

Financial Statements

Statement of Comprehensive Income (in Euros)

Year ended December 31, 2018

Notes 1 and 2

| | 2018 | 2017 |
|--|------------------|------------------|
| REVENUE | | |
| Contributions from members (Note 3) | 5,492,009 | 5,625,480 |
| Annual Conferences (Note 3) | 120,000 | 120,000 |
| Exchange Gain | 359 | - |
| Other | 11,629 | 31,577 |
| 2015 Capacity Building Program (Note 14) | - | 22,390 |
| Total Revenue | 5,623,997 | 5,799,447 |
| EXPENSES | | |
| Salaries and employee benefits (Note 4) | 3,372,331 | 2,941,114 |
| Rental and maintenance (Note 13) | 88,280 | 107,053 |
| Travelling | 383,926 | 429,699 |
| Office Supplies | 36,128 | 58,307 |
| Organization and follow up of meetings | 110,350 | 85,897 |
| Telecommunications | 61,738 | 66,001 |
| Delivery and communication | 5,506 | 3,037 |
| Printing and Annual Report | 28,064 | 20,319 |
| Information Technology | 210,840 | 178,891 |
| Professional fees | 184,792 | 134,693 |
| Educational programs and Technical Assistance | 327,610 | 252,286 |
| Miscellaneous | 54,445 | 48,848 |
| Exchange loss | - | 14,673 |
| PIOB Funding (Note 5) | 100,000 | 100,000 |
| Amortization of capital assets (Note 7) | 66,532 | 49,188 |
| 2015 Capacity Building Program (Note 14) | - | 22,390 |
| Total Expenses | 5,030,542 | 4,512,396 |
| Taxation (Note 11) | - | - |
| Excess of revenue over expenses before tax (expenses over revenue) | 593,455 | 1,287,051 |
| Other comprehensive income net of tax | - | - |
| Total comprehensive income for the year net of tax | 593,455 | 1,287,051 |

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

Statement of Financial Position (in Euros)

Year ended December 31, 2018

Notes 1 and 2

| | 2018 | 2017 |
|--|------------------|------------------|
| ASSETS | | |
| Current assets | | |
| Cash (Note 6) | 5,044,937 | 3,058,270 |
| Term Deposits (Note 6) | 3,000,000 | 4,265,000 |
| Accounts Receivable (Note 8) | 55,479 | 110,846 |
| Prepaid Expenses (Note 9) | 75,500 | 26,712 |
| | 8,175,916 | 7,460,828 |
| Capital Assets (Note 7) | 207,452 | 215,720 |
| Total Assets | 8,383,368 | 7,676,548 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts Payable and accrued liabilities (Note 8) | 402,066 | 487,653 |
| Contributions received in advance (Note 3) | 423,293 | 224,341 |
| Total Liabilities | 825,359 | 711,994 |
| MEMBERS' FUNDS | | |
| Excess of revenue over expenses net of tax (expenses over revenue) | 593,455 | 1,287,051 |
| Unrestricted members' funds | 6,964,554 | 5,677,503 |
| Total members' Funds | 7,558,009 | 6,964,554 |
| Total liabilities and members' Funds | 8,383,368 | 7,676,548 |

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

Statement of Changes in Net Assets (in Euros)

Year ended December 31, 2018

Notes 1 and 2

| | | 2018 | 2017 |
|--|------------------|------------------|------------------|
| | UNRESTRICTED | TOTAL | TOTAL |
| Balance, beginning of year | 6,964,554 | 6,964,554 | 5,677,503 |
| Excess of revenue over expenses net of tax (expenses over revenue) | 593,455 | 593,455 | 1,287,051 |
| Balance, end of year | 7,558,009 | 7,558,009 | 6,964,554 |

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

Statement of Cash Flows (in Euros)

Year ended December 31, 2018

Notes 1 and 2

| | 2018 | 2017 |
|---|------------------|--------------------|
| OPERATING ACTIVITIES | | |
| Total comprehensive income for the year net of tax | 593,455 | 1,287,051 |
| Depreciation of capital assets (Note 7) | 66,532 | 49,188 |
| Decrease (increase) in working capital items (Note 10) | 119,944 | (27,744) |
| (Gains)/Losses on disposal of non-financial assets | (1,100) | (9,044) |
| Net cash generated | 778,831 | 1,299,451 |
| INVESTING ACTIVITIES | | |
| Term deposits transactions (Note 6) | 1,265,000 | (1,265,000) |
| Capital expenditures (Note 7) | (57,164) | (175,606) |
| Net cash used | 1,207,836 | (1,440,606) |
| Net increase (decrease) in cash and cash equivalents | 1,986,667 | (141,155) |
| Cash and cash equivalents, beginning of period | 3,058,270 | 3,199,425 |
| Cash and cash equivalents, end of period | 5,044,937 | 3,058,270 |
| CASH AND CASH EQUIVALENTS | | |
| Cash (Note 6) | 5,044,937 | 3,058,270 |
| | 5,044,937 | 3,058,270 |

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 (IFRS).

