



Annual Report for the Year 2011

Ljubljana, March 2012

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Statement by the Director

Last year - for the third consecutive year - the Slovenian capital market experienced negative trends. Such situation should be attributed to the economic situation with record unemployment rate in 2011, negative economic growth, low liquidity and very low credit activity of domestic banks as a result of the credit crunch. Thus the SBITOP stock exchange index fell by more than 30 % in comparison with the previous year. In the period concerned, the Ljubljana Stock exchange recorded more than a 10 % decrease of long-term financial instruments and a 4.6 % fall of total turnover in financial instruments, almost a 5 % decrease of the market capitalisation of financial instruments and almost 30 % lower market capitalisation of all shares traded at the stock exchange. On the other side the market capitalisation of bonds grew by as high as 9.60 % in the same period.

Difficult conditions and a reduced amount of transactions forced brokerage and management companies to consolidate and rationalise their operations. As a result, two management companies terminated their management of investment funds in 2011, whereas two brokerage companies began preparations to stop performing investment services and activities.

Despite negative trends, the Securities Market Agency (the ATVP) followed its plan of work for 2011 and entirely accomplished it. The intensive supervision of the market in financial instruments continued in relation to investigations into business operations, as well as verification of reports. As a minor offences body the Agency issued 19 decisions on minor offences and imposed 32 fines, 7 reprimands and two warnings on the violators.

On the legislative field the Agency proposed and participated in implementation of numerous amendments and supplements that are vital for the Agency's operations, as well as for the flexibility and competitiveness of the financial system. At this point, I would like to mention the Investment Funds and Management Companies Act, both amendments of the Market in Financial Instruments Act and the Book Entry Securities Act. Furthermore, several supporting tasks were accomplished in order to simplify internal procedures and increase the cost effectiveness of the Agency's operations and supervision.

Last year the number of takeovers doubled in comparison with the year before, however, it was still rather low. On one side, that was attributed to unfavourable economic conditions, and on the other, probably to the difficulties of acquirers when procuring funds for realisation of takeovers. Considering legislation related to

takeovers, an important decision was made by the Constitutional Court of the Republic of Slovenia that was received at the end of 2011, which annulled the authentic interpretation of the Takeovers Act as unconstitutional.

Damjan Žugelj, Ph. D.

Director and President of the Council, Securities Market Agency

I. REPORT ON WORK

1. INTRODUCTION

Pursuant to Article 494 of the Market in Financial Instruments Act (hereinafter: the ZTFI), the Securities Market Agency (the Agency) must adopt the annual statements of accounts of the Agency for the previous year by 31 March of the current year, which are audited by an official auditor, and the budget for the current year, sending both to the Minister of Finance within ten days after their adoption. An approval for the Agency's annual statements of accounts and the budget is also given by the Government of the Republic of Slovenia. The Agency's annual statements of accounts and the budget are approved unless the Government of the Republic of Slovenia adopts a different decision within 15 days of their receipt.

The annual report consists of the report on the work of the Agency in the business year 2011, auditor's report and annual statements of accounts. The Report on the Work covers entire operations of the Agency in the previous year: information on issued approvals for public offering of securities and takeover bids, data on authorisations granted to management companies, investment funds, brokerage companies and mutual pension funds, as well as other authorisations and acts adopted by the Agency. It describes the work carried out by the Agency in connection with the supervision of financial instrument market participants, the regulatory work of the Agency, and the Agency's cooperation with other domestic and foreign regulatory authorities, international organisations and institutions. The annual statements of accounts include the Agency's financial statements and explanatory notes to the financial statements.

The figures contained in this report generally refer to the work carried out by the Agency in 2011, except in specific cases where they refer to a period before or after 2011 if that provides a more comprehensive account of particular facts or matters connected with the work of the Agency.

2. LEGAL STATUS, TASKS AND BODIES OF THE AGENCY

Establishment and legal status

The Agency was established as an independent authority by the Securities Market Act (hereinafter: the ZTVP), which entered into force on 13 March 1994. The entry into force of the Securities Market Act (hereinafter: the ZTVP-1) on 28 July 1999, replacing the ZTVP, and the ZTFI adopted on 11 August 2007, replacing the ZTVP-1, ensured that the Agency continued to function. According to the ZTFI, the Agency is a public legal entity, independent in implementing its tasks and responsibilities.

Its basic purpose is to supervise the market in financial instruments and certain financial organisations, as well as to implement other tasks and powers set out by applicable legislation, with the aim of ensuring observance of these regulations, thereby creating the conditions for the market in financial instruments to function efficiently.

The funds for the work of the Agency are mainly secured from fees and charges, the level of which is set by the Tariff issued by the Agency, subject to the approval of the Government of the Republic of Slovenia, and from other revenues generated by the Agency. The Government of the Republic of Slovenia also gives its approval to the Agency's annual statements of accounts and budget.

The lawfulness, purpose, economic and efficient use of the Agency's funds is supervised by the Court of Audit of the Republic of Slovenia.

The Agency's registered office is at Poljanski nasip 6 in Ljubljana.

Main tasks of the Agency

The Agency grants authorisations and approvals, and supervises and implements other tasks and powers set out by the ZTFI, the Investment Funds and Management Companies Act (hereinafter: the ZISDU-2) and the Takeovers Act (hereinafter: the ZPre-1). The Agency conducts supervision by monitoring the reports and notices that the supervised subjects are obliged to submit to the Agency, by means of inspection of their operations and ordering of supervisory measures.

In addition to the above stated acts, the tasks of the Agency are regulated by the Banking Act, the First Pension Fund of the Republic of Slovenia and Transformation of Authorised Investment Corporations Act (hereinafter: the ZPSPID), the Pension and Disability Insurance Act (hereinafter: the ZPIZ-1), the Book Entry Securities Act (hereinafter: the ZNVP) and the Legal Successors of Authorised Investment Companies Act (hereinafter: the ZPNPID).

Pursuant to the Prevention of Money Laundering and Terrorist Financing Act, the Agency issues recommendations and guidelines related to the implementation of individual provisions of this act, and participates in the compilation of a list of indicators for identifying the parties and the transactions in relation to which it suspects money laundering or the financing of terrorism. Furthermore, the Agency, being a supervisory body, is also competent for monitoring the implementation of the provisions of this act by the persons it supervises. Pursuant to the Financial Conglomerates Act, which is a supplement to or upgrading of the existing supervision of operations of all three areas of the financial sector, the Agency, together with the Bank of Slovenia and the Insurance Supervision Agency, prescribes or cooperates in the drafting of its implementing regulations.

More specific tasks of the Agency include:

1. Granting authorisations for the operations of financial organisations pursuant to the ZTFI, the ZISDU-2 and the ZPIZ-1 to:

- brokerage companies,
 - management companies,
 - investment companies,
 - mutual funds,
 - mutual pension funds,
 - stock exchange,
 - clearing and depository companies.
2. Granting authorisations for qualifying holdings in a brokerage company, a management company, a stock exchange, and a clearing and depository company, and granting authorisations for status changes of companies indicated in the previous item.
 3. Approving the prospectuses for the sale of securities to the public and the admission of securities to trading on a regulated market, and granting authorisations for takeover bids.
 4. Granting authorisations to operate as a stock broker, to hold the office of a member of the management board of a management company, a brokerage company, a stock exchange or a clearing and depository company, and granting authorisations for the marketing of investment funds and sale of their units.
 5. Granting approvals to the rules of the stock exchange.
 6. Granting approvals to the rules of the central securities clearing company.
 7. Supervising management companies, investment companies, mutual funds, mutual pension funds, the stock exchange, the central securities clearing company, as well as brokerage companies and banks, providing (auxiliary) investment services and transactions, and supervising the reporting by public companies and procedures pursuant to the ZPre-1, and ordering supervisory measures for the elimination of established violations and irregularities.
 8. Drafting secondary legislation on the basis of the ZTFI, the ZISDU-2, the ZPre-1, the ZPIZ-1 and the ZNVP.
 9. Keeping mandatory registers of entities with an authorisation to provide investment services and transactions, management companies and investment funds, tied agents and qualified investors and other public registers.
 10. Conducting procedures for violations of the ZTFI, the ZISDU-2, the ZPre-1 and the ZNVP (minor offence authority).

As of 1 May 2004, when Slovenia joined the European Union, financial organisations from other EU Member States have been able to directly provide financial services in the Republic of Slovenia. Furthermore, Slovenian financial organisations have been able to provide such services on the markets of the Member States. This means that the work and scope of authorisations of the Agency have been expanded so that it (fully or partially) controls the operations of financial organisations from other EU Member States on the territory of the Republic of Slovenia and the operations of domestic persons on the financial markets of other EU Member States.

Bodies of the Agency

The bodies of the Agency consist of the Council of the Agency (the Council) and the Director of the Agency.

The Council of the Agency

The Council consists of five members. The Director of the Agency is also the president of the Council. The members of the Council have been appointed by the Government of the Republic of Slovenia for five years at the proposal of the Minister of Finance. Pursuant to the latest amendment of the ZTFI-C, the Director and Council of the Agency will be appointed and dismissed for six years by the National Assembly of the Republic of Slovenia at the proposal of the Government of the Republic of Slovenia. After the termination of office, the members of the Council and the Director of the Agency can be reappointed.

In 2011, the Agency's Council consisted of the following members: Mr. Damjan Žugelj, Mr. Primož Pinoza, Ms. Anka Čadež, Ms. Edina Ključanin and Mr. Ivan Kukar.

The Council held 57 regular meetings in 2011. The Council is competent for adopting the Rules of Procedure of the Agency and the implementing regulations, issued by the Agency, deciding on licences and approvals, and other individual matters. It is also in charge of adopting the annual report on the work of the Agency and the report on the situation on the market in financial instruments, the annual plan and the budget of the Agency. The Council adopts the Agency's annual statements of accounts, which are audited by a certified auditor, and performs other tasks within the Agency's scope of responsibilities, unless it is stipulated by law that another body of the Agency is responsible for performing those tasks.

The Agency decides according to the procedure set out in the General Administrative Procedure Act unless the ZTFI provides for a different procedure. The Council decides on individual cases according to the procedure set out in the ZTFI. The procedural bodies are the Senate and the President of the Senate. The Senate decides on all individual matters to be resolved by a decision, unless the law stipulates the competence of the President of the Senate for an individual case, and on appeals against the orders of the President of the Senate. The Senate consists of all the members of the Council (of whom one is the President of the Senate), except in a procedure for deciding on individual matters pursuant to the ZPre-1, when, as a rule, it consists of three members of the Council.

Director of the Agency

Pursuant to the former provisions of the ZTFI, the Director of the Agency was appointed and dismissed by the Government of the Republic of Slovenia for five years at the proposal of the Minister of Finance. After the enforcement of the amendment, the ZTFI-C, in November 2010, the Director of the Agency is appointed by the National Assembly for six years at the proposal of the Government of the Republic of Slovenia.

The Director of the Agency presents and represents the Agency, manages the Agency's operations and organises its work; pursuant to the provisions of the ZTFI, the Director of the Agency is also the President of the Agency's Council. The Director of the Agency is Damjan Žugelj, Ph. D.

3. LEGISLATION

On the legislative field, the Agency continued to be active in relation to the systematic regulation of the capital market of the Republic of Slovenia in 2011, particularly with the view of its harmonization with the European Law, and the related urgent interventions in certain acts of key importance for the Agency's operations.

The expected amendment of the ZTFI was finally approved in 2011, and the Banking Act (ZBan-1) was amended and supplemented several times. It should be pointed out that the amendments to the ZBan-1 are important for the work of the Agency, because the provisions of the ZTFI in many cases refer to the provisions of the ZBan-1. The following acts were published in the Official Journal of the RS:

- Act amending the Banking Act (ZBan-1F), Official Journal of the RS, No. 35/11;
- Act amending the Banking Act (ZBan-1G), Official Journal of the RS, No. 59/11;
- Act amending the Banking Act (ZBan-1H), Official Journal of the RS, No. 85/11;
- Act amending the Market in Financial Instruments Act (ZTFI-D), Official Journal of the RS, No. 78/11.

As stated above, the anticipated amendment of the ZTFI was implemented with the enforcement of the amended Market in Financial Instruments Act (ZTFI-D). The amendment repealed the provision stipulating that the KDD and the Stock Exchange should use the provisions of the administrative procedure in their operations, while the KDD's superiority in relation to issuers when issuing its decisions was cancelled, and the elimination of administrative and legal elements enabled a significant part of the entry in the central register to be legally and operationally transferred to the European settlement system (Target II Securities – T2S). Furthermore, the method of obtaining an approval of the tariff for the KDD and the Stock Exchange was also altered. In addition, the Directive 2010/78/EU was transposed in the Slovenian law with the above mentioned amendment in relation to the powers, among other things, of the European supervisory body for securities and markets (the ESMA), while some other amendments providing a more suitable method of appointment and dismissal of the Agency's Director and members of its Council were also enforced, and certain confusions and inconsistencies were eliminated.

Furthermore, the amendment ZTFI-D introduced the legal grounds for collecting personal data of the subjects with access to inside information of the issuer and for comparison of the list of such subjects with the data on the transfer of book entry securities of those subjects through the information system. On 27 January 2012, the Official Journal of the RS, No. 6/12 published the Decision on amendments and supplements of the Decision on special rules for inside information and investment recommendation reporting, which entered into force on 1 February 2012. The above stated amendment will have a significant impact, with support of the implementing regulations, on identification of insider trading in 2012. It will provide for automated identification of the subjects actually trading in securities, in relation to which they have access to inside information.

Towards the end of 2011, the Agency initiated the activities referring to amendments and supplements to the implementing regulations, which are necessary due to the above quoted amendments of the ZTFI and ZBan-1. Most of the Agency's activities concerning the issuing of the implementing regulations were otherwise related to the amendment ZBan-1E that entered into force in October 2010.

In relation to the management of brokerage companies with risks, the Agency adopted 3 new sets of implementing regulations and 13 amendments and supplements to the existing implementing regulations:

- Decision on calculation of capital of brokerage companies;
- Decision on high exposure of brokerage companies;

- Decision on capital requirement calculation for credit risk in relation to securitisation and rules on brokerage companies exposure to transferred credit risk;
- Decision on amendments and supplements to the Decision on risk management and implementation of internal capital assessment for brokerage companies;
- Decision on amendments and supplements to the Decision on capital requirement calculation for credit risk according to the standardised approach for brokerage companies;
- Decision on amendments and supplements to the Decision on capital requirement calculation for credit risk according to the internal rating system approach for brokerage companies;
- Decision on amendments and supplements to the Decision on credit insurance for brokerage companies;
- Decision on amendments and supplements to the Decision on capital requirement calculation for market risks for brokerage companies;
- Decision on amendments and supplements to the Decision on capital requirement calculation for operational risk for brokerage companies;
- Decision on amendments and supplements to the Decision on capital and capital requirements reporting for brokerage companies;
- Decision on amendments and supplements to the Decision regulating reporting on specific facts and circumstances of brokerage companies;
- Decision on amendments and supplements to the Decision on supervision of brokerage companies on consolidated grounds;
- Decision on amendments and supplements to the Decision on investments of brokerage companies in qualifying holdings of non-financial sector subjects.

The above stated implementing regulations were published in the Official Journal of the RS, No. 80/11, while the correction of the Decision on amendments and supplements to the Decision on capital and capital requirements reporting for brokerage companies was published in the Official Journal of the RS, No. 90/11, and the correction of the Decision on amendments and supplements to the Decision regulating reporting on specific facts and circumstances of brokerage companies in the Official Journal of the RS, No. 100/11.

In relation to investment services and transactions, the Agency issued the Decision on amendments and supplements to the Decision on requirements for performance of investment and other services for brokerage companies (Official Journal of the RS, No. 80/11). With reference to books of accounts and annual reports of brokerage companies, the Agency adopted the amendments and supplements of two sets of implementing regulations, namely of the Decision on amendments and supplements to the Decision on books of accounts, annual and half-yearly reports of brokerage companies and the Decision on amendments and supplements to the Decision on disclosure by brokerage companies (Official Journal of the RS, No. 80/11).

Due to the Regulation on Application of the EU Regulation on Credit Ranking Agencies (Official Journal of the RS, No. 45/10), with which the Government of the Republic of Slovenia appointed the Agency as the competent body for the application of the European Commission's Regulation in the Republic of Slovenia, the Agency also adjusted the Tariff on charges and fees, by issuing the Amendments of the Tariff on charges and fees, which was published in the Official Journal of the RS, No. 10/11.

