 1 and 2

	2017	2016
OPERATING ACTIVITIES		
Total comprehensive income for the year net of tax	1,287,051	1,168,359
Depreciation of capital assets (Note 7)	49,188	38,791
Decrease (increase) in working capital items (Note 10)	(27,744)	(205,423)
(Gains)/Losses on disposal of non-financial assets	(9,044)	-
Net cash generated	1,299,451	1,001,727
INVESTING ACTIVITIES		
Term deposits transactions (Note 6)	(1,265,000)	1,000,000
Capital expenditures (Note 7)	(175,606)	(38,134)
Net cash used	(1,440,606)	961,866
Net increase (decrease) in cash and cash equivalents	(141,155)	1,963,593
Cash and cash equivalents, beginning of period	3,199,425	1,235,832
Cash and cash equivalents, end of period	3,058,270	3,199,425
CASH AND CASH EQUIVALENTS		
Cash (Note 6)	3,058,270	3,199,425
	3,058,270	3,199,425

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

1 Governing Statutes and Purpose of the Organization

The International Organization of Securities Commission (hereinafter IOSCO or “the Organization”) is an association of securities regulatory organizations. It was incorporated as a non-profit organization under a private act in Canada (L.Q. 1987, Chapter 143) sanctioned by the Quebec National Assembly, is recognized by the Spanish Government by means of the Third Additional Disposition of Law 55/1999 and whose legal framework is constituted, mainly, by the “Headquarters Agreement between the Kingdom of Spain and the International Organization of Securities Commissions” published in the Spanish Official State Bulletin on 17 December 2011 (HQA), and having its domicile in Madrid.

IOSCO is the international body that brings together the world’s securities regulators and is recognized as the global standard setter for the securities sector. Its current membership comprises regulatory bodies from over one hundred and thirty jurisdictions who have day-to-day responsibility for securities regulation and the administration of securities laws. IOSCO develops, implements and promotes adherence to internationally recognized standards for securities regulation. It works intensively with the G20 and the Financial Stability Board (FSB) on the global regulatory reform agenda.

The IOSCO Objectives and Principles of Securities Regulation have been endorsed by both the G20 and the FSB as the relevant standards in this area. They are the overarching core principles that guide IOSCO in the development and implementation of internationally recognized and consistent standards of regulation, oversight and enforcement. They form the basis for the evaluation of the securities sector for the Financial Sector Assessment Programs (FSAPs) of the International Monetary Fund (IMF) and the World Bank.

By providing high quality technical assistance, education and training, and research to its members and other regulators, IOSCO seeks to build sound global capital markets and a robust global regulatory framework.

The IOSCO objectives are:

- > to cooperate in developing, implementing and promoting adherence to internationally recognized and consistent standards of regulation, oversight and enforcement in order to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks;
- > to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in supervision of markets and market intermediaries; and
- > to exchange information at both global and regional levels on their respective experiences in order to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

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 authorized for issue by the Secretary General of the Organization on 31 March 2018.

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, which are 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. Actual results may differ from these estimates.

Revenue and cost recognition

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

Operating costs are recognized as an expense when incurred.

Employee entitlements

Employee salaries, social security and other related benefits are recognized in the Statement of the Comprehensive Income when they are earned. Contributions to staff pension plans and retirement entitlements are recognized when they become due.

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	20-25%
Vehicles	Straight-line	25%

Foreign currency translation

Given that 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 recognized in Euros at the foreign exchange rate 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 (1) membership fees collected during the year, corresponding to contributions due for the reporting period and (2) previous reporting periods (including interests on arrears) and contributions from agencies applying for membership.

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

Other revenue is comprised primarily of interest income from term deposits (see Note 6).

The account “Contributions received in advance” of the statement of financial position at 31 December 2017 includes funding received from members in 2017, amounting to €224,341 which is designated for subsequent periods (contributions of €381,435 received in advance during 2016). Part of these contributions correspond to members’ prescribed membership fees, the remainder correspond to contributions received in advance from nominated Board members to fund the 2015 Capacity Building Program (see note 14). The IOSCO Board agreed that the unspent budget from the 2015 Capacity Building Program would be carried over to fund further activities related to the IOSCO Capacity Building Online Toolkit in 2017 and 2018.

