

# Financial Statements

## Statement of Comprehensive Income (in Euros)

Year ended December 31, 2019

Notes 1 and 2

	2019	2018
<b>REVENUE</b>		
Contributions from members (Note 3)	5,885,404	5,492,009
Annual Conferences (Note 3)	120,000	120,000
Exchange Gain	29	359
Other	3,225	11,629
2015 Capacity Building Program (Note 14)	105,575	-
<b>Total Revenue</b>	<b>6,114,233</b>	<b>5,623,997</b>
<b>EXPENSES</b>		
Salaries and employee benefits (Note 4)	3,571,026	3,372,331
Rental and maintenance (Note 13)	90,821	88,280
Travelling	493,887	383,926
Office Supplies	37,071	36,128
Organization and follow up of meetings	58,983	110,350
Telecommunications	77,795	61,738
Delivery and communication	3,727	5,506
Printing and Annual Report	19,413	28,064
Information Technology	220,620	210,840
Professional fees	222,320	184,792
Capacity Building: Educational programs and Technical Assistance (note 15)	418,026	327,610
Miscellaneous	46,630	54,445
PIOB Funding (Note 5)	100,000	100,000
Amortization of capital assets (Note 7)	62,317	66,532
2015 Capacity Building Program (Note 14)	105,575	-
<b>Total Expenses</b>	<b>5,528,211</b>	<b>5,030,542</b>
Taxation (Note 11)	-	-
<b>Excess of revenue over expenses before tax</b> (expenses over revenue)	<b>586,022</b>	<b>593,455</b>
Other comprehensive income net of tax	-	-
<b>Total comprehensive income for the year net of tax</b>	<b>586,022</b>	<b>593,455</b>

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

## Statement of Financial Position (in Euros)

Year ended December 31, 2019

Notes 1 and 2

	2019	2018
<b>ASSETS</b>		
Current assets		
Cash (Note 6)	6,151,879	5,044,937
Term Deposits (Note 6)	3,000,000	3,000,000
Accounts Receivable (Note 8)	7,517	55,479
Prepaid Expenses (Note 9)	43,603	75,500
	<b>9,202,999</b>	<b>8,175,916</b>
Capital Assets (Note 7)	163,806	207,452
<b>Total Assets</b>	<b>9,366,805</b>	<b>8,383,368</b>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable and accrued liabilities (Note 8)	501,668	402,066
Contributions received in advance (Note 3)	721,106	423,293
<b>Total Liabilities</b>	<b>1,222,774</b>	<b>825,359</b>
<b>MEMBERS' FUNDS</b>		
Excess of revenue over expenses net of tax (expenses over revenue)	586,022	593,455
Unrestricted members' funds	7,558,009	6,964,554
<b>Total members' Funds</b>	<b>8,144,031</b>	<b>7,558,009</b>
<b>Total liabilities and members' Funds</b>	<b>9,366,805</b>	<b>8,383,368</b>

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

## Statement of Changes in Net Assets (in Euros)

Year ended December 31, 2019

Notes 1 and 2

		2019	2018
	UNRESTRICTED	TOTAL	TOTAL
Balance, beginning of year	7,558,009	7,558,009	6,964,554
Excess of revenue over expenses net of tax (expenses over revenue)	586,022	586,022	593,455
<b>Balance, end of year</b>	<b>8,144,031</b>	<b>8,144,031</b>	<b>7,558,009</b>

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

## Statement of Cash Flows (in Euros)

Year ended December 31, 2019

Notes 1 and 2

	2019	2018
<b>OPERATING ACTIVITIES</b>		
Total comprehensive income for the year net of tax	586,022	593,455
Depreciation of capital assets (Note 7)	62,317	66,532
Decrease (increase) in working capital items (Note 10)	477,274	119,944
(Gains)/Losses on disposal of non-financial assets	(293)	(1,100)
<b>Net cash generated</b>	<b>1,125,320</b>	<b>778,831</b>
<b>INVESTING ACTIVITIES</b>		
Term deposits transactions (Note 6)	-	1,265,000
Capital expenditures (Note 7)	(18,378)	(57,164)
<b>Net cash used</b>	<b>(18,378)</b>	<b>1,207,836</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,106,942</b>	<b>1,986,667</b>
Cash and cash equivalents, beginning of period	5,044,937	3,058,270
<b>Cash and cash equivalents, end of period</b>	<b>6,151,879</b>	<b>5,044,937</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash (Note 6)	6,151,879	5,044,937
	<b>6,151,879</b>	<b>5,044,937</b>

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 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 2020.

## 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 and Printers	Straight-line	20-25%
Audio-visual	Straight-line	14-20%

## 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. It has been agreed that this source of revenue will be discontinued starting in 2021.