In 2011, the Ministry of Finance sent to the Agency proposals of new amendments of the ZTFI. The Agency actively responded to the proposals, proposing the amendments of the ZTFI referring to more efficient supervision. At the same time, the Agency brought forward the inconsistencies and deficiencies of the ZTFI that have been noticed during the Agency's operations. In the past year, the Agency also actively responded to the initiatives of the Ministry of Finance, which initiated the activities related to amendments and supplements of the Book Entry Securities Act (the ZNVP) already in 2010 that were finally adopted in 2011 (the amendment ZNVP-C, published in the Official Journal of the RS, No. 78/11). The amendment was necessary due to the above mentioned integration of the KDD in the pan-European Target II Securities – T2S system. The amendment

provided for harmonisation of legal rules regulating operation of integrated settlement systems. This refers to harmonisation of the rules on liability for damages and introduction of data pairs.

On the field of funds, the Agency closely cooperated in 2011 with the Ministry of Finance to prepare the text of the new ZISDU-2 that was published in the Official Journal on 2 November 2011. During cooperation when preparing the above stated act, the Agency proposed several additional solutions, which were almost entirely incorporated in the ZISDU-2, in order to rise the flexibility and competitiveness of the system to a new level. The ZISDU-2 transposed the UCITS IV Directive into the Slovenian law, providing new regulation of the following contents related to UCITS: master-feeder structures, possibility of cross-border mergers of UCITS, simplification of notification of UCITS in another Member State, European passport for management companies and replacement of the extract of the prospectus with key investor information. Furthermore, the ZISDU-2 provided for new regulation of certain non-UCITS and their operations in the Republic of Slovenia. An important new element defined in the act is also a possibility to establish alternative funds. That is a new field, and Slovenia joined more developed countries with its introduction. While the ZISDU-2 was being prepared, the Agency examined possible regulation of non-UCITS, such as alternative funds, private investment funds, hedge funds, real estate funds, and similar, proposing to the Ministry of Finance that a part of that segment (alternative funds) could be already integrated in the ZISDU-2, and the Ministry accepted the proposal. In relation to other forms of non-UCITS, the Agency proposed the Ministry of Finance regulation with a new act on alternative funds, in accordance with the European regulation.

On the ground of the UCITS IV Directive, the EU issued two directives (EC Directive No 2010/43/EU and EC Directive No 2010/42/EU), which will be mainly implemented by the by-laws of the Agency. Additionally, the Agency should consider two regulations (Commission Regulation (EU) No 584/2010 and Commission Regulation (EU) No 583/2010), which are directly applicable in the law of the EU Member States.

Following the adoption of the ZISDU-2 at the end of 2011 and the above stated directives, the Agency started drafting by-laws already in 2011, according to its plan, which need to be issued due to the new legislation. Out of 33 planned acts, the Agency prepared 16 drafts of general regulations for public discussion by the end of 2011:

- Draft Decision on definition of significant impact on the management of issuer;
- Draft Decision on the method for exchange of the units of the transferring mutual fund with the units of the receiving mutual fund;
- Draft Decision on exemptions related to the issue of an approval for publication of a prospectus of an investment fund;
- Draft Decision on the agreement on performance of depositary services involving a management company of a Member State;
- Draft Decision on certification examination related to trading in investment funds;
- Draft Decision on distribution and retaining of the net income or revenues of a mutual fund;
- Draft Decision on the management rules and prospectus of an open investment fund;
- Draft Decision on total operational costs of a mutual fund;
- Draft Decision on investments of an investment fund;
- Draft Decision on conditions for introduction, trading and settlement of transactions in units of a mutual fund on the organised market;
- Draft Decision on reporting of the depositary;
- Draft Decision on trading in investment fund units;
- Draft Decision on temporary suspension of redemption or introduction of partial redemption of the units of a mutual fund;
- Draft Decision on capital of a management company;
- Draft Decision on operations of a management company;
- Draft Decision on types and classes of investment funds.

Furthermore, pursuant to the Commission Regulation (EU), No 584/2010, regulating among other things, the form and content of the standard notification on trading in UCITS of another Member State, the Agency prepared the Guidelines for registration of a Member State UCITS in the Republic of Slovenia by 1 July 2011. Later on, the Agency supplemented the above stated guidelines in accordance with the provisions of the ZISDU-2, which regulate notification of direct trading in the units of a UCITS of another Member State in the Republic of Slovenia.

The proposed Regulation of the European Parliament and of the Council on European Venture Capital Funds will, when adopted, influence the expansion of the Agency's powers, since at present the latter is competent to implement the Regulation only in the Republic of Slovenia. Such regulation will result in new tasks and duties for the Agency, requiring additional training for the employees and additional recruitment. Among other issues, the proposed Regulation introduces unique rules, which will regulate trading in funds under the European venture capital funds code, uniform access for investor groups fulfilling the criteria for capital investments in a European venture capital fund, and the European passport for managers of venture capital funds. Since the above quoted regulation will be directly implemented in the law of the EU Member States, the Agency initiated an analysis of the existing system framework already in 2011, with a focus on its positioning within the work of the Agency.

The adoption of the new Pension and Disability Insurance Act (ZPIZ-2) was planned for 2011. The changes to be introduced with the new act would also affect the operations of mutual pension funds, which fall under the responsibility of the Agency. The proposed ZPIZ-2 was rejected at the referendum in 2011, however, unfavourable demographic trends urgently call for promotion of supplementary pension insurance, exposing the inconsistency of the related existing legislation. In the future years, it will be therefore necessary to adjust the existing regulation of the pension and disability insurance to the demographic trends and financial possibilities. Further tasks of the Agency will depend on the adoption of the new act, concerning drafting of general regulations and performance of supervision.

In 2011, the Agency continued to remind the Ministry of Economy of written proposals for amendments of the takeover legislation, already delivered in the previous years, which were supplemented in 2011 with newly discovered deficiencies and inconsistencies identified in practice. Nevertheless, the anticipated amendment of the ZPre-1 was not realised in 2011. In relation to the ZPre-1 the Official Journal of the RS, No 35/11 published the Authentic interpretation of Article 75, Paragraph 2 and Article 63 in conjunction with Article 75, Paragraph 2 of the ZPre-1 (ORZPre75), in relation to which the Constitutional Court of the Republic of Slovenia, following the request for a constitutional review, resolved as follows: »The second sentence of Article 75, Paragraph 2 and Article 63 in conjunction with Article 75, Paragraph 2 of the Takeovers Act (Official Journal of the RS, No. 79/06, 1/08, 68/08 and 35/11) shall be repealed in relation to the content given by the Authentic interpretation of Article 75, Paragraph 2 and Article 63 in conjunction with Article 75, Paragraph 2 of the Takeovers Act (Official Journal of the RS, No. 35/11).« The Decision was published in the Official Journal of the RS, No. 105/11.

Even though the efforts of the Agency were primarily focused on the preparation of comprehensible legislation, its increased quantity and complexity give rise to new questions and requirements for additional explanations and positions. In addition to issuing the opinions regarding the specific questions related to the regulation of the area of funds, the Agency, with the aim of further improving legal certainty, adopted several positions that represent the guideline for the operation of management companies, investment funds and mutual pension funds. In 2011, the Council of the Agency adopted the following positions: the position referring to the interpretation of Article 171, Paragraph 1, the position concerning borrowing of an investment fund, the position on information for unit holders in case of changes of the mutual part of the master fund's prospectus when the changes refer to an individual feeder fund, the position on classification of ETF funds, the position referring to depositary services for the fund covering payment of annuities, and in relation to the ZTFI, the position on validity of authorisations granted in accordance with the ZTVP-1 in relation to

performance of investment services and activities and auxiliary investment services and activities under the ZTFI. The positions of the Council are published at the Agency's website.

In 2011, the Council also adopted the position on validity of authorisations granted in accordance with the ZTVP-1 in relation to performance of investment services and activities and auxiliary investment services under the ZTFI.

By adopting and publishing its positions, the Agency increased predictability of business environment, providing for simpler operations of financial organisations under the Agency's supervision.

4. GRANTING OF AUTHORISATIONS AND APPROVALS

The year 2011 was still in the sign of the crisis on the Slovenian capital market. Due to difficult conditions and a reduced amount of transactions, we witnessed consolidation and rationalisation of operations of brokerage and management companies. As a result, two management companies terminated their management of investment funds, whereas two brokerage companies began preparations to stop performing investment services and transactions. In 2011, the Agency examined the applications of the last two investment companies established in the privatisation process concerning restructuring in a mutual fund.

In 2011, the Agency processed a total of 786 cases related to the issue of authorisations and approvals or notifications and announcements. Despite rather unfavourable conditions on financial markets, the number of applications for authorisations and approvals was slightly surprising, as it was by 50 % higher than planned. Within this framework, the Agency also processed 232 notifications on management of financial services received from supervisory authorities of other Member States, of which 16 notifications referred to termination of operations on the territory of the Republic of Slovenia. The number of received notifications was slightly under the plan. In 2011, 11 requests were rejected or refused by the Agency, or withdrawn by the applicants, which is slightly less in comparison with 15 cases in 2010.

The Agency recorded a higher number of issued authorisations in relation to operations of investment funds and authorisations for marketing and sale of investment funds, while a lower number of authorisations and approvals than planned were recorded on other fields of the Agency's operations. Compared to 2010 when the volume of the Agency's operations was very extensive, the number of processed and issued authorisations was generally lower by 25 %. The Agency attributes such situation to further aggravation of capital market conditions and slower economic activities. However, it must be underlined that cases examined by the Agency have become more complex, which reflects the maturity of the industry. The Agency predicted such trends in its plan for 2011. Fewer received and processed applications compared to 2010 were recorded on the following fields:

- Notifications by investment companies of Member States to perform investment services and transactions on the territory of the Republic of Slovenia. We estimate that the reasons for such decrease could be related to the events in the Member States and the lack of attractiveness of the Slovenian market. In addition, the debt crisis outbreak in Greece caused uncertainty on the capital markets of the Member States.
- Transformation of a mutual fund into a feeder fund. The Agency estimates that a high number of requests in the previous year were above all related to changed legislation, which enabled such transformation, and consequently, an abuse of advantages from the title of such transformation.
- Changes of rules of a mutual or master fund. In our opinion, the main reason for fewer applications lies in a lower number of mutual funds (due to prior transformation of mutual funds into master fund's feeder funds).
- In relation to publication of a prospectus and an extract of the prospectus of a mutual fund/master fund/feeder fund. We believe the reasons are similar as under the previous item.
- Authorisations to operate as a stock broker. The Agency estimates the reason can be attributed to the conditions on the capital market in the Republic of Slovenia. Due to such conditions, brokerage companies and banks rationalised their operations and as a rule, they did not recruit new stock brokers.
- Authorisations to market investment funds and sell their units. The reasons are similar as under the previous item.

In 2011, the Agency processed more applications compared to 2010 on the following fields:

- Transfer of the assets of the transferring mutual fund/feeder fund to the receiving mutual fund/feeder fund and for takeover of management of a mutual fund/feeder fund. The reason can be found in consolidation of the industry, since the number of management companies decreased in 2011.
- Notifications of investment funds (IF) from Member States for direct sales in the Republic of Slovenia. They were related to a merger of two IF managers from a Member State, whereby one used to sell the funds that were also managed in the Republic of Slovenia. After the merger, the new company notified direct sales of new IF in the Republic of Slovenia.

As a result of the enforcement of the new ZISDU-2, the Agency processed some new types of applications and authorisations in 2011.

4.1. Public offering of securities

Pursuant to the Market in Financial Instruments Act, a public company is an issuer whose securities have been admitted to trading on the regulated market in the Republic of Slovenia or another EU Member State.

The offer of securities to the public and their admission to trading on a regulated market in the Republic of Slovenia is possible on the basis of a prospectus that must be approved by the Agency. There are also some exemptions pursuant to the ZTFI, in which cases the prospectus needs not be compiled by the issuer. The issuer of the security must inform the Agency about the potential application of provisions that allow for the exemption from the obligation to compile a prospectus. Such a concept allows the Agency to supervise in the framework of its competencies all the offerings of securities to the public and every admission of securities to trading on the regulated market.

The Agency has established that the number of issuers, who decided for public offer of securities in 2011, was still low compared to 2009 and 2010. According to the Agency, such situation can be mostly attributed to the financial crisis, which considerably affected the investors' trust in securities as had been anticipated by the issuers, who did not even attempt to accomplish new offers. As a result, 10 issuers decided to place their securities to trade at the Ljubljana Stock Exchange, whereas 5 issuers offered their shares to the public after their prospectus had been approved by the Agency.

In 2011, the Agency issued nine decisions on the approval of a prospectus for the admission of securities to trading on the regulated market, one decision on the approval of a simplified prospectus for the admission of securities to trading on the regulated market, four decisions on the approval of a prospectus for the public offering of securities, one decision on the approval of a simplified prospectus for the public offering of securities, and two decisions on the approval of an appendix for the public offering of securities.

Table: Granted authorisations – approval of the prospectus for the admission of securities to trading on the regulated market in 2011

Issuer of securities	Number of issued securities
TRIGLAV NALOŽBE, finančna družba, d. d., Ljubljana	no-par value shares, 19,939,612 pcs
KD, finančna družba, d. d., Ljubljana	registered bonds, 137,900 at EUR 100
AGROGORICA, d. d., Šempeter pri Gorici	registered bonds, 2,000 at EUR 1,000
ABANKA VIPA, d.d., Ljubljana	registered bonds, 15,000 at EUR 1,000
BANKA CELJE, d. d., Celje	registered bonds, 34,150 at EUR 1,000
KB1909 Societa Finanzaria per Azioni – Finančna delniška družba, Gorica, Italija	registered bonds, 180 at EUR 50,000

KS NALOŽBE, finančna družba, d.d.	bearer bonds, 200,100,000 at EUR 1
UNIOR Kovaška industrija, d. d., Zreče	no-par value shares, 2,838,414 pcs
CIMOS, d. d., Avtomobilska industrija, Koper	registered bonds, 7,145 at EUR 1,000

Source: the Agency.

Table: Granted authorisations – approval of the simplified prospectus for the admission of securities to trading on the regulated market in 2011

Issuer of securities	Number of issued securities
MODRA LINIJA HOLDING, finančna družba d. d., Koper	no-par value shares, 1,096,205 pcs

Source: the Agency.

Table: Granted authorisations – approval of the prospectus for the offering of securities to the public in 2011

Issuer of securities	Number of issued securities
NOVA LJUBLJANSKA BANKA, d. d., Ljubljana	no-par value shares, 2,155,173 pcs
Nova KBM, d. d., Maribor	no-par value shares, 13,040,989 pcs
Ilana, d.d., Ljubljana	registered bonds, 1,000 at EUR 10,000
MLINOTEST Živilska industrija, d. d., Ajdovščina	no-par value shares, 914,635 pcs

Source: the Agency.

Table: Granted authorisations – approval of the simplified prospectus for the offering of securities to the public in 2011

Issuer of securities	Number of issued securities
MLINOTEST Živilska industrija, d. d., Ajdovščina	no-par value shares, 180,723 pcs

Source: the Agency.

In case a new significant factor emerges between the approval of the prospectus and the closure of a public offering of securities or the beginning of trading on the regular market, or if a major irregularity or incomplete information, which could affect the price of securities has been stated, the issuer, provider or investor of the request for placement of securities on the regulated market must update the prospectus with adequate or correct information in an appendix to the prospectus. The same procedure as for the approval of the prospectus applies for the appendix to be approved.

Table: Granted authorisations – approval of an appendix to the prospectus for the offering of securities to the public in 2011

Issuer of securities	Number of issued securities
ALTA Skupina, d. d., Ljubljana	no-par value shares, 3,722,204 pcs
NOVA LJUBLJANSKA BANKA, d. d., Ljubljana	no-par value shares, 2,155,173 pcs

Source: the Agency.

Exemptions from the obligation to publish a prospectus for certain types of the offering of securities

In 2011, the Agency received 48 notifications from the issuers of securities on the application of the exemption from the publication of a prospectus. These are notifications in cases in which the

issuers are not obliged to obtain the Agency's approval of the prospectus for offering securities to the public for individual types of offers of securities, and the prospectus for the admission of securities to trading on a regulated market. The issuers need not compile a prospectus, but they must inform the Agency of the application of exemption within three business days before the beginning of the public offer or the admission of securities to trading on a regulated market. This principle of informing also allows the Agency to supervise those types of securities offering that are not disclosed to the investors through the prescribed contents of the prospectuses for various legal reasons.

The Agency also regularly monitors the increase in the share capital of public limited companies by granting new shares through publications in the Official Journal of the Republic of Slovenia, the notifications of the clearing and depository company and public announcements (convocations of general meetings, general meetings etc.). If the share capital is increased by issuing new shares, the company must submit to the Agency either the request for the approval of the prospectus for public offering or the notification on the application of exemption in case no approval of the Agency is required for the issue of securities. Furthermore, the Agency monitors potential issue of other securities (e.g., debt securities), since the issuers are obliged to obtain the Agency's approval before offering any type of securities to the public, or inform the Agency for which of the possible exemptions under Article 52 of the ZTFI they apply.