The detail of contributions received in advance is provided in the chart below:

	2017	2016
Membership contributions	106,822	241,525
2015 Capacity Building Program	117,519	139,910
Total contributions received in advance	224,341	381,435

(in Euros)

4 Salaries and employee benefits. Secondment program

The average staff of the General Secretariat in 2017 and 2016 is shown in the chart below:

	2017			2016		
	Men	Women	Total	Men	Women	Total
Permanent staff	10	12	22	9	13	22
Secondees	4	2	6	4	2	6
Intern	1	0	1	1	0	1
Total Staff	15	14	29	14	15	29

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

	2017	2016
Gross salaries	2,323,356	2,055,449
Spanish social security	300,617	277,824
Other social benefits	317,141	329,184
Total salaries and employee benefits	2,941,114	2,662,457

(in Euros)

In 2017, the Organization had the benefit of seconded staff from the Securities and Exchange Commission of Bangladesh (BSEC), the Bundesanstalt für Finanzdienstleistungsaufsicht of Germany (BaFin), the Financial Services Agency of Japan (JFSA), the Financial Supervisory Service of Korea (FSS), the Financial Services Commission of Mauritius (FSC), the Financial Regulatory Commission of Mongolia (FRC) and the Netherlands Authority for the Financial Markets (AFM).

To extend to secondees the benefits granted to IOSCO staff by the HQA, the Organization typically enters, as part of the secondment program into a trilateral agreement with the sponsoring member and the secondee, whereby it offers the secondee an employment contract in Spain.

Secondment program revenue includes contributions from members sponsoring staff to join the General Secretariat on a temporary basis. 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. To enhance comparability, the amounts corresponding to the secondment program, both in terms of 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:

	2017	2016
Revenue associated to the Secondment Program	337,700	253,072
Subsidized expenditure associated to the Secondment Program	(336,313)	(261,457)
Net as at December 31, 2017	1,387	(8,385)

(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 €53,639 (€43,800 for the year 2016).

In a minority of cases no trilateral agreement is executed because the sponsoring member continues to provide all the employment, administrative and financial requirements with respect to the secondee. When this occurs, IOSCO has no direct, formal employment link with the secondee and has no financial obligation. Accordingly, revenue and the related expenditure are not accrued.

Also, the "Salaries and employees benefits – Other social benefits" heading in the statement of comprehensive income as of 31 December 2017 includes two additional distinct items.

First, this figure takes into account the contributions made by IOSCO to full time employees' defined contribution pension plans. As context, the Board and the Presidents Committee agreed, in June 2016, as part of the 2020 Strategic Direction decision, that permanent IOSCO staff would receive contributions to private pension arrangements. Accordingly, on an annual basis, the IOSCO Board approves the Organization's budget, including a line item related to salaries and employee benefits, which includes a provision for pension plan contributions for permanent staff. The pension contribution was operationalized in a Unit Linked managed by Aegon España, S.A.U. de Seguros y Reaseguros. This, along with other staff pension allowances amounted to €181,973 (€175,806 in 2016).

Second, in addition to the moving and relocation costs related to secondees noted above, this line item also includes full time employees' medical insurance, moving and relocation costs which have been assumed by IOSCO. This figure amounts to €79,458 (€99,438 for the year 2016).

5 PIOB Funding

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

IOSCO contributed €100,000 to the PIOB in 2017 and in 2016.

6 Cash and Term Deposits

Cash is held in non-remunerated current bank accounts denominated in Euros in Caixabank, Santander, Bankinter and BBVA, all entities with an upper medium credit rating. Cash balances include a small portion held in US dollar amounts.

Cash is also held in bank deposits. The basic terms of the bank deposits as of 31 December 2017 are shown in the chart below:

Counterparty (in Euros)	Currency	Contract date	Maturity date	2017	
				Annualized interest rate	Amounts
Banco Santander*	Euro	10/02/2016	10/03/2018	0.649%	500,000
Banco Santander*	Euro	14/02/2016	14/03/2018	0.649%	500,000
Banco Santander*	Euro	17/02/2016	17/03/2018	0.649%	500,000
Banco Santander*	Euro	20/02/2016	20/03/2018	0.649%	500,000
Banco Santander*	Euro	01/03/2016	01/04/2018	0.649%	500,000
Banco Santander*	Euro	07/03/2016	07/04/2018	0.649%	500,000
Bankinter	Euro	03/05/2017	03/05/2018	0.10%	165,000
Bankinter	Euro	03/05/2017	03/05/2018	0.10%	500,000
Bankinter	Euro	03/05/2017	03/05/2018	0.25%	600,000
Total as at December 31, 2017					4,265,000

(*) Term deposits with quarterly liquidity windows

Counterparty (in Euros)	Currency	Contract date	Maturity date	2016	
				Annualized interest rate	Amounts
Banco Santander*	Euro	10/02/2016	10/03/2018	0.649%	500,000
Banco Santander*	Euro	14/02/2016	14/03/2018	0.649%	500,000
Banco Santander*	Euro	17/02/2016	17/03/2018	0.649%	500,000
Banco Santander*	Euro	20/02/2016	20/03/2018	0.649%	500,000
Banco Santander*	Euro	01/03/2016	01/04/2018	0.649%	500,000
Banco Santander*	Euro	07/03/2016	07/04/2018	0.649%	500,000
Total as at December 31, 2016					3,000,000