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 2019 includes funding received from members in 2019, amounting to €721,106 which is designated for subsequent periods (contributions of €423,293 received in advance during 2018). Part of these contributions correspond to membership fees and contributions received in advance associated to the Secondments Program, together with the remainder corresponding to contributions received in advance from nominated Board members to fund the 2015 Capacity Building Program (see note 14).

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

	2019	2018
Members’ contributions	709,162	305,774
2015 Capacity Building Program	11,944	117,519
<b>Total contributions received in advance</b>	<b>721,106</b>	<b>423,293</b>

(in Euros)

### 4 Salaries and employee benefits. Secondment program

The average staff of the General Secretariat in 2019 and 2018 is shown in the chart below:

	2019			2018		
	Men	Women	Total	Men	Women	Total
Permanent staff	14	12	26	12	12	24
Secondees	3	1	4	4	2	6
Intern	-	-	-	-	-	-
<b>Total Staff</b>	<b>17</b>	<b>13</b>	<b>30</b>	<b>16</b>	<b>14</b>	<b>30</b>

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

	2019	2018
Gross salaries	2,834,490	2,619,849
Spanish social security	380,457	351,083
Other social benefits	356,079	401,399
<b>Total salaries and employee benefits</b>	<b>3,571,026</b>	<b>3,372,331</b>

(in Euros)

Other social benefits include the contributions to employees' medical insurance, moving and relocation costs and the contributions made by IOSCO to employees' defined contribution pension plans. 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 €229,479 (€225,246 in 2018).

In 2019, the Organization had the benefit of seconded staff from the Financial Services Agency of Japan (JFSA), the Financial Supervisory Service of Korea (FSS), 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:

	2019	2018
Revenue associated to the Secondment Program	183,724	192,474
Subsidized expenditure associated to the Secondment Program	(180,422)	(195,324)
<b>Net as at December 31, 2019</b>	<b>3,302</b>	<b>(2,850)</b>

(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 €63,446 (€55,776 for the year 2018).

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.

## 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 2019 and in 2018.

## 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 2019 and 2018 are shown in the chart below:

Counterparty (in Euros)	Currency	Contract date	Maturity date	2019	
				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
<b>Total as at December 31, 2019</b>					<b>3,000,000</b>

(\*) Term deposits with quarterly liquidity windows

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
<b>Total as at December 31, 2018</b>					<b>3,000,000</b>

(\*) Term deposits with quarterly liquidity windows

## 7 Capital Assets

	Furniture and fixtures	Computer equipment	2019 Total
At the lower of recoverable value and cost			
Balance, beginning of year	284,222	712,153	996,375
Additions	5,522	13,254	18,776
Disposals	-	(1,139)	(1,139)
<b>Balance, end of year</b>	<b>289,744</b>	<b>724,268</b>	<b>1,014,012</b>
Accumulated depreciation			
Balance, beginning of year	(136,474)	(652,449)	(788,923)
Depreciation	(31,765)	(30,552)	(62,317)
Disposals	-	1,034	1,034
<b>Balance, end of year</b>	<b>(168,239)</b>	<b>(681,967)</b>	<b>(850,206)</b>
<b>Net as at December 31, 2019</b>	<b>121,505</b>	<b>42,301</b>	<b>163,806</b>

(in Euros)

	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)
<b>Balance, end of year</b>	<b>284,222</b>	<b>712,153</b>	<b>996,375</b>
Accumulated depreciation			
Balance, beginning of year	(99,903)	(648,748)	(748,651)
Depreciation	(36,571)	(29,961)	(66,532)
Disposals	-	26,260	26,260
<b>Balance, end of year</b>	<b>(136,474)</b>	<b>(652,449)</b>	<b>(788,923)</b>
<b>Net as at December 31, 2018</b>	<b>147,748</b>	<b>59,704</b>	<b>207,452</b>

(in Euros)

## 8 Accounts receivable and accounts payable and accrued liabilities

### a) Accounts receivable

	2019	2018
Secondment contributions (See Note 4)	-	54,612
Other	7,517	867
<b>Total Accounts receivable</b>	<b>7,517</b>	<b>55,479</b>

(in Euros)

## b) Accounts payable and accrued liabilities

	2019	2018
Professional services	61,186	65,907
Occupancy (See Note 13)	70,000	70,000
Spanish Taxes (employee's income tax withheld) and Social Security	215,880	145,616
Contractual staff commitments (See Note 4)	15,257	14,231
Travel	31,279	21,999
Other	108,066	84,313
<b>Total Accounts payable and accrued liabilities</b>	<b>501,668</b>	<b>402,066</b>

(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 2019 and 2018 is as follows:

	2019	2018
Travel booked in advance for subsequent periods	8,178	12,224
Professional fees and IT	9,421	52,634
Other	26,004	10,642
<b>Total Accounts payable and accrued liabilities</b>	<b>43,603</b>	<b>75,500</b>

(in Euros)

## 10 Information Included in the Statement of Cash Flows

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

	2019	2018
Accounts receivable	47,962	(55,367)
Prepaid expenses	31,897	48,788
Accounts payable and accrued liabilities	99,602	85,587
Contributions received in advance	297,813	(198,952)
<b>Increases (decreases) in working capital</b>	<b>477,274</b>	<b>(119,944)</b>

(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 (e.g., electricity, water, elevator maintenance). The estimated revenue in kind associated with the 56% share is €319,890 for 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 €89,864 for 2019 (€78,836 in 2018).