Granting authorisations for takeover bids

In 2011, the Agency granted 12 authorisations for takeover bids according to the ZPre-1. The Agency would have issued such authorisations after it has verified the compliance of individual elements of the takeover bid with the provisions of the takeover legislation. The Agency verifies in particular if the takeover price offered by the acquirer is in accordance with the law, and the adequacy of other disclosures regarding the acquirer and the target company, which the shareholders need for adopting the decision on the acceptance of a takeover bid. After the announcement of the takeover bid results, the Agency shall issue a decision establishing the takeover bid outcome. Thus the Agency issued eleven decisions on successful takeover bids in 2011, whereas one bid was unsuccessful.

Table: Granted authorisations – authorisations for takeover bids in 2011

Acquirer	Offeree company	Date of issue
TERME ČATEŽ, d. d., Čatež ob Savi	MARINA PORTOROŽ, d. d., Portorož	3.5.2011
DZS, d. d., Ljubljana	DELO PRODAJA, d. d., Ljubljana	3.5.2011
ZAVAROVALNICA TRIGLAV, d. d., Ljubljana	SLOVENIJALES, družba za trgovino in druge storitve, d. d., Ljubljana	16.5.2011
STONEX proizvodnja in trgovina, d. o. o., Šentjur	MINERAL, Podjetje za pridobivanje, predelavo in montažo naravnega kamna, d. d., Podpeč	1.7.2011
NOVA KREDITNA BANKA MARIBOR, d. d., Maribor	ZAVAROVALNICA MARIBOR, d. d., Maribor	8.7.2011
KOLEKTOR GROUP, vodenje in upravljanje družb, d.o.o., Idrija; KOLEKTOR SICOM, komutacijski in rotacijski sistemi, d.o.o., Idrija; FMR Holding, družba pooblaščenka, d. d., Idrija, KOLEKTOR PROKOS, trgovina in posredništvo, d.o.o., Idrija	FMR, financiranje in upravljanje naložb, d. d., Idrija	7.7.2011
S.P. PLOD proizvodnja, trgovina in storitve, d.o.o., Zgomja Ložnica	ZDRAVILIŠČE ROGAŠKA zdravstvo, hoteli, turizem in upravljanje holding družb, d. d., Rogaška Slatina	19.7.2011

KS Naložbe finančne naložbe d.d., Ljubljana	Pivovarna Laško, d. d., Laško	3.8.2011
KMETIJSKA ZADRUGA VIPAVA zadruga z omejeno odgovornostjo, Vipava	AGROIND VIPAVA 1894 Vipava, d. d., Vipava	8.9.2011
DRUŠTVO ZA UPRAVLJANJE INVESTICIONIM FONDOM MONETA A.D. - PODGORICA, Montenegro, managing the FOND ZAJEDNIČKOG ULAGANJA "MONETA" A.D. PODGORICA, Montenegro	AG, družba za investicije, d. d., Ljubljana	13.9.2011
CEESEG Aktiengesellschaft, Vienna, Austria	LJUBLJANSKA BORZA VREDNOSTNIH PAPIRJEV, d. d., Ljubljana	9.11.2011
DRUŠTVO ZA UPRAVLJANJE INVESTICIONIM FONDOM MONETA A.D. - PODGORICA, Montenegro managing the FOND ZAJEDNIČKOG ULAGANJA "MONETA" A.D. PODGORICA, Montenegro; AG, družba za investicije, d. d., Ljubljana, PLASTA proizvodnja in trgovina, d. o. o., Šentrupert and TERMOPLASTI-PLAMA, proizvodnja izdelkov in plastičnih mas, Podgrad	PLAMA-PUR, proizvodnja in predelava plastičnih mas, Podgrad	30.11.2011

Source: the Agency.

In 2011, the number of takeovers was twice as high as in 2010, but it is still rather low. This could be attributed to unfavourable economic conditions and, according to the Agency, to the fact that acquirers have difficulties to obtain the funds for takeovers. Despite record low prices of the shares of the offeree companies (which should be attractive for acquirers), the number of realised takeovers was therefore lower than expected. In the past, takeovers in Slovenia used to be financed from bank credits, and as this source considerably decreased in 2011, the number of takeovers did not rise despite low prices of shares.

4.2. Provision of investment services and deals

Granting of authorisations and approvals to brokerage companies and banks

At the end of 2011, there were 25 companies that held an authorisation from the Agency or the Bank of Slovenia to provide investment services and financial instrument services, of which 9 were brokerage companies and 16 were banks. As at 31 December 2011, the authorised participants of the market in financial instruments included 14 banks and 8 brokerage companies that were also members of Ljubljanska borza d.d., Ljubljana (hereinafter: the Ljubljana Stock Exchange).

Except for two brokerage companies and one bank, who were granted approvals according to the new regulations (ZTFI, the Banking Act), all brokerage companies and banks were granted authorisations for performance of investment services and activities pursuant to former regulations (the ZTVP or the ZTVP-1). The ZTFI defines that all issued authorisations pursuant to the former regulations are considered issued authorisations under the ZTFI.

In 2011, the Agency issued one decision on authorisation required to acquire a qualifying holding of a brokerage company, whereas three such authorisations had been planned.

Issue of authorisations to the Ljubljana Stock Exchange

In 2011, the Agency issued one approval of a change of general regulations of the Ljubljana Stock Exchange.

Issue of decisions for entry in the register of tied agents

In 2011, the Agency issued five decisions for entry in the register of tied agents (hereinafter: the OBPZ), five less than planned. In the same period, the Agency also issued four decisions on the deletion from the OBPZ. The number of examined requests for entry/deletion in/from the OBPZ decreased compared to 2010 when nine subjects were entered and five subjects were deleted. Such decrease also illustrates difficult conditions in this industry.

The granting of authorisations to the members of the management board/executive directors of brokerage companies and agents

In 2011, the Agency granted two authorisations to hold the office of a member of the management board/executive director of a brokerage company, which is lower than expected. One decision on the expiry of authorisation to hold the office of a member of the management board/executive director of a brokerage company was issued by the Agency in the same period. In the same period, the Agency received two additional applications to hold the office of a member of the management board of a brokerage company, of which one was withdrawn and in another case the proceeding was closed.

In 2011, the Agency issued 25 decisions on authorisation to operate as a broker, which is less than planned, since the Agency anticipated 40 such decisions.

4.3. Investment funds and management companies

The number of investment funds decreased in 2011, as the remaining two investment companies were forced by the law to be transformed into mutual funds.

Issue of authorisations and approvals to the management companies

In 2011, the Agency granted the following authorisations and approvals related to the operations of management companies and investment funds:

- 1 authorisation to manage a mutual fund;
- 9 authorisations to manage a feeder fund of a master fund, which is 3 authorisations above the planned number;
- 4 authorisations to transform an existing mutual fund in a feeder fund;
- 2 approvals of the management rules of a mutual fund or a master fund;
- 37 approvals of changed management rules of a mutual or master fund, which is 7 more than planned;
- 42 authorisations for publication of a prospectus and an extract of the prospectus of a mutual fund, master fund and a feeder fund;
- 2 authorisations for transformation of an investment company in a mutual fund;
- 2 approvals of adjustment of a mutual fund with the provisions of the ZISDU-1;
- 2 approvals for acquisition of a qualifying holding in a management company;
- 9 authorisations for conclusion or amendment of the agreement on depositary services for a mutual fund or a feeder fund of a master fund;
- 4 authorisations for transfer of assets of the transferring mutual fund/feeder fund to the receiving mutual fund/feeder fund;
- 1 authorisation for limitation of validity of the authorisation of performance of management services for an investment fund;
- 1 authorisation for a merger by acquisition and

- 15 authorisations for takeover of management of a mutual fund/feeder fund.

In 2011, the Agency processed the following applications submitted by natural persons related to the operations of management companies and marketing of investment funds, and the sales of units:

- 2 applications for holding the function of a member of a management board and
- 90 applications for granting authorisation for marketing investment funds and selling their units, which is 30 more than planned. 85 applicants were granted an authorisation by the Agency, while 5 applications were withdrawn, refused or rejected.

4.4. Notifications for providing investment services and transactions and selling units of investment funds

Based on the requests received from supervisory institutions of other EU Member States, in 2011, the Agency received the notification on the provision of services of 183 investment companies from the EU Member States, which requested to directly provide investment services and transactions in relation to financial instruments in the Republic of Slovenia, based on the provisions of the Markets in Financial Instruments Directive (MiFID). Investors can obtain information which investment companies from the Member States fulfil the conditions for providing their services directly in the Republic of Slovenia at the Agency's websites.

In 2011, the Agency processed 33 notifications for marketing and sale of investment fund units of EU Member States in the Republic of Slovenia and 16 notifications on termination of sale were also processed. For the purpose of information and protection of investors, the Agency publishes on its website the list of funds from the Member States with authorisation for marketing in the Republic of Slovenia, indicating all amendments.

5. KEEPING REGISTERS AND PUBLIC LISTS

Pursuant to the provisions of the ZTFI, the Agency keeps a register of authorisations to perform investment services and transactions, and a register of tied agents. Both registers are publicly available. Furthermore, the Agency also keeps a register of qualified investors. Access to this register is limited.

Register of qualified investors

The ZTFI stipulates that the Agency shall keep a register of qualified investors in the Republic of Slovenia. This register includes the name, permanent residence and tax number and company name, registered office and registration number, in the case of legal entities. Furthermore, the date of entry and potential deletion is entered in the register for each qualified investor. Upon their own request, entities are also entered in the register of qualified investors if they do not have the position of a qualified investor under the law but meet the legal conditions for such a position. The request for the entry in the register of qualified investors and for the deletion from this register shall be decided on by the Agency in the form of an official decision. Data on persons entered in the register shall only be accessible to the issuers.

Register of authorisations to provide investment services and transactions

Pursuant to the provisions of the ZTFI, the Agency must establish and regularly supplement the register of authorisations to provide investment services and activities, which includes brokerage companies, whom the Agency issued an authorisation to perform investment services and activities, and banks, to whom the Bank of Slovenia issued an authorisation to perform investment services and transactions.

Register of tied agents

According to the ZTFI, a brokerage company may authorise a tied agent to perform on its behalf the activities stipulated by the first paragraph of Article 238 of the ZTFI. A tied agent shall be entered in the register of tied agents kept by the Agency if he/she has good reputation and adequate general, professional and business knowledge needed for appropriate intermediation of all information regarding the services offered to his/her clients or potential clients.

Public lists

In addition to the above registers, the Agency also keeps other public lists with the aim of informing the investors, the subjects of supervision and various bodies and institutions:

- list of public companies;
- list of issued authorisations for public offerings of securities with prospectuses;
- list of companies from Article 4 of the ZPre-1 (offeree companies to which the takeover legislation applies);
- list of management companies, master funds with feeder funds, mutual funds and investment companies;
- list of granted authorisations for marketing investment funds, selling units or shares of investment funds;
- list of notified investment companies of the EU Member States;
- list of management companies and investment funds notified for marketing in the RS;
- list of management companies with authorisation to provide the services of managing the financial assets of qualified investors.

6. SUPERVISION AND SUPERVISORY MEASURES

The Agency shall perform supervision:

- by monitoring, collecting and verifying the reports and notifications of supervised entities and other persons obliged to report to the Agency or to inform it on individual facts and circumstances (supervision of reporting);
- by conducting investigations into the business operations of the subjects of supervision, and
- by issuing supervisory measures.

In 2011, the Agency performed intensive supervision of the market in financial instruments, which is illustrated by the number of performed supervision procedures related to supervision of business operations and verification of reports, where the Agency used new technology and know-how to introduce sophisticated and more rational reporting. In addition, numerous related tasks were performed with the goal to simplify internal procedures, increase the cost effectiveness of the Agency's operations and the efficiency of its supervision.

Pursuant to the ZTFI, the ZISDU-1 and the ZISDU-2, the ZPre-1, the ZNVP, the ZPIZ-1, the ZPNPID and the ZPPDFT, the Agency supervised the following activities in 2011:

- supervision of public offerings of securities;
- supervision of reporting by public companies;
- supervision of reporting by brokerage companies and banks;
- supervision of reporting by management companies and investment funds;
- supervision of reporting by operators of mutual pension funds;
- supervision of reporting by custodian banks;
- supervision of takeovers;
- supervision of the status structure of brokerage companies, of the conditions for providing investment services and activities in brokerage companies, and supervision of brokers;
- supervision of risk management by brokerage companies (control of capital, capital requirements, liquidity, etc. of brokerage companies);
- supervision of the books of account and annual reports of brokerage companies, management companies, investment funds and mutual pension funds;
- supervision of the rules of operation in the provision of investment services and activities;
- supervision of application of the provisions of the Prevention of Money Laundering and Terrorist Financing Act;
- supervision of the Ljubljana Stock Exchange and Central Securities Clearing Corporation (the KDD);
- supervision of market abuse;
- supervision of the operations of management companies.

In 2011, the Agency supervised, above all, the following groups of subjects:

- public companies;
- brokerage companies;
- banks with the authorisation of the Bank of Slovenia to provide investment services and activities;
- tied agents;
- the Ljubljana stock Exchange;
- the Central Securities Clearing Corporation (KDD);
- management companies;
- custodian banks, and
- operators of mutual pension funds.

In addition, the Agency's supervision in 2011 also covered the subjects:

- in which compliance with the takeover legislation was examined (the offeree companies and the holders of their securities carrying voting rights are monitored in the supervision procedures);
- which were suspected of performing activities or providing investment services or transactions in the Republic of Slovenia without an adequate authorisation, which should have been obtained from the Agency or the Bank of Slovenia, and
- subjects, who were suspected of a violation of the legislation under the Agency's competence.

The Agency performs regular and extraordinary supervision. Regular controls are planned in advance in the annual work programme; extraordinary controls are carried out on the ground of suspected violations. In 2011, the Agency carried out regular controls on the subjects that needed an authorisation of the Agency or the Bank of Slovenia for performing their activities. Extraordinary controls were carried out also on other subjects. In 2011, extraordinary controls were, as a rule, the result of findings, report analyses and notifications, received investor complaints and complaints by other subjects and received information or data from other sources.

In 2011 the Agency initiated 102 supervision procedures, including supervision procedures related to reporting by supervised subjects, supervision of operations and procedures initiated as a result of complaints by other subjects. The number of supervision procedures was slightly lower than a year before, as a result of a different counting method for supervisory procedures and a change related to introduction of a supervisory procedure.

6.1. Supervision of reporting

Reporting by public companies

At the end of 2011, there were 77 companies that had the status of public companies issuers of securities. A public company must report to the Agency on its financial standing, legal status and operations by submitting and publishing its audited annual report, semi-annual report, and interim management report, and by submitting regular reports on all regulated information regarding securities whose issuers they are. Such information also includes the inside information that might significantly impact the price of securities.

The Agency supervises the reporting by public companies in two ways:

- daily monitoring of reporting by public companies (e.g., in relation to announced changes in respect of significant holdings, convocation of general meetings, status changes, etc.) and, if necessary, taking actions in the situations of suspected violations of reporting rules prescribed by the ZTFI. In 2011, the Agency addressed to the public companies many requests for explanations regarding their ad-hoc reporting. The Agency issued no supervisory measures in 2011 (e.g., order on the elimination of violations, terminated trading on the regulated market in a specific security), since no major irregularities or violations were established;
- as group supervision, i.e., by carrying out an annual inspection of reporting by all public companies for one type of reporting (i.e., disclosures in annual statements). In the framework of such group inspection, the Agency takes measures against the public companies, in which violations are found.

Annual, semi-annual and interim management reports

Each year, the Agency supervises the reporting by all public companies obliged to publish annual reports. The ZTFI stipulates that public companies must publish their annual reports no later than four months after the end of the business year, and they must remain publicly available for at least five years after their publication.

If the annual report is not adopted by the competent body of the company by the deadline specified, the public company must publish the annual report drawn up by the management of the company within the set deadline, and make a note of this in the publication. Furthermore, the company must publish the adopted annual report, either in its entirety or, if amended, only the information on the adoption of the annual report in the contents prepared by the management of the company, within 15 days of its adoption by the competent body.

A public company is obliged to submit its annual report to the Agency, informing the latter on the method of publication. In 2011, the Agency received through "INFO-HRAMBA" 81 audited annual reports by public companies for the period from January 1 to December 31, 2010. The number of public companies may change during the year (issuers admit and withdraw securities to and from organised trading), which is why the number of received reports is not necessarily the same as the number of public companies that had the status in question at the end of the year.