(*) Term deposits with quarterly liquidity windows

7 Capital Assets

	Vehicles	Furniture and fixtures	Computer equipment	2017 Total
At the lower of recoverable value and cost				
Balance, beginning of year	37,561	106,227	662,538	806,326
Additions	-	136,500	59,106	195,606
Disposals	(37,561)	-	-	(37,561)
Balance, end of year	-	242,727	721,644	964,371
Accumulated depreciation				
Balance, beginning of year	(23,475)	(81,359)	(621,234)	(726,068)
Depreciation	(3,130)	(18,544)	(27,514)	(49,188)
Disposals	26,605	-	-	26,605
Balance, end of year	-	(99,903)	(648,748)	(748,651)
Net as at December 31, 2017	-	142,824	72,896	215,720

(in Euros)

	Vehicles	Furniture and fixtures	Computer equipment	2016 Total
At the lower of recoverable value and cost				
Balance, beginning of year	37,561	104,599	626,032	768,192
Additions	-	1,628	36,506	38,134
Disposals	-	-	-	-
Balance, end of year	37,561	106,227	662,538	806,326
Accumulated depreciation				
Balance, beginning of year	(14,085)	(68,964)	(604,228)	(687,277)
Depreciation	(9,390)	(12,395)	(17,006)	(38,791)
Disposals	-	-	-	-
Balance, end of year	(23,475)	(81,359)	(621,234)	(726,068)
Net as at December 31, 2016	14,086	24,868	41,304	80,258

(in Euros)

8 Accounts receivable and accounts payable and accrued liabilities

a) Accounts receivable

	2017	2016
Secondment contributions (See Note 3)	54,940	104,402
Other	55,906	13,777
Total Accounts receivable	110,846	118,179

(in Euros)

b) Accounts payable and accrued liabilities

	2017	2016
Professional services	39,073	87,684
Occupancy (See Note 13)	75,000	68,000
Spanish Taxes (employee's income tax withheld) and Social Security	128,760	120,002
Contractual staff commitments (See Note 4)	134,966	33,714
Traveling	31,728	31,899
Other	78,126	6,145
Total Accounts payable and accrued liabilities	487,653	347,744

(in Euros)

9 Prepaid expenses

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

Detail of prepaid expenses at 31 December 2017 and 2016 is as follows:

	2017	2016
Travel booked in advance for subsequent periods	26,712	3,171
Other	-	5,349
Total Accounts payable and accrued liabilities	26,712	8,520

(in Euros)

10 Information Included in the Statement of Cash Flows

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

	2017	2016
Accounts receivable	(50,903)	(67,710)
Prepaid expenses	18,192	72,421
Accounts payable and accrued liabilities	(96,639)	(97,736)
Contributions received in advance	157,094	(112,398)
Increases (decreases) in working capital	27,744	(205,423)

(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.

12 Government Assistance

Under the headquarters agreement, the Spanish Authorities grant IOSCO the right to use a 56% share of the 12 Oquendo premises free of charge, exclusive of non-structural maintenance expenses (e.g., electricity, water, elevator maintenance). The estimated revenue in kind associated with the 56% share is €219,811 for 2017.

IOSCO has also entered into an agreement with the Spanish securities regulator, Comisión Nacional del Mercado de Valores (CNMV), under which the parties agreed that the CNMV would be responsible for meeting the costs of security and maintenance of security systems on the IOSCO premises; insuring the premises; and covering municipal and local property taxes. These revenues in kind have been estimated at €77,050 for 2017 (€73,099 in 2016).

13 Rental and Maintenance

	2017	2016
Estimated Spanish Authorities' charges for non-structural maintenance costs (see Note 12)	75,000	68,000
Other external maintenance services	32,053	28,575
Total rental and maintenance	107,053	96,575

(in Euros)

14 2015 Capacity Building Program

In June 2014, the IOSCO Board approved 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 Board also agreed that the pilot program would be funded by a one-off contribution of €15,000 from each nominated member to the IOSCO Board,¹ to be paid in 2015 as a supplement to their 2015 annual membership contribution fees. The IOSCO Presidents Committee ratified this agreement in its resolution 2/2014.

IOSCO received a total of €240,000 in 2015 from 16 nominated Board members.

The total costs incurred in 2017 to support and develop the pilot program were €22,390 (€56,295 in 2016). These costs correspond primarily to the professional consulting fees for the development of an additional module and materials for the online toolkit component on secondary markets.

During the course of 2017, the Board agreed to use the unspent funds to further enhance the pilot program.

The unspent funds of €117,519 have 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 2017 and 2016.

16 Subsequent Events

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

¹ Annex A of the Presidents Committee Resolution on the composition of the IOSCO Board (Resolution 5/2013). Nominated Board members are the 18 members from jurisdictions with the largest markets, based on measures of equity market capitalization, debt market issuance, assets under management and derivatives trading.