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 1 April 2019.

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 IFRS, 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

Membership contributions are recognized as income only upon accrual and receipt. When contributions are received in advance and designated for future reporting periods, they are recognized as liabilities (revenue received in advance).

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% |

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, (2) previous reporting periods (including interests on arrears) and (3) contributions from agencies applying for membership.

Annual Meeting revenue represents the contribution from the member hosting the Annual Meeting.

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 2018 includes funding received from members in 2018, amounting to €423,293 which is designated for subsequent periods (contributions of €224,341 received in advance during 2017). Part of these contributions correspond to membership fees, contributions received in advance associated to the Secondments Program, 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 2019.

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

| | 2018 | 2017 |
|--|----------------|----------------|
| Members' contributions | 305,774 | 106,822 |
| 2015 Capacity Building Program | 117,519 | 117,519 |
| Total contributions received in advance | 423,293 | 224,341 |

(in Euros)

4 Salaries and employee benefits and secondment program

The average staff of the General Secretariat in 2018 and 2017 is shown in the chart below:

| | 2018 | | | 2017 | | |
|--------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Men | Women | Total | Men | Women | Total |
| Permanent staff | 12 | 12 | 24 | 10 | 12 | 22 |
| Secondees | 4 | 2 | 6 | 4 | 2 | 6 |
| Intern | - | - | - | 1 | - | 1 |
| Total Staff | 16 | 14 | 30 | 15 | 14 | 29 |

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

| | 2018 | 2017 |
|---|------------------|------------------|
| Gross salaries | 2,619,849 | 2,323,356 |
| Spanish social security | 351,083 | 300,617 |
| Other social benefits | 401,399 | 317,141 |
| Total salaries and employee benefits | 3,372,331 | 2,941,114 |

(in Euros)

In 2018, 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 Securities and Exchange Commission of Nigeria (SEC) and the Financial Conduct Authority of United Kingdom (FCA).

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" account, as shown in the chart below:

| | 2018 | 2017 |
|---|----------------|--------------|
| Revenue associated to the Secondment Program | 192,474 | 337,700 |
| Subsidized expenditure associated to the Secondment Program | (195,324) | (336,313) |
| Net as at December 31, 2018 | (2,850) | 1,387 |

(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" account, including costs related to the moving and relocation of the secondees from their country of origin to Madrid, amounting to €55,776 (€63,639 for the year 2017).

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" heading in the statement of comprehensive income as of 31 December 2018 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 €225,246 (€181,973 in 2017).

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 €130,397 (€79,458 for the year 2017).

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 2018 and in 2017.

6 Cash and Term Deposits

Cash is held in non-remunerated current bank accounts denominated in Euros in Caixabank, Santander Private Banking, Bankinter and BBVA, all EU 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 2018 are shown in the chart below:

| Counterparty (in Euros) | Currency | Contract date | Maturity date | 2018 | |
|--------------------------------------|----------|---------------|---------------|--------------------------|------------------|
| | | | | Annualized interest rate | Amounts |
| Banco Santander* | Euro | 10/03/2018 | 10/04/2020 | 0.029% | 500,000 |
| Banco Santander* | Euro | 14/03/2018 | 14/04/2020 | 0.029% | 500,000 |
| Banco Santander* | Euro | 17/03/2018 | 17/04/2020 | 0.029% | 500,000 |
| Banco Santander* | Euro | 20/03/2018 | 20/04/2020 | 0.029% | 500,000 |
| Banco Santander* | Euro | 01/04/2018 | 01/05/2020 | 0.029% | 500,000 |
| Banco Santander* | Euro | 07/04/2018 | 07/05/2020 | 0.029% | 500,000 |
| Total as at December 31, 2018 | | | | | 3,000,000 |