During the supervision procedure of the reporting of annual operating results, violations were identified in three public companies:

- 2 companies published their annual reports for 2010 too late. In relation to both companies, the Agency submitted to the minor offences body a notice of a suspected violation;
- 1 company failed to submit to the Agency or »INFO HRAMBA« its audited annual report for 2010, so the Agency ordered publication of the annual report and submitted to the minor offences body a notice of a suspected violation.

The data on suspected violations do not deviate significantly from the findings from recent years. Ever since the Agency started carrying out the supervision of reporting by public companies based on the annual report a decade ago, there has been great progress in this segment of reporting by public companies. The Agency has noted that there have been considerably fewer violations of reporting. Most companies apply adequate diligence in their reporting, while the quality of annual reports has also improved. Violations that still occur are mostly related to organisational problems in public companies (e.g., when the companies fail to appoint a substitute person to take care of the public company's reporting in the event of personnel changes).

Each year, the Agency supervises the reporting by public companies on semi-annual operating results. Public companies must publish their semi-annual reports for the first six months of their business year as soon as possible but not later than within two months after the end of this period. Furthermore, they must ensure that their semi-annual reports remain publicly available for at least five years after their publication. The ZTFI also stipulates that an issuer shall submit to the Agency the content of the publication and inform it on the method of publication.

In 2011, the Agency received 79 semi-annual reports for the period from 1 January to 30 June 2011. During the supervision procedure of the reporting on semi-annual operating results, violations were identified in 1 public company, which published its semi-annual report with a delay. The Agency submitted to the minor offences body a notice of a suspected violation.

Public companies, the shares of which had been admitted to trading on a regulated market, must publish an interim management report for the periods of the first six and the second six months of the business year, until the publication of the interim management report. The interim management report must be published within the period starting upon the expiry of the ten weeks after the end of each six month period and ends six weeks before the end of the next six-month period. This obligation of publication shall not apply to public companies that publish quarterly reports upon their own initiative, in line with any other provisions or rules of a regulated market.

The purpose of publication of the interim management report is to maintain the continuity of publishing information on the operation of a public company throughout the year. This is a publication that provides the investors with an access to significant information on the issuer's operations in the six-month business period of the time between the disclosure of the annual and the semi-annual report.

In the first six months of 2011, 70 public companies published and delivered (INFO HRAMBA) quarterly and interim management reports within the period starting upon the expiry of the ten weeks after the end of each six-month period. In the second half of 2011, quarterly and interim management reports were published and delivered (INFO HRAMBA) by 67 public companies.

- In the first six months 3 companies published their interim management reports with a delay, so the Agency submitted to the minor offences body a notice of a suspected violation;
- In the second six months 3 companies published their interim management reports with a delay, so the Agency submitted to the minor offences body a notice of a suspected violation.

Notifications of qualifying holdings

In 2011, the Agency received 216 notifications on reaching, exceeding and terminated exceeding of 5-, 10-, 15-, 20-, 25-percent, 1/3, 50- and 75-percent shares of voting rights and notifications on every acquisition or disposal of a share of voting rights by a member of the company's management or supervisory body.

In this segment, the Agency carries out supervision on a daily basis, mainly because it is a significant area of reporting, and often the first indication of a concentration of ownership rights and prediction of possible takeovers. On one side supervision is performed in order to provide adequate transparency. In this part, the Agency issues many requests to the holders of qualifying holdings, warning them about their obligation to report to the Agency and the public, and also proposes introduction of offence proceedings in case of established violations. On the other side, changes in qualifying holdings may frequently represent indications for a suspected illegal takeover, often through concerted actions of several involved subjects. In the latter case, this is a source of information that can be a significant indicator for the Agency's supervisory activities, which continue in relation to the takeover legislation.

Notification of regulated information

In 2011, public companies made 2,216 notifications (either to the Agency or to the public) of regulated information. The number of announcements by public companies has been increasing in the last decade, regardless of the fact that their number dropped in that same period. This is mainly due to the fact that several convenient methods of reporting have been established to be used by public companies. A decade ago, for example, public companies mainly reported through publications in newspapers, which were more expensive and did not enable quick responses by public companies to significant business events. More recently, public companies mainly use less expensive channels via the Internet, which enable them to react more swiftly to certain price-sensitive information. The reason for the increased volume of announcements by public companies since the transposition of the Transparency Directive into the ZTFI in 2007 is also in the broader scope of reporting obligation by public companies.

Better transparency of published regulated information can also be attributed to the central storage of regulated information system (the CSI system) stipulated by Article 137 of the ZTFI, which was established in April 2010. The CSI system with the title "INFO HRAMBA" is being operated by the Ljubljana Stock Exchange on behalf of the Agency; all public companies from Chapter 3 of the ZTFI publish regulated information in this system. Delivery of required information to the CSI system is also considered as delivery to the Agency. The introduction of the CSI system – the "INFO HRAMBA" represents the end of the period when public companies delivered information to the Agency by mail, electronic mail, some also in person, on the place, manner and contents of published regulated information. In 2011 delivery of regulated information to the "INFO HRAMBA" performed by public companies became well-established, as well as the Agency's supervision of publication of regulated information by public companies in the "INFO HRAMBA".

SONI and ODNI forms

Since the introduction of "INFO HRAMBA" public companies mainly fulfil their reporting obligations using the electronic method. In the future, the Agency plans further upgrades of electronic reporting by public companies, with a transition to electronic reporting also for certain other segments where such reporting has not been possible. The Agency believes that transition to electronic reporting in the era of computerisation of business is not only urgent but also justified as a cost-effective and time-sparing method.

At the end of the year, the Agency dedicated its work to the transition to electronic reporting in the part of reporting by public companies, which is required by Article 387 of the ZTFI. This part refers to the list of persons with access to inside information – the information that the Agency receives in the framework of the SONI-1 form. With reference to reporting on the electronic form SONI-1, the Agency proposed amendments of the ZTFI and the Decision on special rules for inside information and investment recommendation reporting (Official Journal of the RS, No 106/07 and 36/08-corr.; hereinafter: the Decision). According to the amendments of the legal framework, the proposals do not refer only to the reporting method used by public companies (compulsory reporting in electronic form), but they have also led to certain changes of the content of the electronic form SONI-1 and the reporting schedule. In the future, reporting will not be performed (only) upon the Agency's request, but with every change of any prescribed data from the form.

The Agency will pass to electronic reporting also with reference to reporting on the ODNI form. This reporting refers to the suspension of announcement of inside information, as required by Article 386 of the ZTFI and Article 6 of the Decision. In the future, such reporting will be only electronic, in accordance with the amendments of the legislation.

At the end of 2011, the Agency tested the test versions of SONI-1 and ODNI before introduction of electronic reporting.

Issue of confirmations of collection of proxies

Article 8, Paragraph 8 of the ZPre-1 instructs the authorised persons to inform the Agency of the intention, reasons and method of organized collecting of proxies, if individual persons did not want the exercising of voting rights based on organized collecting of proxies to be considered a concerted action.

In 2011, the Agency received 65 notifications on collecting of proxies, in order to vote at the general meeting of a public limited company.

Reporting by subjects performing investment services and activities

Reporting by brokerage companies and banks, Ljubljana Stock Exchange and KDD

In 2011, the Agency regularly collected, monitored and verified the numeric and non-numeric reports and notifications of brokerage companies, banks (with authorisation of the Bank of Slovenia to perform investment services and activities), the Ljubljana Stock Exchange and the KDD that the subjects are obliged to submit to the Agency based on legislation in force. Thus, the Agency received in 2011 2,903 numeric reports from brokerage companies through the system of reporting (of which 822 reports were revoked), which referred to:

- capital and capital requirements of brokerage companies;
- liquidity of brokerage companies;
- exposure of brokerage companies;
- investments by brokerage companies, and
- annexes to non-numeric reports in relation to the financial statements.

Persons obliged to report (brokerage companies and some banks with the authorisation for providing investment services and activities) daily sent to the Agency the reports on transactions executed in financial instruments admitted to trading in any of the regulated markets of the EU Member States (reporting on the basis of Article 275 of the ZTFI). The Agency received 6,317 data files and sent 2,377 data files in 2011, while approximately additional 1,500 data files with code tables and/or reference data were received. Within the exchange of information on transactions with supervisory authorities of other Member States, the Agency received further 2,181 reports. The Agency also received 397 non-numeric reports of brokerage companies through the reporting system in 2011.

When verifying the reports and notifications to be sent to the Agency on the basis of legislation and implementing regulations, the Agency focuses on the timeliness and accuracy of reports and establishes whether the reports indicate any suspected violations of the applicable provisions or whether the reports and notifications indicate any other data or facts important for the supervision and implementation of tasks that lie within the Agency's competence.

Reporting on operations of investment funds and mutual pension funds

Management companies, operators of mutual pension funds and custodian banks must send their reports to the Agency on the basis of Acts and general legal acts of the Agency; the Agency verifies their timeliness and accuracy and in particular establishes if there is any suspicion of violation of provisions. Additionally, the Agency may at any time request that management companies submit to the Agency reports and information on all matters important for exercising supervision and carrying out other competencies and tasks of the Agency.

In 2011, the Agency launched the project of an integrated information system, which plans completely automated verification of investment policies and respect of the limits for each type of investment by investment funds and mutual pension funds, as well as the introduction of sophisticated tools for complex analyses of operations of investment and mutual pension funds. In addition to lower quantity of administrative work, the above stated shall contribute mostly to earlier detection of eventual violations in the sense of alignment of the investment policy with the legal provisions and the official documents of investment and mutual pension funds.

Management companies

Reporting by management companies comprises regular daily, monthly, quarterly, semi-annual and annual reporting, and the management companies must additionally report certain events as they occur. There is no doubt that the request for regular reporting contributes to more consistent compliance with the regulations and thus increased safety for investors.

Daily reporting by management companies represents reporting on the value and change in the value of the mutual fund unit as at the accounting day (form VS/VEP). The Agency received 34,372 VS/VEP forms in 2011, the receipt of which is daily controlled and analysed for any above-average changes in the asset unit value (AUV) and the number of units in circulation.

Once per month, management companies report the data from their balance sheets as at the last accounting day of the previous month (form MATRIKA/ISBS) and the data on transactions in the period of the previous month (form MATRIKA/ISTR) for each managed investment fund. For 2011, the Agency received 1,661 MATRIKA/ISBS forms and 1,661 MATRIKA/ISTR forms. The Agency performed controls of investment funds' operations on the basis of the data received in the above stated forms. In 2011, the structure of investments of all investment funds in relation to the compliance of the investment policy with the provisions of the ZISDU-2 and ZISDU-1, fund rules and/or the investment fund's prospectus, were controlled in detail, according to the operative supervision plan. The Agency used those data to prepare various internal reports, publications, and

other ad-hoc analyses for other institutions (Ministry of Finance, Ministry of Labour, Family and Social Affairs, Bank of Slovenia, Association of Companies for Management of Investment Funds – GIZ, OECD, IOSCO, ESMA, and other).

The regular monthly review comprises a review of reports on the facts and events related to the operations of a management company and investment fund (162 DZU/NP/M forms received for 2011) and a review of reports on the transfer of the provision of an individual service or agreement to operate an investment fund to another person, and the potential amendment of contract or termination of authorisation (128 notifications on the transfer of the provision of an individual service or deal of operating an investment fund to another person and 36 notifications on the termination of authorisation for 2011).

A management company must report the income statement of each investment fund on a quarterly basis, on the IS/K-IPI form. The Agency received 545 forms for 2011. Quarterly reporting also includes the reporting on the number and type of qualified investors and the aggregate structure of their investments (form DPV/K). The Agency received 17 DPV/K forms for 2011.

In 2011, the Agency received 43 audited annual reports relating to operations in 2010, from 12 management companies, 12 master funds, 17 mutual funds and 2 investment companies. In addition, the Agency received 19 semi-annual reports for the period from 1 January to 30 June 2011, for 12 master funds and 7 mutual funds.

A management company is obliged to report to the Agency on fulfilment of capital adequacy requirements on the last day of the calendar year, which should be done at the latest upon submission of the audited annual report of the management company. In 2011, the Agency received and reviewed 12 such reports for 2010.

The management company must regularly report on the publications concerning legal and business events related to the operation of the management company and the investment funds. The Agency received and reviewed 132 such notifications for 2011.

Should the investments of an investment fund exceed the maximum or the minimum allowed shares of individual types of investments, the management company must immediately inform the Agency thereof. It must also enclose a description of the measures it shall take to harmonise the investments of the investment fund with the provisions of the said chapter, and the time limits within which it shall take these measures. The Agency received and reviewed 48 such notifications for 2011. In most cases, the cause for such reporting is a fall of the value of investments, which can be attributed to the situation on financial markets, or a decrease or an increase of the number of asset units in circulation as a result of higher subscriptions or redemptions from an investment fund.

The management company must inform the Agency of any problems with the payment or its inability to pay the units or dividends of the investment fund under management (the IS/L-1 form). The review and analysis of the IS/L-1 forms is carried out regularly and the Agency received 129 such forms in 2011. In most cases, the cause for such reporting is a fall in the net value of funds or a fall in fund units in circulation, which did not necessarily result in actual insolvency of an investment fund. All investment funds operating on the territory of the Republic of Slovenia in 2011, regularly serviced their investors despite the financial crisis.

In the process of reviewing the received reports, the Agency found eight cases of violations and demanded explanations of data in the submitted reports, as well as the submission of adequate documentation needed for clarifying the established irregularities. Furthermore, the Agency issued 6 orders on elimination of violations established during the review of received annual reports, and submitted to the minor offences body a notice of a suspected violation.

Operators of mutual pension funds

An operator of mutual pension funds must report monthly about the mutual pension fund asset unit value (form VPS/VEP), the mutual pension fund value of assets, (forms VPS/M-1, VPS/M-2a, VPS/M-2b, VPS/M-2c, VPS/M-2d), and the composition of mutual pension funds' assets (form VPS/M-3). The Agency received and reviewed 588 such reports in 2011. The Agency found one violation and demanded explanation of data in the submitted reports, as well as the submission of potential documentation needed for clarifying the established irregularities. The irregularities in the above stated case were eliminated on the mutual pension fund operator's own initiative, whereby no insured person suffered any loss.

Reporting on the operating result of mutual funds is made on a quarterly basis with the VPS/IPI-4 form. The Agency received and reviewed 28 such reports in 2011.

An operator of a mutual pension fund must submit to the Agency the audited annual report of the mutual pension fund for the past business year, no later than on 30 May of the current year. In 2011, the Agency received on time eight audited annual reports from mutual pension funds for the 2010 financial year: six mutual pension funds, the First Pension Fund of the Republic of Slovenia, and the Compulsory Supplementary Pension Insurance Fund, to which the provisions of the ZPIZ-1 relating to mutual pension funds apply.

In the case of changed components defined in the ZPIZ-1, a prior approval of the Agency is required for a change to the Statement on investment policy. Any other changes, such as those regarding the operator, depositary, actuary and similar, must be verified and, if required, changed at least every three years; the Agency's approval is not required, but the change of the Statement has to be notified. In 2011, the Agency received and reviewed two notifications on the change to the Statement on investment policy.

Custodian banks

A custodian must report to the Agency the data on violations or irregularities in operations of a management company, an operator of a mutual pension fund, investment fund or mutual pension fund, established while performing the custodian services for an individual investment or mutual pension fund (form SB/NADZOR). In 2011, the Agency received and reviewed 154 SB/NADZOR forms related to the area of investment funds and 2 SB/NADZOR forms related to the area of mutual pension funds. The most frequent reasons for reporting are non-aligned investment policy and exceeding of the threshold of maximum allowed exposure of the fund's investments. In two cases, the Agency continued with the procedures of carrying out supervision and in the rest, the violations have been eliminated within the specified time.

A custodian must quarterly report on its operations involving the assets of an investment fund or a mutual pension fund (form S/T). In 2011, the Agency received and reviewed 109 S/T forms (67 for investment funds and 42 forms for mutual pension funds and guarantee funds of insurance companies).

EU Member State Management Companies

An EU Member State management company must report on the facts and events related to the operations of a management company and investment funds, operating in the Republic of Slovenia either directly or through a branch. All facts and events, which are significant for investors' investment decisions on the territory of the Republic of Slovenia, must be reported. Agency received 568 such reports in 2011.