## 13 Rental and Maintenance

	2019	2018
Estimated Spanish Authorities' charges for non-structural maintenance costs (see Note 12)	70,000	70,000
Other external maintenance services	20,821	18,280
<b>Total rental and maintenance</b>	<b>90,821</b>	<b>88,280</b>

(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 €228,056. During the course of 2017, the Board agreed to use the unspent funds to further enhance the pilot program. In 2019 IOSCO has spent €105,575 to support and develop the pilot program (no costs incurred in 2018). There is still a slight remainder of the 2015 CB program (€11,944) that will be carried over to 2020.

The unspent funds of €11,944 have been recognized as contributions received in advance from members (see note 3).

## 15 Capacity Building: Education and Training and Technical Assistance

The total costs incurred in Capacity Building activities in 2019, covering both Education and Training and Technical Assistance, is €418,026 (€327,610 in 2018). The increase in expenditure in 2019 compared to 2018 is explained by the fact that in 2019, IOSCO has delivered its capacity building program and in addition it has complemented this with activities carried over from 2017 and 2019.

IOSCO runs on an annual basis a comprehensive capacity building program aimed to assist IOSCO members with their training needs and to help them implement the IOSCO Principles and meet the requirements of the IOSCO Multilateral Memorandum of Understanding on Cooperation and Exchange of Information (MMoU).

These programs leverage on the experience and expertise at the IOSCO Secretariat and the IOSCO membership to promote market development and strengthen the regulatory and supervisory capacity of securities regulators.

In the area of education and training, IOSCO holds several important annual events, including the IOSCO/PIFS-Harvard Law School Global Certificate Program for Regulators of Securities Markets, the IOSCO Seminar Training Program, the Joint IOSCO-Financial Stability Institute Conference, the IOSCO Affiliate Members Consultative Committee Training Seminar and several workshops tailored to the Growth and Emerging Markets Committee of IOSCO.

IOSCO's Technical Assistance Program encompasses several programs, assistance and other capacity building tools, including: (i) technical assistance for members and non-members, (ii) Data Sharing Platform, (iii) Capacity Building Online Toolkit, and (iv) Capacity Building for Self-Assessments. It consists of modular technical assistance programs covering: (i) onsite inspection manuals, (ii) enforcement manuals, and (iii) the MMoU. The modular programs are designed to assist IOSCO members with the on-site inspection process for the supervision of investment firms and asset managers, during the enforcement process in their specific jurisdictions with detailed information about the approach to enforcement, conduct of investigations, investigative practices, cooperation, privileges and protection, and settlement.

In the area of enforcement and information exchange, IOSCO assists non-signatories of the IOSCO MMoU in their efforts to sign the MMoU by guiding them through the process. The assistance provided through the IOSCO General Secretariat provides procedural guidance and assists with progressing with their applications as soon as possible.

Additionally, IOSCO inaugurated its Asia Pacific Hub in Kuala Lumpur (the Hub) in March 2017. Hosted by the Securities Commission (SC) Malaysia, this initiative established IOSCO's first regional hub to deliver capacity building activities to securities markets regulators in a specific region. The running of the Hub does not have any financial implications for IOSCO. All costs related to the activities and operations of the Hub, including personnel, physical premises and facilities, maintenance, IT and other operating costs are supported by the host.

## 16 Auditors' remuneration

The total remuneration to be paid by IOSCO to its auditors in 2019 and 2018 is €9,400 each year.

## 17 Subsequent Events

At the date of preparation of these financial statements, many jurisdictions around the globe are being significantly affected by the rapid expansion of the COVID-19 virus. Its, economic and social impact worldwide will ultimately depend on the duration and intensity of the pandemic. IOSCO has activated its Business Contingency Plan to ensure it can continue its operations in an efficient way including servicing its committees and membership on a remote basis IOSCO has conducted a preliminary assessment of the current situation based on the best available information and does not anticipate any significant impact on our ability to continue with our operations or any material impact on our overall financial position, liquidity or asset or liability valuation risks in the short term. IOSCO continues to monitor the evolution of the pandemic in order to successfully address any possible impacts, both financial and non-financial, that may occur. In any case, it is expected that these events will not affect IOSCO's continuity.