(*) Term deposits with quarterly liquidity windows

| Counterparty (in Euros) | Currency | Contract date | Maturity date | 2017 | |
|--------------------------------------|----------|---------------|---------------|--------------------------|------------------|
| | | | | Annualized interest rate | Amounts |
| Counterparty | Currency | Contract date | Maturity date | 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

7 Capital Assets

| | Vehicles | Furniture and fixtures | Computer equipment | 2018 Total |
|--|----------|------------------------|--------------------|------------------|
| At the lower of recoverable value and cost | | | | |
| Balance, beginning of year | - | 242,727 | 721,644 | 964,371 |
| Additions | - | 41,495 | 17,812 | 59,307 |
| Disposals | - | - | (27,303) | (27,303) |
| Balance, end of year | - | 284,222 | 712,153 | 996,375 |
| Accumulated depreciation | | | | |
| Balance, beginning of year | - | (99,903) | (648,748) | (748,651) |
| Depreciation | - | (36,571) | (29,961) | (66,532) |
| Disposals | - | - | 26,260 | 26,260 |
| Balance, end of year | - | (136,474) | (652,449) | (788,923) |
| Net as at December 31, 2018 | - | 147,748 | 59,704 | 207,452 |

(in Euros)

| | 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)

8 Accounts receivable and accounts payable and accrued liabilities

a) Accounts receivable

| | 2018 | 2017 |
|---------------------------------------|---------------|----------------|
| Secondment contributions (See Note 4) | 54,612 | 54,940 |
| Other | 867 | 55,906 |
| Total Accounts receivable | 55,479 | 110,846 |

(in Euros)

b) Accounts payable and accrued liabilities

| | 2018 | 2017 |
|--|----------------|----------------|
| Professional services | 65,907 | 39,073 |
| Occupancy (See Note 13) | 70,000 | 75,000 |
| Spanish Taxes (employee's income tax withheld) and Social Security | 145,616 | 128,760 |
| Contractual staff commitments (See Note 4) | 14,231 | 134,966 |
| Travel | 21,999 | 31,728 |
| Other | 84,313 | 78,126 |
| Total Accounts payable and accrued liabilities | 402,066 | 487,653 |

(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 2018 and 2017 is as follows:

| | 2018 | 2017 |
|---|---------------|---------------|
| Travel booked in advance for subsequent periods | 12,224 | 26,712 |
| Professional fees and IT | 52,634 | - |
| Other | 10,642 | - |
| Total Prepaid expenses | 75,500 | 26,712 |

(in Euros)

10 Information Included in the Statement of Cash Flows

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

| | 2018 | 2017 |
|---|------------------|---------------|
| Accounts receivable | (55,367) | (50,903) |
| Prepaid expenses | 48,788 | 18,192 |
| Accounts payable and accrued liabilities | 85,587 | (96,639) |
| Contributions received in advance | (198,952) | 157,094 |
| Increases (decreases) in working capital | (119,944) | 27,744 |

(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 which also incorporates the same income tax exemption.

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 costs. The estimated revenue in kind associated with the 56% share is €319,890 for 2018 (€219,811 in 2017). This estimate is based on the value of the right to use the 56% share of our headquarters, taking as a reference an independent appraisal by a professional valuer issued in February 2019.

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 €78,836 for 2018 (€77,050 in 2017).

13 Rental and Maintenance

Rental and maintenance costs include non-structural maintenance costs assumed by the Spanish Authorities which are later re-charged to IOSCO in accordance to the headquarters agreement and IOSCO's 56% share of its premises, and other external maintenance services borne directly by IOSCO. Non-structural maintenance costs include general maintenance and repairs, electricity, water and gardening.

| | 2018 | 2017 |
|---|---------------|----------------|
| Estimated Spanish Authorities' charges for non-structural maintenance costs (see Note 12) | 70,000 | 75,000 |
| Other external maintenance services | 18,280 | 32,053 |
| Total rental and maintenance | 88,280 | 107,053 |

(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, 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 since the approval of the pilot program for CB activities is €122,481. During the course of 2017, the Board agreed to use the unspent funds to further enhance the pilot program. In 2018 IOSCO has not incurred any costs related to the pilot program (€22,390 incurred in 2017). Therefore, the remainder of the 2015 CB program (€117,519) has been carried over to 2019.

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 to be paid by IOSCO to its auditors is €9,400 for 2018 (€9,000 in 2017).

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.