6.2. Supervision of reporting, reviews of operations and imposed measures of supervision

Considering fierce economic conditions, the Agency performs regular and extraordinary reviews of operations of financial organisations very actively in order to establish eventual violations and irregularities. The Agency introduced 102 new supervision procedures, issuing 28 orders on elimination of the established violations. In 2011, the Agency initiated the following procedures by monitoring, collecting and verifying reports and notifications by subject groups:

- 29 supervision procedures referring to public companies and takeover cases;
- 10 supervisions over brokerage companies;
- 3 supervisions over banks with the authorisation of the Bank of Slovenia to provide investment services and transactions;
- 14 supervisions of management companies;
- 5 supervisions over other subjects suspected of illegally providing investment services and activities;
- 31 supervisions as a result of suspected activities related to prohibited market abuses;
- 1 supervision of the operator of a mutual pension fund;
- 6 supervisions of subjects marketing units of mutual funds and securities;
- 3 supervisions over holders of qualifying holdings in a management company or a brokerage company.

In the framework of these procedures, the Agency issued an order to eliminate violations to the following supervised subjects:

- 5 orders to terminate violations to brokerage companies and a bank;
- 9 orders to terminate violations to management companies;
- 4 orders to terminate violations to non-licensed entities;
- 4 orders as a result of activities related to prohibited market abuses;
- 1 order to a public company, and
- 5 orders to terminate violations referring to marketing of mutual fund units and securities.

In 2011, the Agency issued in supervision procedures 18 decisions, with which it was established that the subject, who had been ordered termination of violations, adequately eliminated them.

Table: Number of initiated supervision procedures, issued orders on elimination of violations and warnings in 2011

Supervised entity or content	Initiated procedures	Issued orders	Declaratory decisions
Brokerage companies	10	4	3
Banks	3	1	1
Management companies	14	9	6
Mutual pension funds	1		
Public offering of securities	2		
Public companies	14	1	
Takeovers	13		
Non-licensed entities	5	4	
Trading in specific securities	31	4	3

OBPZ	2	1	1
Trading in IF	4	4	4
Holder of qualifying holdings	3		
Total	102	28	18

Source: the Agency.

Minor offences proceedings treated by the Agency as a minor offences authority

In 2011, the Agency issued 19 decisions on minor offences related to violations of provisions, as a minor offences authority under the Minor Offences Act (hereinafter: the ZP-1):

- 4 decisions to violators in relation to the violations of the ZPre-1, whereby 7 penalties have been imposed;
- 4 decisions regarding violations of management companies under the ZISDU-1 by imposing 11 penalties and one warning;
- 6 decisions related to violations of public companies, by imposing 4 fines, 4 reprimands and one warning. The Agency suspended 3 minor offences proceedings introduced due to such violations after the submission of reasons that exclude prosecution;
- 2 decisions related to violations of stock brokers and tied agents under the ZTFI, issuing 3 warnings to violators;
- 1 decision to two violators, who were not licensed subjects, with which fines were imposed;
- 2 decisions for violation of trade in certain securities, imposing 4 fines on violators.

In all the above-described cases, the Agency thus imposed 32 fines on the violators and issued 7 reprimands and two warnings.

In 2011, the Agency issued 8 official notes for violations of the ZTFI, as the acts did not represent a minor offence, were just insignificant offences, or reasons excluding prosecution were submitted.

Furthermore, in 2011 the Agency as a minor offences authority initiated *ex officio* 3 proceedings that have not yet been decided in this year. In all cases the proceedings were referring to violations of the ZTFI.

In 2011, 8 proceedings referring to requests for judicial protection that had been filed against the Agency's decisions were concluded before local courts having jurisdiction, whereas 3 proceedings referring to appeals by violators were also concluded by the competent courts.

In 2011, 4 requests for judicial protection were filed at local courts against the Agency's decisions, and 3 proceedings were initiated at higher courts on the basis of the appeals by violators.

As at 31 December 2011, 13 minor offence proceedings were still pending before competent local courts with reference to requests for judicial protection, two proceedings were in course before competent higher courts in relation to appeals against decisions of local courts, and there was 1 proceeding referring to a petition for protection of legality.

Warnings by the Agency and foreign supervisors

In 2011, the Agency continued publishing its own warnings and the warnings of other supervisors on its websites. In 2011 the Agency published:

- 4 warnings in the segment Agency warnings, and
- 691 warnings in the segment of warnings by other supervisors.

7. COURT PROCEEDINGS

Proceedings before the Supreme Court of the Republic of Slovenia

As at 1 January 2011, there were 17 ongoing judicial protection proceedings before the Supreme Court of the Republic of Slovenia against the Agency's decisions.

In 2011, the Agency received 15 lawsuits contesting its decisions and submitted answers to them. Nine lawsuits were filed against the Agency's decisions, in which it established the achievement of the takeover threshold and prohibited the exercising of voting rights in the offeree company. Three lawsuits were filed against the decisions, with which the Agency revoked the authorisation for acquisition of a qualifying holding in a brokerage company or a management company. One lawsuit was filed against the decision, in which the Agency permitted publication of a takeover bid for the shares of the offeree company, and another lawsuit was filed against the decision on rejection of the application for an authorisation for a takeover bid. In addition, one lawsuit was also filed in relation to the costs defined in the decision, with which the Agency ordered elimination of inconsistency with the investment policy referring to the management of a feeder fund's assets.

In the same period the Agency received 17 decisions of the Supreme Court of the Republic of Slovenia. In three cases the Supreme Court dismissed and in the other three rejected the lawsuit of the plaintiffs against the Agency. The Supreme Court of the Republic of Slovenia accepted 6 lawsuits filed by the plaintiffs, annulling the Agency's decisions and returning the cases to the Agency for renewed decision the cases to the Agency; in two cases the Supreme Court of the Republic of Slovenia joined two cases into one single case. Furthermore, the Supreme Court of the Republic of Slovenia decided to join five lawsuits against the Agency's decisions into one case, and later granted the requests and annulled the Agency's decisions. In three cases the Supreme Court of the Republic of Slovenia postponed judicial protection proceedings and filed a request for a constitutional review of the provisions of the ZPre-1 with the Constitutional Court of the Republic of Slovenia.

As at 31 December 2011, there were 15 ongoing judicial proceedings before the Supreme Court of the Republic of Slovenia related to the lawsuits against the Agency's decisions. The proceeding concerning a request for judicial protection initiated in 2011 was still in course on that day.

Proceedings before the Constitutional Court of the Republic of Slovenia

The Constitutional Court of the Republic of Slovenia resolved in 2011 not to examine the constitutional appeal from 2010 against the decision of the Supreme Court of the Republic of Slovenia, in which the latter dismissed the lawsuit against the Agency's decision on establishment of takeover threshold achievement and prohibition of exercising the voting rights.

In 2011, the Agency addressed to the Constitutional Court of the Republic of Slovenia a request for a constitutional review of the authentic interpretation of the ZPre-1 provisions and a request to decide on the dispute related to competences of courts and national authorities, which were not resolved as at 31 December 2011. The Constitutional Court of the Republic of Slovenia has not decided on the request for a constitutional review of the ZPre-1 provisions that had been filed by the Supreme Court of the Republic of Slovenia. However, at the end of 2011 the Agency received, with reference to the ZPre-1 provisions, the decision of the Constitutional Court of the Republic of Slovenia issued in the proceeding that had been initiated upon the request of a group of members of the National Assembly of the Republic of Slovenia, in which the Court annulled the content of the provisions of the ZPre-1, as defined in the authentic interpretation.

As at 31 December 2011, the Agency was involved in two proceedings before the Constitutional Court of the Republic of Slovenia.

Civil proceedings before district or higher courts and the Supreme Court of the Republic of Slovenia

In the first half of 2008, the Agency received the decision of the Higher Court from a law firm in a civil proceeding of 1,136 plaintiffs, investors in mutual funds operated by a management company, against the Agency as the second defendant, in which the District Court of Ljubljana refused the plaintiffs' claim. In December 2007, the Higher Court granted a decision that the appeal be refused and the decision of the court of first instance be confirmed. A revision was filed for the decision of the Higher Court in February 2008, which was resolved by the Court in 2011, rejecting the revision in one part and dismissing it in the other part.

Since the lawsuit was withdrawn, the District Court of Ljubljana stayed in 2011 the second civil proceeding in connection with the lawsuit filed by a group of investors in mutual funds of one of the management companies, in which the Agency was involved as the defendant.

As at 31 December 2011 the Agency was therefore not involved in any judicial proceeding.

Notification of a suspected criminal offence prosecutable *ex officio*

In 2011, the Agency lodged one criminal charge with the competent state prosecutor's office for suspected harm done to creditors.

Proposal for liquidation of a legal subject

In March 2011, the Agency received the final decision of the district court on the start of compulsory liquidation of a legal subject that was proposed by the Agency in December 2010.

Proceeding before the Labour and Social Court

In January 2011, an agreement was confirmed as a court settlement by the Labour and Social Court of Ljubljana with reference to labour and social disputes caused by an extraordinary termination of the employment contract. As a result of two regular terminations of employment contracts, two lawsuits were filed against the Agency in June 2011 to ascertain the legality of those regular terminations of employment contracts and to pay all wages due including contributions and taxes and achieve reintegration into work, but they have not been resolved by this moment.

8. COOPERATION WITH OTHER SUPERVISORY AUTHORITIES AND INSTITUTIONS

8.1. Cooperation with supervisory authorities and institutions in the Republic of Slovenia

When necessary, the Agency co-operates with other authorities and institutions when performing its tasks and competence, specifically:

- with the Bank of Slovenia and the Insurance Supervision Agency (the AZN) pursuant to the Rules on Cooperation between Regulatory Authorities;
- with the Tax Administration of the Republic of Slovenia and the Police pursuant to the existing agreements on cooperation;
- in relation to the violations identified by the Ljubljana Stock Exchange or the KDD during inspections within their scope of competence;
- with other authorities competent for the supervision of financial organisations (e.g., the Tax Administration of the Republic of Slovenia, the Office of the Republic of Slovenia for the Prevention of Money Laundering, Criminal Police, etc.);
- with supervisory authorities from the EU Member States;
- with foreign supervisory authorities based on the concluded agreements on cooperation.

In 2011, the Agency requested the Bank of Slovenia for the information needed in its supervisory proceedings or required by foreign supervisory bodies on the basis of different mutual cooperation contracts or legal provisions. It also co-operated with the Bank of Slovenia in the supervision proceedings involving a bank as the subject of supervision.

The Agency co-operated with the AZN in the supervision of operations of mutual pension funds.

In the scope of its competence, the Agency cooperates with the relevant ministries, in particular the Ministry of Finance, the Ministry of the Economy (the present Ministry of Economic Development and Technology) and the Ministry of Labour, Family and Social Affairs. The cooperation with the Ministry of Finance was focused on drafting the legislation at the European and national levels. At the request of the Ministry, the Agency presented its opinion on proposals and drafts of the European directives, regulations and proposed acts, regulating the financial system, and their amendments.

The Agency's representatives participated in different working groups, such as the national user group T2S.

The Agency also cooperates with the Association of the Securities Exchange Members (the GIZ). Also in 2011, the Agency continued with the practice of organising a regular annual meeting with the representatives of the industry. In the first half of the year a meeting with managements of brokerage companies and banks holding authorisations of the Bank of Slovenia for performing investment services and activities, and who are members of the Association, was organised. In autumn the Agency's representative participated at the seminar organised by the above stated Association on the change of Agency's guidelines related to prevention of money laundering and financing of terrorism. In the process of preparing the legislation and implementing it, the Agency closely cooperates with the Association of Securities Exchange Members (the GIZ) and the Section of Custodian Banks within the Bank Association of Slovenia.

In the scope of cooperation with other institutions, regular data exchange was performed with domestic supervisory bodies and ministries (particularly the Ministry of Labour, Family and Social Affairs, the Bank of Slovenia and the Insurance Supervision Agency). The Agency regularly sent aggregated data and statistics on the operations of investment funds and mutual pension funds to them. These data were compiled on a monthly or quarterly basis. Furthermore, the Agency also prepared specific data on the operations of investment funds and mutual pension funds for the needs of foreign supervision authorities.

Furthermore, the Agency co-operated with the Slovenian Institute of Auditors in the implementation of implementing regulations in the field of accounting and auditing of investment funds.

8.2. EU and international cooperation

In 2011, the most significant part of the Agency's international cooperation was still directed toward the EU.

On 1 January 2011, the ESMA (European Securities and Markets Authority) started its operations, pursuant to the provisions of the Regulation No 1095/2010 of the European Parliament and Council of 24 November 2010 establishing a European Supervisory Authority. It actually continues the work of the CESR (Committee of European Securities Regulators) in a newly formed European agency, which has a new legal and organisational form and additional and new powers, as well as guaranteed autonomy of decision making.

The ESMA is one of the three new EU agencies for supervision of financial markets; the other two agencies deal with bank supervision (the EBA – European Banking Authority), insurance operations and pension insurance (the EIOPA – European Insurance and Occupational Authority). All three European agencies together with the ESRB (European Systemic Risk Board) and national supervisory authorities represent the European System of Financial Supervision (the ESFS).

The need for reorganisation of financial supervision in the EU results in the 2007-2008 financial crisis. The new organisational scheme is the result of the analysis and proposals done by the group of experts within the so called deLarosier group. For example, the group established that a comparison of the Member States pointed to uneven and inconsistent supervision, as the latter generally remains under local supervisors despite actual cross-border transactions of financial institutions. Thus the new organisation for European financial supervision should provide higher convergence of practices related to technical standards between the EU supervisors and more cooperation between the Member States. The Member States would also cooperate in the future crisis situations.

Considering the fact that all internal documents of the ESMA were prepared during 2010, the new agency started its operations in accordance with the plans, namely on 1 January 2011. At the first meeting of its new body – the Board of Supervisors (BoS), consisting of directors and chairmen of all national supervisory authorities of the capital markets, the ESMA's internal documents were confirmed, while 6 members of the Management Board were elected from the BoS members, as well as the new professional chairman of the ESMA, Steven Maijoor, a representative of the Dutch supervisor. Furthermore, in accordance with the Regulation 1095/2010, the Executive Director, Verena Ross, a representative of the English supervisory authority (UK FSA), was also elected. When stating the management bodies, it should be mentioned that the vice-president of the ESMA is the President of the Portuguese Securities Commission, Carlos Tavares, that 30 members of the Securities and Markets Stakeholder Panel from different EU Member States were appointed during 2011 (representatives of finance industry, such as service providers and agents, investors, representatives of the market infrastructure, issuers of securities, institutional investors, representatives of shareholders, operators of funds, industry employees, academics and small business representatives), as well as two members of each ESA in the Board of Appeal. The BoS and the Management Board publish the minutes of their meetings on the ESMA home page.

In July, the new agency moved to a new location, at the address 103, Rue de Grenelle. In 2011, Liechtenstein and the supervisory authority from that state were admitted to the ESMA as the third observer member (in addition to Island and Norway).

In 2011, the operations of the ESMA mostly focused on the following fields:

- CRA - Credit Rating Agencies; pursuant to the amended Regulation on CRA No 1060/2009, the ESMA had to prepare drafts of regulatory technical standards to be adopted by the Commission, particularly in relation to the CRA registration procedures (documentation to be submitted in the registration procedure, content, format, structure and deadlines for announcement of information to be published by the CRA under the Regulation, methods to be applied for statement of credit ratings and their consistency with the Regulation, as well as other details). The documents from this field of work also include a contribution of the CRA Technical Committee as a final proposal for the Commission on the expenses of the CRA. In October 2011, the largest four CRAs were registered in the EU, namely Fitch, Moody's, S&P and DBRS. Simultaneously with those activities, the experts of the Technical Committee also drafted the terms and conditions for acknowledgement of the equivalence of credit ratings given by third states for the EU use. Equivalence of the third country laws with the EU regulations, namely with the Regulation and its annexes, was verified in detail to prepare the content of the MoUs (Memorandum of Understanding).
- Post trading: the group was intensively working on T2S (TARGET2 Securities), was monitoring developments related to adoption of the new EMIR Directive (European Market Infrastructure Regulation), the content of which should be adopted and confirmed at the beginning of 2013, defining additional supervisory powers of the ESMA, as well as obligatory drafting of regulatory technical standards.
- Short selling: in 2011, some Member States kept the prohibition or limitation of short selling. At the end of the year, the ESMA started with intensive preparations to the implementation of the new Regulation on Short Selling (enforcement on 1 November 2012), such as drafting regulatory technical standards by individual fields regulated by the new Regulation.
- Revision of the MiFID and MAD Directives: the ESMA was monitoring proposed amendments and supplements to these two Directives. Legislative proposals were not yet harmonized and adopted in the EU by the end of 2011.
- Review Panel: in the first half of the year we finalized the report related to the Transparency Directive – options, discretions and more stringent requirements (published in June 2011). On the field of the Prospectus Directive, the Member States started with self-assessment of the »Prospectus Directive – Good practices«, while in the second stage our practices regarding approval of prospectuses were evaluated by our colleagues within the »peer review«. The final results of these exercises were not known by the end of the year. In relation to major projects of the permanent Review Panel group, we should mention completing of the comprehensive questionnaire »MAD – actual use of sanctions«. Considering the answers, a special group drafted a report on the actual state of the market supervision in relation to detection of prohibited acts – insider trading and market manipulations, as well as the methods used to sanction established irregularities, with reference to administrative measures and sanctions, as well as criminal sanctions in each ESMA Member. In accordance with the adopted plan of the group for 2011 and the following years, it must be underlined that there will probably be more »peer review« projects.
- The ESMA also discussed implementation of certain new competences under the ESMA Regulation 1095/2010, such as, for example, potential crisis situations, in which the ESMA will be forced to act, performance of actual supervisory tasks and other.

The above stated facts do not mean that other existing Standing Committees were not active, among them, for example, those from the fields of investment funds (Investment Management Standing Committee), secondary market (micro-questions on the market or trading on regulated markets and other platforms of the EU Member States, such as systems and controls in highly automated trading systems, pre and post trading transparency issues - MiFID waivers and others), international accounting standards – the IFRS, reporting in accordance to these standards, questions on equivalency of the IFRS and GAAP of third states and auditing (Corporate Reporting Standing Committee and its EECS), investor protection (Investor Protection and Intermediaries Standing Committee), Corporate Finance Standing Committee (Prospectus and Transparency Directives and Corporate Governance) and a new working group for financial innovations (new and

complex financial instruments and financial services and related eventual warnings for investors), IT group (establishment and implementation of the CEREP system) and other.

In relation to investment funds and investment management, the Agency participated at all the meetings of investment management experts in 2011 – the Investment Management Standing Committee (IMSC), acting within the ESMA. The IMSC actively cooperated with the European Commission in relation to all the tasks performed on the field of investment funds. Following the requests of the European Commission addressed to the ESMA and the IMSC, the Committee drafted several opinions and proposals in relation to the guidelines for the ETF and structured UCITS, changes of the definition of monetary funds and implementing measures (standards) under the AIFM Directive (cooperation with supervisory authorities, risk management, depositary services, classes and types of alternative investment funds, ...).

IOSCO

In the past year, the activities of the IOSCO were mostly directed towards changes in the organization's strategy. The members of the IOSCO Executive Board adopted several resolutions, among other issues, permanent expert committees and working groups of the ERC (Emerging Market Committee) will be reorganized into mutual, uniform committees consisting of 30 members. Such organization should be enforced after its adoption at the annual conference to be held in May 2012 in Beijing. All the committees will have their president and vice-president (Accounting, Auditing and Disclosure Committee, Secondary Market Committee, Market intermediaries Committee, Information Implementation and Exchange Committee, Investment Management Committee, Credit Rating Agencies Committee and Commodities Derivatives Committee).

In addition, the Executive Board drafted a proposal for changes of the membership. Most of the comments refer to distribution of the voting rights among certain regular members, who share their votes, and to the granting of the voting rights to associated members. The proposal for regular IOSCO members – 1 state, 1 vote – is supported by a high number of IOSCO member states, however, there are more complications in relation to the states with several securities market supervisory authorities (e.g. Bosnia and Herzegovina with three entities within one state, each having its own securities supervisory authority; similar cases can be found in United Kingdom with Virgin and Cayman Islands). The proposals include 1 member – 1 vote, which, according to the members, does not entirely offer a well-balanced solution for competences with rather complex legislative framework of the financial sector (comprised of several securities market regulators, which could mean more votes for 1 state).

As a regular member of this organization, the Agency participated at the annual conference of the IOSCO held in the South African Republic in April 2011. The role of securities in relation to systemic risks, development of local debt markets, new management trends and consumer training were among the topics discussed. Some new countries also joined the MMoU.

The employees of the Agency participated at the annual conference of the Emerging Market Committee (EMC) held in the Dominican Republic in October 2011 where most of the time was spent on the implementation and practical use of new IOSCO principles. There were also workshops referring to the development of an investor base, systemic risk and recommendations for new markets development, as well as minority shareholder protection and corporate management in practice.

In 2011, there were also two meetings of the European Regional Committee held in June in Lisbon and in December in Brussels.

In the framework of international cooperation, the Agency's employees participated in training programmes organised by IOSCO and the training programme organised by the US SEC.

Cooperation with other supervisory authorities

In November 2011, the Agency acceded to the Statement on Cooperation of Capital Market Regulators in the Region, together with Serbia, Montenegro, Croatia, Macedonia, Republika Srpska, Federation of Bosnia and Herzegovina and Brčko District of Bosnia and Herzegovina. The purpose of the Statement is to establish and maintain fair, efficient and regulated capital markets and better investor protection.

9. OTHER ACTIVITIES OF THE AGENCY

9.1. Public relations

In 2011, the Agency's public relations activities, as since the establishment of the Public Relations Department, were focused on professional and constant communication with all interested publics (employees, media, supervised entities, investors and others). We estimate that in 2011 the Agency did a good job building and maintaining professional, correct and open relationships with all the interested publics, as in the previous years. It has been noted that the visibility of the Agency among general public has significantly improved in the last four years and that the new corporate design, introduced at the beginning of 2010, was well accepted among the employees and the general public. Since 2008 the Agency has made several steps towards better openness, transparency and visibility. The recognition enjoyed by the Agency in public proves that its plans were correct and that the energy and time spent on the development of ingenious communication tools (development of the web portal, intranet, introduction of certain new practices for establishment of good relations with internal public, and other), strategies and public relations were justified. On the other side, the establishment of an efficient communication system, which represented the major task of the Public Relations Department during its first years, allows the department to spend more time on individual communication projects.

Two planned communication projects, informative booklets referring to supplementary pension insurance and the Agency's operations, were unfortunately not realized, however, the Agency still achieved its public relations goals in 2011. The cause for non-fulfilment of the above stated communication projects can be found in the refusal of the pension scheme reform and high printing costs for the booklets about the Agency's operations, as its presentation on the web portal is already highly visited.

The most important public for every successful modern organization are probably its employees. The Agency also recognizes that its achievements are the results of its employees. With reference to internal public relations, the Agency follows modern trends, paying special attention to well-being of employees and proper information flows. In 2011, the Agency upgraded the existing communication channels and dedicated even more time to information for employees with support of its web tools, while there was a special focus on direct and two-way communication with them. Better flow of information for the employees enhances their feeling of interaction with the organization and increases their affiliation. Therefore, the Agency uses its Public Relations Department to inform the employees on all relevant information, bringing attention to media contents related to the work of individual employees. An internal survey of satisfaction performed in May 2010 justified careful structuring of the relationship with the employees. The employees expressed high satisfaction with the management and the relations among the employees, while the Agency received high grades for its operations and perspectives.

Considering the relations with the media, the Agency can be proud of high response and currency. Journalists' questions are generally answered within the requested time, mostly on the same day. The answers mainly focus on the content, which is usually comprehensive, if permitted by legal

requirements in relation to communication. The Public Relations Department of the Agency uses all available communication channels to present its opinion and information on the Agency's operations. Individual articles in the media are constantly monitored and responded when that is necessary. The Agency evaluates its communication with the media as good, since the number of requests for corrections or answers to media contents is low. The Agency has noticed that journalists and other interested parties have regularly monitored the Agency's announcements since the introduction of the web portal at the beginning of 2009, summarizing and responding to them. During the years after its launch, the Agency's web portal experienced several improvements to achieve higher useful value.

Minority shareholders remain an important public. In its announcements and communication to the media, the Agency dedicates more attention to their protection, warning them of eventual risks. When communicating to all its interested parties (in addition to the above stated, there are also representatives of institutions, students and others), the Agency strives for professionalism, responsiveness, achievement of high professional and ethical standards, as well as maintenance of dignity of everybody involved despite a fierce polemic.

9.2. General, human resources and other matters

In 2011, the Agency employed on average 43.56 employees, considering the number of hours actually worked. Three employment contracts were terminated during the year, so at the end of the year the Agency had 49 employees, of whom two employees were working half-time (disabled workers), and one was partly retired. In 2011, four persons were absent due to maternity leave and childcare leave.

The Agency focuses in particular on additional education and training of the employees, which is required by fast development of financial markets and new services. Thus the Agency allowed to its employees off-the-job studies and other forms of external education and internal training. The qualifications held by the Agency's employees were as follows, as of 31 December 2011: one doctor of science, seven masters of economics, three masters of science in economics (Bologna course), 14 bachelor's degrees in law, 12 bachelor's degrees in economics, one bachelor's degree in physics, one bachelor's degree in engineering mathematics, one bachelor's degree in journalism, one bachelor's degree in communication sciences, one bachelor's degree in administrative organisation, one bachelor's degree in organisation-management, three graduates in economics and three graduates from secondary school.

In 2011, the Agency amended or supplemented the following general acts:

- Rules of Procedure of the Securities Market Agency (28 February 2011);
- Regulations on Internal Organisation and Job Classification (28. February 2011, 13 July 2011, 27 July 2011 and 6 December 2011);
- Regulations on Protection of Confidential Information of the Securities Market Agency (11 August 2011);
- Rules on Definition of the Working Hours of the Securities Market Agency (24 November 2011);
- Rules on Treatment of Archives and Keeping of Archives (11 August 2011);
- Rules on Protection of Workers from Discrimination, Harassment and Mobbing (20 July 2011).

On 25 July 2011 the new Rules on Protection of Workers from Discrimination, Harassment and Mobbing were enforced as required by the Employment Relationships Act. These rules regulate protection of workers from discrimination, sexual and other harassment or mobbing and define the procedures and measures of respect and preservation of the dignity of workers at work. The Director issued a decision to appoint an adviser for this field.

In 2011, the Agency adopted completely renewed rules, namely the Regulations on Protection of Confidential Information of the Securities Market Agency and the Rules on Treatment of Archives and Keeping of Archives, which respect the fact that more and more archives are kept in electronic form and stored on digital data carriers. Recording, treatment, protection and storage of such documents and data have also been adjusted accordingly.

In addition to labour-law relations and internal relations, the Agency independently handles other contractual relations and relations with different entities in connection with its operations, including public procurement procedures (preparation of the relevant documentation at the beginning of the procedure, evaluation and selection of bids, drafting of various contracts and delivery notes, monitoring and evaluation of the implementation of orders, record-keeping and resolving of potential complaints, etc.).

The new Health and Safety at Work Act was enforced on 3 December 2011, introducing certain new regulations for companies and employees. The new regulations refer to promotion of health at work, control of violence, mobbing, harassment and other psycho-social risks at work, new regulations in relation to preventive medical examinations, changed procedures referring to licences to be obtained by clerks and other. Since the Agency has been known for well-regulated safety at work, only minor amendments of the existing regulations are planned. As soon as the end of 2011, the Agency already started implementing the new regulations of this Act, while most of the changes will be introduced in 2012. The Agency regularly provides necessary preliminary and periodical medical examinations and training from the field concerned. Pursuant to the Fire Protection Act, the Agency provided training for the person in charge of extinguishing minor fires and evacuation of persons from the building.

Pursuant to the Integrity and Prevention of Corruption Act, the Agency prepared the plan of integrity within the initial time period (June 2011), specifying necessary measures, priorities, operators of measures and deadlines for their implementation for any identified risk in the Agency in relation to corruption and other illegal and unethical acts. According to the plan, the majority of measures were already implemented by the end of 2011, however, considering the actual financial and other Agency's sources, some measures shall be implemented gradually, by the end of 2014 at the latest. In addition, the Agency constantly monitored the implementation of the Agency's integrity plan, in particular within the prescribed three-month reports.

Concerning planned activities related to optimization and computerization of the Agency's activities, the latter prepared some improvements and upgrades of human resources, in particular with reference to different aspects by individual criteria, and similar.

By the end of February 2011, the Agency compiled and sent to AJPES the annual statements of accounts for 2010, including the business report, as prescribed by the Accounting Act and Public Finance Act. By the prescribed deadline on 31 March 2011, the Council adopted the Agency's annual statements of accounts for 2010 and the budget for 2011, including the plan of work of professional services, which the Government of the Republic of Slovenia approved on 19 April 2011.

In accordance with Articles 472 and 473 of the ZTFI, The Agency prepared for the National Assembly the Annual Report of the Work of the Agency in 2010 and the Report on the Situation on the Market in Financial Instruments in 2010, which were examined by the Committee on Finance and Monetary Policy. The session of the Committee on Finance and Monetary Policy and the discussion on these two documents were postponed due to early elections for the National Assembly of the Republic of Slovenia.

At the beginning of September 2011, the Agency drafted a proposal of the budget for 2012 required for indirect state budget users by Article 13 of the public Finance Act and the Regulation on Development Planning Documents and Procedures related to Drafting of the State Budget

Proposal. In the framework of drafting the state budget, indirect budget users shall receive an invitation and guidelines of the Ministry of Finance related to preparation of the budget for the next year or two years. In 2011, the Agency did not receive such invitation of the Ministry of Finance as the revised budget for 2011 was still being prepared. Therefore, when preparing its budget for 2012, the Agency respected the last available guidelines, the instructions and guidelines of the Ministry of Finance of 16 August 2010 and the Budget Manual 2011-2012.

In addition, the Agency promptly and timely prepared other various compulsory reports and data (the Agency's balance sheet for 2010, corporation tax for 2010, reports in relation to salaries, statistics of financial accounts, etc.), and prepared different internal reports and accounting statements.

The Agency has its own accounting department, which performs all accounting functions of book-keeping, invoicing, control and analysis, managing the books of account and various accounting records; in 2011, it recorded nearly 27,000 entries in its books of accounts (data kept on the accounts used for recording changes arising from business events in individual asset parts of the Agency). The figure is slightly lower than in the previous years, as the number of supervised subjects started to decrease, which has been described in the chapter on supervision. A part of entries were made in order to monitor the movement in general government revenue and expenditure (the cash-flow accounting principle applies to recognition of revenue and expenditure in books of accounts). In this scope, the Agency recorded 2,539 invoices issued under the tariff, of which 2,041 for monthly supervision fee and 492 for annual supervision fee and 6 invoices under other grounds. Furthermore, the Agency issued several other documents, such as IOP forms, debit notes, accrued interest. The Agency received 900 invoices from its suppliers in 2011. All invoices were paid by the set due dates.

As a rule, the Agency independently handles its own debt collection, using reminders, lodging motions for enforcement on the grounds of enforceable instruments and authentic documents for enforcement at local courts, as well as other remedies. In 2011, the Agency filed 11 claims in bankruptcy proceedings in relation to legal subjects and 43 applications for enforcement. The Agency had outstanding receivables of EUR 220,142 as of 31 December 2011 for accrued interest, taxes and fees under the Tariff, lump-sum court fees from minor offences procedures, refunding of compensation for sickness and disability of its employees and other, of which EUR 106,187 were bad and doubtful debts, for which the enforcement motions were lodged by the Agency, the claims registered in compulsory settlement and bankruptcy proceedings and filed lawsuits and requests for judicial protection lodged against the Agency's decisions setting out an obligatory payment of tax, fee or lump-sum court fee.

Pursuant to the Occupational Rehabilitation and Employment of Disabled Persons Act and the Regulation on Quota for Employment of Disabled Workers, the Agency has been, in accordance with the decision of the Republic of Slovenia Fund for Promotion of Employment for Disabled Persons, exempt from the payment of contributions for pension and disability insurance since 1 January 2006 for each disabled person employed above the prescribed quota of 2 %, as it employs two disabled workers. The Republic of Slovenia Fund for Promotion of Employment for Disabled Persons re-issued a decision to the Agency in 2011 that the reward for exceeding the quota be paid for the further 12 consecutive months.

Until the end of February 2011, a certified auditor audited the Agency's financial statements for the past year. The opinion was that the Agency's balance sheet and income statement for 2010 gave a true and fair view of its financial position and were in accordance with the Accounting Act and the Slovenian Accounting Standards. Furthermore, in October 2011, the certified auditor completed the first stage of auditing the financial statements for 2011. For 2011, the external auditor saw the completion of the regular annual internal audit of the Agency, comprising the inspection of cash transactions, reimbursements of business travel costs, verification of consistency of records and use of documents with the accounting standards and internal regulations, as well as inspection of procedures of notification of funds from other Member States.

9.3. Information technology

In the first half of 2011 the Agency proceeded with upgrades and adjustments of the system for electronic capture and delivery of data (the National Reporting System – NRS); at the Agency's request, electronic reporting by the Ljubljana Stock Exchange and the KDD was established, and all necessary technical preparations to the implementation of electronic reporting by public companies were also completed. In the second half of 2011, the Agency proceeded with changes and adjustments of the NRS system to the required reporting by brokerage companies, according to the amended implementing regulations on reporting. The establishment of reporting by public companies (SONI and ODNI reports) as well as changes in reporting by brokerage companies will be implemented in 2012. The implementation of the anticipated upgrade of reporting by mutual pension funds in 2011 was not realized, as the related act was not amended. It was estimated that it is reasonable to wait for adequate and expected amendments of the act from this field since all interventions in the existing electronic reporting are demanding from the operational and financial aspects.

In 2011, the Agency was intensively working on the Agency's integrated information system project (the IISA) that will provide more efficient information support to the Agency's business processes. The public tender for the selection of the contractor was successfully closed, so the development works started in November 2011. The first development stage will be finished in the first half of 2012. The system should be launched in its entirety within three years of the selection of the contractor, while individual components of the system will be applied before that date.

The special internal project group established by the Agency in 2010, whose task was to provide conceptual and technical consistency of implemented and anticipated projects with the regulations, requirements and needs of the Agency, also completed its work with success in 2011.

In 2011, the Agency continued the project of establishment of an information protection management system (the SUVI). The set of security policies covering physical and technical security, as well as the server infrastructure, applications and network were successfully prepared in 2011, including the plan for uninterrupted operations of the Agency. The implementation of all the sets is anticipated for the first half of 2012. For the purpose of better protection of information, the Agency also upgraded and replaced the alarm and video-control system, providing a safe key management system and introducing physical security of its offices. In 2011, the Agency also initiated the activities for the establishment of a backup location, which will end in the first half of 2012.

The Agency implemented the upgrade and optimization of the server and network infrastructure in the second half of 2011 by purchasing additional memory capacities for the server farm and upgrade of the disk array. The software platform for virtualization to secure more reliable functioning was also upgraded. The Agency set up approximately 10 virtualized working stations for end users in 2011.

In 2011, the Agency started upgrading the e-session application in order to provide a possibility of electronic voting at correspondence sessions. The renewal should be finalized in 2012.

In 2011, the Agency also implemented several upgrades of the system (mail server, data base servers, operational systems) and application software (document system, website) and accomplished planned activities on the field of information technology.

II. ANNUAL STATEMENTS OF ACCOUNTS (audited data)

BM veritas

• AUDITORS •

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REPORT OF INDEPENDENT AUDITOR

**To the Council of
Securities Market Agency
Poljanski nasip 6
1000 Ljubljana**

We performed an audit of the accounting statements of the Securities Market Agency, which include the balance sheets, as at 31 December 2011, and the related revenue and expenditure account for defined users of the unique chart of accounts for the year ended, as well as the summary of fundamental accounting policies and other explanatory notes.

Management's responsibility for accounting statements

The management is responsible for preparation and fair presentation of the accounting statements, in accordance with the Accounting Act and the Slovenian Accounting Standards. This responsibility includes: establishment, functioning and maintenance of internal controls related to preparation and fair presentation of the accounting statements, which do not include significant false statements due to a fraud or an error, selection and use of adequate accounting policies and preparation of the accounting estimates justified in given circumstances.

Auditor's responsibility

Our task is to present our opinion of these accounting statements after an audit has been performed. Our audit was performed in compliance with the international auditing standards. These standards require that we fulfil the ethic requirements for planning and performance of an audit, in order to obtain an acceptable assurance that the accounting statements do not include any significant false statements.

The audit includes procedures, in which we collect the auditing evidence of the amounts and disclosures in the accounting statements. The selected procedures depend on the auditor's judgement and include the assessment of risk related to false statements in the accounting statements due to a fraud or an error. While assessing these risks, the auditor examines internal controls referring to preparation and fair presentation of the company's accounting statements, in order to define adequate auditing procedures in relation to the circumstances, without stating an opinion on efficiency of the company's internal controls. The audit also includes an evaluation of adequacy of applied accounting policies and justification of the management's accounting estimates, as well as an evaluation of the entire presentation of the accounting statements.

We believe that the acquired auditing evidence represents sufficient and adequate grounds for our auditor's opinion.

Opinion

In our opinion, the accounting statements from the first paragraph have been prepared in all important aspects in compliance with the Accounting Act and the Slovenian Accounting Standards.

Ljubljana, 20 March 2012

Benjamin Fekonja, BEcon
Certified Auditor

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1. INTRODUCTION

Pursuant to Article 494 of the Market in Financial Instruments Act (the ZTFI), the Council of the Securities Market Agency adopts the annual statements of accounts for the previous year by 31 March of the current year. The annual statements of accounts of the Securities Market Agency must be audited by a certified auditor. The Agency is bound to deliver the annual statements of accounts with the auditor's report to the Minister of Finance within ten days after their adoption. The Agency's annual statements of accounts are approved unless the Government of the Republic of Slovenia adopts a different decision within 15 days of their receipt.

The annual statements of accounts for 2011 include the Agency's financial statements and explanatory notes to the financial statements.

2. FINANCIAL STATEMENTS

Pursuant to Article 20, Paragraph 2 of the Accounting Act (the AA) and the Rules on Composition of Annual Statements for the Budget, Budget Users and Other Public Legal Entities (the Rules on Composition of Annual Statements), the form and contents of the financial statements have been prescribed.

According to the Rules on Composition of Annual Statements, the Agency is obliged to prepare the following two financial statements:

- Balance Sheet prepared on the Balance Sheet form (Annex 1 to the Rules on Composition of Annual Statements), and
- Revenue and Expenditure Account prepared on the Revenue and Expenditure Account of Defined Users form (Annex 3 to the Rules on Composition of Annual Statements).

3. EXPLANATORY NOTES TO FINANCIAL STATEMENTS

The explanatory notes to financial statements are composed of value related explanatory notes, descriptive explanatory notes and explanatory notes to financial statements.

3.1. Value related explanatory notes to financial statements

Pursuant to the Rules on Composition of Annual Statements, the value related explanatory notes to the balance sheet and revenue and expenditure account are prescribed as compulsory annexes to financial statements.

Compulsory annexes to the balance sheet are the following tables on the prescribed forms:

- Status and trends of intangible assets and tangible fixed assets (Annex 1/A to the Rules on Composition of Annual Statements);
- Status and trends of long-term capital investments and loans (Annex 1/B to the Rules on Composition of Annual Statements).

A compulsory annex to the revenue and expenditure account is a table composed on the form Revenue and expenditure account of defined users by activity type (Annex 3/B to the Rules on Composition of Annual Statements).

The financial statements defined under Articles 21 to 25 of the Rules on Composition of Annual Statements are presented on the following forms:

- Revenue and expenditure account of defined users according to the cash flow principle (Annex 3/A to the Rules on Composition of Annual Statements);

- Statement of receivables and investments of defined users (Annex 3/A-1 to the Rules on Composition of Annual Statements), and
- Statement of financing of defined users (Annex 3/A-2 to the Rules on Composition of Annual Statements).

3.2. Descriptive explanatory notes to financial statements

Descriptive explanatory notes to financial statements include:

- applied fundamental accounting estimates;
- information on methods applied to evaluate individual categories in financial statements;
- accounting information referring to disclosure of information presented in the balance sheet, revenue and expenditure account and their annexes.

Applied fundamental accounting estimates

According to the ZTFI, the Agency is a public legal entity. Pursuant to the Public Finance Act (the PFA) and the Rules on Definition of Direct and Indirect Budget Users of the State and Local Budgets, the Agency is specified as an indirect state budget user. In accordance with the AA and the Rules on Subdivision and Measurement of Revenues and Expenditure of Public Legal Entities (the Rules on Subdivision and Measurement) and the PFA and the Rules on Composition of Annual Statements, the Agency is specified as a defined user of the unique chart of accounts.

In bookkeeping and composition, drafting and delivery of annual statements, the Agency respects the provisions of the AA and other regulations, including the PFA, and in compliance with the AA, Article 2, also the Slovenian Accounting standards issued by the Slovenian Institute of Auditors.

Pursuant to the AA, Article 31, the Agency has evaluated corrections in the financial statements since 1 January 2000 in accordance with the accounting standards, unless stipulated otherwise in the AA and other regulations.

When using the (Slovenian) accounting standards, the Agency also considers Article 16 of the Rules on Subdivision and Measurement, which stipulate that users of the unique chart of accounts determine and subdivide their revenues and expenditure and evaluate their assets and liabilities in accordance with the AA and the related regulations. Subdivision and statement of revenues and expenditures should also respect the provisions of the rules regulating the unique chart of accounts. The accounting standards apply to all other issues not regulated with the above quoted regulations.

The Agency has its own accounting department, which keeps and prepares records in the Slovenian language and in euro. The financial year equals the calendar year.

Financing of the Agency

Pursuant to the ZTFI, the funds for the work of the Agency are mainly secured from fees and charges, the level of which is set by the Tariff issued by the Agency, subject to the approval of the Government of the Republic of Slovenia, and from other revenues generated by the Agency. According to this Act, one part of the profit generated in the previous year is allocated to the Agency's reserves in the amount defined in its budget for the year, in which profit was generated, while the rest is transferred to the budget of the Republic of Slovenia. The same Act also includes a provision stating that the Agency's loss is covered from its reserves, and if the latter are not sufficient, from the budget of the Republic of Slovenia. The funds from the budget of the Republic of Slovenia can be provided only if the performance of the Agency's tasks was seriously compromised.

The former Market in Financial Instruments Act, namely the ZTVP and the ZTVP-1, included the same provisions as the ZTFI.

The Agency received no funds from the budget except upon its foundation in March 1994.

Information on methods applied to evaluate individual categories in financial statements

1. Recognition of revenue

Revenues of the accounting period are recognised according to the occurrence of the trade event. Due to monitoring of the trends in general government revenue and expenditure, they are also recognised in accordance with the cash flow principle, which is defined by the Rules on Composition of Annual Statements for other users of the unique chart of accounts.

The Agency obtains the funds for performance of legally prescribed authorisations and competences from fees and charges, as well as from other revenues generated during its operations, however, it generates no revenues from sale of products and services on the market.

The amount of fees and charges is set by the Tariff on charges and fees issued by the Agency with the approval of the Government of the Republic of Slovenia.

Pursuant to the Minor Offences Act, the Agency became a minor offences authority on 1 January 2005, who decides on the amount of fine and costs of the minor offences procedure (court fee). According to the Minor Offences Act, fines represent state revenue, while court fees become the Agency's revenue.

Financial revenues of the Agency are generated in relation to financial investments in the form of bank deposits and/or purchases of securities of the Republic of Slovenia (regular interest). They are also recognised due to overdue receivables (default interest).

Other revenues are composed of revenues outside the usual events occurring within the Agency's operations, which are not expected to repeat often or on regular basis, neither can be reasonably expected to occur in the near future.

Revaluated revenues occur upon sale of intangible assets and tangible fixed assets if their disposable value exceeds the book value. The Agency assures the funds to cover depreciation costs from the profit or funds obtained for its legally prescribed authorisations and competences, namely from fees, charges and lump-sum court fees and other revenues generated in its operations. Cancelled liabilities are also stated among revaluated revenues.

2. Recognition of expenditure

Expenditures of the accounting period are costs occurred in each accounting period and other costs affecting profit or loss for the accounting period, in compliance with the adopted accounting rules (regulations, accounting standards, internal acts) on inclusion of costs among expenditures for the accounting period. Since the Agency performs legally prescribed tasks and duties, and does not perform any production activity, the costs incurred in each accounting period represent the expenditures for that period, except when they are recognised as expenditure in the period following the accounting period, according to the approved accounting rules (in particular long-term deferred costs and accrued expenses).

Expenditures are recognised according to the occurrence of the trade event. Due to monitoring of the trends in general government revenue and expenditure, they are also recognised in accordance with the cash flow principle, which is defined by the Rules on Composition of Annual Statements for other users of the unique chart of accounts.

As a rule, expenditures also include the amount of the (input) value added tax, since pursuant to the decision of the Tax Administration of the Republic of Slovenia, the Agency has not been identified for the VAT purpose since 1 February 2006.

Financial expenditure in the form of interest occurs in relation to overdue liabilities.

Other expenditure is composed of unusual items and other expenditure. They include events outside the usual events occurring within the Agency's operations, which are not expected to repeat often or on regular basis, neither can be reasonably expected to occur in the near future.

Revaluated expenditure occurs upon sale of intangible assets and tangible fixed assets if their disposable value does not exceed the book value. Revaluated expenditure also includes revaluated expenditure due to the impairment of receivables when outstanding receivables are doubtful in respect of payment and disputable due to initiated legal proceedings.

3. Statement of assets and liabilities by type and maturity

In the balance sheet assets and liabilities are subdivided by type and maturity. Long-term receivables or liabilities, which are due for payment no later than in one year after the date of the balance sheet, are stated as short-term receivables or liabilities.

4. Statement of long-term accruals and prepaid expenditure

Long-term deferred costs (e.g., contribution by owner of premises into a reserve fund) are stated among long-term accruals and prepaid expenditure.

5. Statement of intangible and tangible fixed assets

Intangible assets include users' software purchased to perform certain operations, as well as licenses, both valid for more than one year.

Tangible fixed assets include property (offices, warehouse and parking place), vehicles and equipment.

These assets are stated separately in the books, while eliminated assets are not stated any more.

6. Write-off of intangible and tangible fixed assets – amortisation/depreciation

Regular amortisation/depreciation is performed in accordance with the accounting standards, while depreciation rates and its methods are prescribed by the Rules on methods and rates for depreciation of intangible and tangible fixed assets (hereinafter: the Rules on Depreciation).

Regular write-off or depreciation refers to corrections of fixed assets' value in the books for the amount of depreciation calculated in the annual accounts, while extraordinary write-off is used in case of sale, permanent elimination and due to impairment of fixed assets.

Depreciation (write-off) of assets is calculated using the method of uniform time depreciation and depreciation rates stipulated by the Rules on Depreciation.

7. Revaluation of tangible fixed assets

Revaluation of tangible fixed assets as a result of their impairment or an eventual increase of value is performed in the extent and according to Article 13 of the Rules on Subdivision and Measurement.

8. Short-term financial assets

Short-term time deposits are stated among short-term financial assets.

9. Short-term receivables

Short-term receivables include regular receivables (immature and mature), as well as doubtful accounts in respect of payment and disputable accounts due to initiated legal proceedings.

10. Own funds and long-term liabilities

According to the provisions on reserves of the Market Securities Act, which was replaced on 11 August 2007 by the Market in Financial Instruments Act, the difference in value between revenues and expenditure of the financial year should be stated as their change, therefore as an increase with revenues exceeding the expenditure (Article 305 of the ZTVP-1 or Article 492 of the ZTFI), or as a decrease if expenditure exceeds the revenues (Article 306 of the ZTVP-1 or Article 493 of the ZTFI).

These reserves are stated under two items within own funds, namely under the item of asset fund in other public legal entities owned by them, for intangible and tangible fixed assets, and under the item profit. The first item has its source in intangible assets and tangible fixed assets, and the second one in other assets (cash and bank, investments ...).

11. Tax

Although the Agency was founded under a special act as a non-profit-making organisation and actually operates in accordance with its foundation purpose under a special act, it is obliged to pay corporate income tax, in compliance with Article 9 of the Corporate Income Tax Act, but only in relation to revenues generated with profitable activities, as defined in the Rules on Definition of Profit and Non-profit Activities.

Pursuant to the decision of the Tax Administration of the RS, the Agency has not been identified for the VAT purpose since 1 February 2006.

12. Statement of cash and bank

Cash includes cash held in the cash register in local currency and in foreign currencies.

The item bank states cash at accounts held at the Public Payments Administration of the Republic of Slovenia and at banks.

13. Support by the state

The Agency has not received any funds from the budget of the Republic of Slovenia except upon its foundation in March 1994 when the Republic of Slovenia provided the funds for the launch of the Agency.

14. Contributions to the budget

The Agency transferred a part of its profit for 2000, 2001, 2002 and 2010 to the budget of the Republic of Slovenia, in the amount defined in the respective annual plan of the Agency that had been approved by the Government of the Republic of Slovenia.

Accounting information referring to disclosure of information presented in the balance sheet, revenue and expenditure account and their annexes

Disclosures pursuant to Article 26 of the Rules on Composition of Annual Statements:

1. Breakdown of revenues and expenditure by »activity«

The Agency performs supervision and implements other tasks and powers set out by the ZTFI, Investment Funds and Management Companies Act, Takeovers Act, Book Entry Securities Act, Minor Offences Act and other acts. Its tasks and powers are exercised with the aim of ensuring compliance with the provisions of the above stated acts and their amendments, as well as regulations issued in relation to these acts, thereby creating the conditions for the market in financial instruments to function efficiently and the investors' trust in those markets.

The funds for the Agency's operations are covered by fees, charges, lump-sum court fees and other revenues generated in its operations. Other minor revenues generated by the Agency's operations include revenues from accrued interest as a result of invested cash, occasional revenues from extraordinary trade events and perhaps from sale of tangible fixed assets.

The Agency generates no revenues from sale of products and services on the market, as it does not perform market activities and has no revenues from this title.

2. Considering its field of work, the Agency has no stock of finished products or stock of unfinished products. The Agency does not possess any significant tangible fixed assets or intangible assets, which would be entirely written off but would be still in use.

3. Provisions for liabilities and charges

The provisions for liabilities and charges are formed pursuant to the Occupational Rehabilitation and Employment of Disabled persons Act (the Disabled Persons Act) and are applied accordingly.

Pursuant to the decision of the Fund of the RS for Stimulation of Employment of Persons with Disabilities (the Fund of RS) issued in accordance with Article 74 of the Disabled Persons Act and Article 9 of the Regulation on Quota for Employment of Disabled Workers, the Agency is since 1 January 2006 exempt from the payment of contributions for pension and disability insurance for each disabled person employed above the quota for the period in which the quota has been exceeded, the provisions for liabilities and charges are formed in the value of exempt contributions for pension and disability insurance.

In accordance with the decision of the Fund of the RS issued pursuant to Article 75 of the Disabled Persons Act and Article 16 of the Regulation, the Agency is awarded a bonus for every disabled person employed in the Agency above the prescribed quota, for every month when the quota is exceeded, so provisions for liabilities and charges are formed in the value of paid bonuses for exceeding the quota.

The liabilities and charges formed under the Disabled Persons Act were spent according to Article 61 of this Act on education and training of employees and since the enforcement of the Act Amending the Disabled Persons Act, on wage subsidies for employed disabled persons.

4. Reasons for the profit stated in the revenue and expenditure account

The profit equals EUR 69,726 or EUR 57,273 after deduction of corporate income tax.

Total revenues in the amount of EUR 3,435,032 consist of operating revenues (96.45%), financial revenues (2.89 %), other revenues (0.63 %) and revaluated revenues (0.03 %).

The operating revenues include all revenues stipulated in the acts (the ZTFI, Minor Offences Act, etc.).

Total expenditure in the amount of EUR 3,365,306 consists of labour costs (65.44 %), costs of goods, material and services (24.48 %), depreciation and amortisation (7.16 %) and other costs (0.11 %); financial (0.0011 %) and other expenses (0.52 %) and revaluated expenditure (2.28 %).

5. Reasons for the profit stated in the balance sheet

The profit equals EUR 69,726 or EUR 57,273 after deduction of corporate income tax.

Pursuant to the provisions of the ZTFI, reserves are made from profit, in compliance with the Agency's budget, which is stated in the balance sheet as a change under the item of asset fund in other public legal entities owned by them, for intangible and tangible fixed assets (fund of owned assets), and under the item profit.

In 2011, the fund of owned assets decreased by 133,171 EUR compared to 2010 (the fund equals the present asset value), while the profit increased by 190,444 EUR, which equals the decrease of the fund of owned assets (133,171 EUR) and the value of the profit (69,726 EUR), whereas the amount of corporate tax was deducted (12,453).

6. The receivables, as at 31 December 2011, equal EUR 220,142 and arise from relationships with the subjects under the Agency's supervision (60.22 %), banks (27.53 %), budget users from the title of compensation for salaries, overpayment of corporate tax and similar (11.42 %), with the suppliers (0.59 %) and the employees (0.24 %).

The receivables refer to debtors in the country (91.39 %) and to debtors outside the country (8.61 %).

Among receivables there are immature receivables (40.49 %) and mature receivables (59.51 %). The mature receivables are in the recovery process. Unless they are collected with debit notes, applications for enforcement will be lodged with the competent courts, or other methods of enforcement for recovery of debts will be used, for example, a claim filed in case of initiated bankruptcy proceedings.

7. Liabilities, as at 31 December 2011, equal EUR 349,763 and do not include any mature liabilities.

The outstanding liabilities refer to debtors in the country (98.57 %) and to debtors outside the country (1.43 %).

The outstanding liabilities include liabilities to subjects liable to pay fees, who have paid such fees and require the Agency to decide on individual cases, but the Agency has not decided yet (10.03 %), liabilities towards the employees from the title of labour costs (45.47 %), liabilities arising from business relations with suppliers (36.82 %), liabilities for contributions (7.06 %), liabilities for employment contracts (0.46 %) and liabilities towards users of the unique chart of accounts (0.16 %).

8. Funds spent for investments in intangible assets and tangible fixed assets represent the reserves created according to Article 492 of the ZTFI from profit for each year, which are stated under two items within own funds, namely under the item of asset funds in other public legal entities owned by them, for intangible and tangible fixed assets, and under the item profit.

Tangible fixed assets in the form of computer equipment and intangible fixed assets were purchased for the total value of EUR 115,021.

9. Reasons for significant changes of capital assets

The value of fixed assets changed due to new purchases, write-offs and depreciation, while the value of long-term deferred costs changed due to the contributions by owner of premises into a reserve fund.

10. The Agency deposited available cash in accordance with the Rules on Deposit of Available Cash for Indirect Budget Users of the State and Local Budgets and restricted parts of municipalities, who are legal subjects, as deposits at commercial banks in the Republic of Slovenia.

11. Court proceedings

As at 1 January 2011, there were 17 ongoing judicial protection proceedings before the Supreme Court of the Republic of Slovenia against the Agency's decisions. In 2011, the Agency received 15 lawsuits contesting its decisions and 17 decisions of the Supreme Court of the Republic of Slovenia. As at 31 December 2011, there were 15 ongoing judicial proceedings before the Supreme Court of the Republic of Slovenia related to the lawsuits against the Agency's decisions. The proceeding concerning a request for judicial protection initiated in 2011 was still in course on that day.

As at 31 December 2011, the Agency was involved in two proceedings before the Constitutional Court of the Republic of Slovenia, but was not involved in any legal proceedings before district courts or higher courts and the Supreme Court of the Republic of Slovenia.

In January 2011 an agreement was confirmed as a court settlement by the Labour and Social Court of Ljubljana with reference to labour and social disputes caused by an extraordinary termination of the employment contract.

As a result of two regular terminations of employment contracts, two lawsuits were filed against the Agency in June 2011 to ascertain the legality of those regular terminations of employment contracts and to pay all wages due including contributions and taxes and achieve reintegration into work, but they have not been resolved by this moment.

12. There were no off-balance-sheet records due to absence of trade events, which would be the subject of such records (warranties, mortgages, guarantees).

3.3. Explanatory notes to financial statements

REVENUE AND EXPENDITURE ACCOUNT

	2010 in EUR	2011 in EUR
REVENUES	3,404,448	3,435,032

The revenues are lower by 6.03 %, compared to the budget for 2011, and higher by 0.90 %, compared to the turnover in 2010.

OPERATING REVENUES	3,311,491	3,311,491
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The share of operating revenues in total revenues for 2011 equals 96.45 %; if compared to the budget for 2011, revenues are lower by 6.75 %, and higher by 0.05 %, if compared to the turnover in 2010.

The revenues include revenues under the ZTFI – Tariff on charges and fees (98.72 %) and the Minor Offences Act (1.28 %).

FINANCIAL REVENUES	89,283	99,301
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The share of operating revenues in total revenues for 2011 equals 2.89 %; if compared to the budget for 2011, revenues are higher by 4.75 %, and higher by 11.22 %, if compared to the turnover in 2010.

They cover interest on cash deposits as financial assets at the banks, status of cash at the unique treasury account, default interest for mature debts and revenues from the title of positive exchange rate differences.

OTHER REVENUES	3,674	21,772
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The share of operating revenues in total revenues for 2011 equals 0.63 %; if compared to the budget for 2011, revenues are four times higher than planned and almost six times higher if compared to the turnover in 2010.

They include above all revenues from the title of bonuses due to an exceeded share of employed persons with disabilities, as stipulated by the act regulating occupational rehabilitation and employment of disabled, reimbursement of costs under judicial acts (executions, decisions) and doubtful and disputable receivables from previous years paid in 2011.

REVALUATED OPERATING REVENUES	0	835
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Their share of total assets for 2011 equals 0.02 %; in comparison with the budget for 2011, they are lower by 58.27 %.

EXPENDITURE	3,277,860	3,365,306
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The revenues are lower by 7.27 %, compared to the budget for 2011, and higher by 2.67 %, compared to the turnover in 2010.

COSTS OF GOODS, MATERIAL AND SERVICES	788,590	823,911
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Their share of total expenditure for 2011 equals 24.48 %; if compared to the budget for 2011, they are lower by 10.98 %, and higher by 4.48 %, when compared to the turnover in 2010.

They include:

- Costs of material and energy supplies	67,194	82,418
- Costs of services	721,396	741,493

LABOUR COSTS	2,219,319	2,202,276
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Their share of total expenditure for 2011 equals 65.44 %; if compared to the budget for 2011, they are lower by 7.48 %, and higher by 0.77 %, if compared to the turnover in 2010.

They include:

- Salaries and benefits	1,763,101	1,781,680
- Employer's social security contributions	308,002	306,155
- Other labour costs	148,216	114,441

DEPRECIATION AND AMORTISATION	217,002	240,983
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The share of depreciation and amortisation in total expenditure for 2011 equals 7.16 %; if compared to the budget for 2011, the amount is lower by 3.61 %, and higher by 11.05 %, when compared to the turnover in 2010.

PROVISIONS	0	0
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OTHER COSTS	7,722	3,754
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Their share of total expenditure for 2011 equals 0.11 %; if compared to the budget for 2011, they are lower by 59.69 %, and higher by 51.38 %, if compared to the turnover in 2010.

In 2011, they include in particular the contribution for building land.

FINANCIAL EXPENDITURE	13	38
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Its share of total expenditure in 2011 equals 0.0011 %.

They are related to negative exchange rate differences.

OTHER EXPENDITURE	5,130	17,617
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Their share of total expenditure for 2011 equals 0.52 %; if compared to the budget for 2011, they are lower by 30.50 %, but three and a half times higher if compared to the turnover in 2010.

They include reimbursements of costs for procedures ex officio.

REVALUATED OPERATING EXPENDITURE	40,084	76,726
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Their share of total expenditure for 2011 equals 2.28 %; if compared to the budget for 2011, they are higher by 52.96 %, and higher by 91.41 % if compared to the turnover in 2010.

They include:

- Expenses from depreciation and sale of fixed assets	2,104	7,209
- Other revaluated operating expenditure	37,980	69,517

The amount of other revaluated operating expenditure is almost twice higher than in 2010 as a result of the economic crisis, since the number of debtors not paying their liabilities has increased (doubtful and disputable receivables).

PROFIT	126,588	69,726
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Corporate Income Tax	22,947	12,453
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Profit for financial period with deducted corporate income tax	103,641	57,273
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Total generated profit equalling 57,273 EUR is by 30,823 EUR higher than planned.

BALANCE SHEET

	2010 in EUR	2011 in EUR
ASSETS	4,771,952	4,656,759

The assets include objects, rights, cash and accrued revenues and deferred costs. The assets stated in the balance sheet were acquired in the past and include also their anticipated benefits in the future. The assets decreased by 2.41 % if compared to 2010.

In 2011, the Agency acquired intangible and tangible fixed assets with its own funds in the value of EUR 115,021.

LONG-TERM ASSETS	2,758,787	1,731,935
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Their share of total assets for 2011 equals 37.19 %, which represents a 37.22 % fall in comparison with 2010, mostly due to the release of long-term financial investments (long-term deposits) in 2010.

The present value of intangible and tangible fixed assets as at 31 December 2011 equals EUR 1,727,648, while the figure for 2010 was EUR 1,860,819.

They include:

- Long-term deferred costs and accrued revenues	968	4,286
- Intangible assets (present value)	300,858	218,350
- Real estate (present value)	1,315,230	1,261,324
- Equipment and other tangible assets (present value)	244,731	247,975
- Long-term deposits	897,000	0

Long-term deferred costs and accrued expenses include long-term deferred costs for the contribution by owner of premises into a reserve fund. Intangible assets include investments in acquired property rights. The real estate item includes offices, warehouse and garage.

SHORT-TERM ASSETS AND DEFERRED COSTS AND ACCRUED EXPENSES	2,013,165	2,924,824
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Their share of total assets for 2011 equals 62.81 %, which represents a 45.28 % rise in comparison with 2010.

They include:

- Cash in the cash register	54	68
- Cash in banks and other financial institutions	239	16,724
- Short-term receivables	49,006	26,322
- Given advance payments	7,531	1,293
- Short-term receivables in relation to users of unique chart of accounts	367	768

- Short-term financial assets	1,858,000	2,749,534
- Short-term receivables related to financing	59,995	60,606
- Other short-term receivables	11,641	24,966
- Deferred costs and accrued revenues	26,332	44,543

Short-term receivables include receivables in relation to supervised entities under the ZTFI, who have not paid their debts related to the Agency's decisions.

Short-term financial investments include short-term deposits in banks, which are due to payment in 2012. Short-term receivables from financing include interest for funds deposited in banks, interest for day-to-day money and default interest of debtors.

Other short-term receivables include in particular receivables related to reimbursement of wages and overpayment of corporate income tax.

Deferred costs and accrued revenues refer to those short-term deferred costs or expenses, included under costs or expenses proportionally, in accordance with their participation in achievement of operating results. They cover short-term deferred costs for purchase of software licences, training, subscriptions to newspapers and professional literature.

LIABILITIES	4,771,952	4,656,759
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Liabilities include own funds (92.49 %), which are a permanent source of financing, and debts (7.51 %), e.g. liabilities towards other legal and natural subjects, from whom the Agency acquired the funds.

SHORT-TERM LIABILITIES AND ACCRUED COSTS AND DEFERRED REVENUES	436,998	349,763
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Their share of total assets for 2011 equals 7.51 %, which represents a 19.96 % fall in comparison with 2010.

They include:

- Short-term liabilities for received advance payments	24,464	35,046
- Short-term liabilities to employees	212,237	159,039
- Short-term liabilities to suppliers	105,371	128,779
- Other short-term operating liabilities	53,728	26,331
- Short-term liabilities to users of unique chart of accounts	563	568
- Accrued costs and deferred revenues	40,635	0

Short-term liabilities for received advance payments include liabilities to subjects liable to pay fees, who have paid such fees and require the Agency to decide on individual cases that the Agency did not decide in 2011.

Liabilities for the month of December 2011 related to salaries, which are paid together with contributions in January 2012, are stated among short-term liabilities to employees and other short-term operating liabilities.

OWN FUNDS AND LONG-TERM LIABILITIES	4,334,954	4,306,996
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Their share of total assets for 2011 equals 92.49 %, which represents a 0.64 % fall in comparison with 2010.

Provisions (under Article 492 of the ZTFI or 305. Article 305 of the ZTVP-1)	4,334,954	4,306,996
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Their share of total assets for 2011 equals 92.49 %, which represents a 0.64 % fall in comparison with 2010.

According to Article 492 of the ZTFI, one part of the profit generated in the previous year is allocated to the Agency's provisions in the amount defined in its budget for the year, in which profit was generated, while the rest is transferred to the budget of the Republic of Slovenia.

In accordance with Article 494 of the ZTFI, the Agency's Council approved the budget of the Agency for 2011 at its session held on 31 March 2011, according to which total profit established for 2011 (corporate income tax included) in the amount of EUR 57,273 was allocated to the Agency's provisions, which are stated in the books under two items:

- Asset fund owned by the Agency for intangible and tangible fixed assets	1,860,819	1,727,648
- Profit	2,474,135	2,579,348

As the item asset fund owned by the Agency for intangible and tangible fixed assets (hereinafter: the asset fund) is equal in value to the present value of intangible assets and tangible fixed assets, the fund of owned assets decreased by 133,171 EUR in 2011, compared to 2010 (the fund equals the present asset value), while the profit increased by 190,444 EUR, which equals the decrease of the fund of owned assets (133,171 EUR) and the value of the profit (69,726 EUR), whereas the amount of corporate tax was deducted (12,453).

In compliance with the approval of the Government of the Republic of Slovenia granted for the Agency's budget for 2011 on 19 April 2011, the profit achieved in 2011 (corporate income tax included) exceeding the budgeted amount for 2011 (e.g. above EUR 26,450) will be transferred to the budget of the Republic of Slovenia after the adoption of the annual statements for 2011 by the Agency's Council.

Reference number: 0101-1/2012-3

Ljubljana, 29 March 2012.

Securities Market Agency

Damjan Žugelj, Ph. D.
President of the Council,

ANNEXES TO ANNUAL STATEMENTS OF ACCOUNTS