

■ ANNUAL REPORT 2018



■ Securities Market
Agency

■ Annual report 2018

* The abstract of the Securities Market Agency's Annual Report for 2018 is intended for the purpose of informing the public. The full annual report is published on the website of the Securities Market Agency: <http://www.a-tvp.si/eng/annual-report/publications>

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STATEMENTS BY THE DIRECTOR

Another year that had quite an impact on the European financial markets is behind us. After years of preparation, the new financial market regulation governed by MiFID II and MiFIR, a number of regulatory and implementing technical standards adopted on their basis as well as ESMA guidelines has been made a reality. In the Agency, we intensively participated in the preparation of the text of the new Market in Financial Instruments Act (ZTFI-1) with the ministry of finance, implementing the majority of MiFID II. With the introduction of ZTFI-1, stricter standards have been established in the organized market in financial instruments which provide the increased protection of investors, better control over trading in financial instruments and greater market transparency. In the Agency, we have procured the necessary work authorisations and have increased the scope of competences regarding sanctions for violations. MiFIR was introduced in the beginning of the previous year while the investment services and operations providers were required to adjust their operations to its provisions. This update of the legal framework represents the biggest change in the Slovenian market in financial instruments in the last decade and is an important milestone in the operations of the Agency, which is why in 2018, we again put substantial focus on it and accordingly adjusted all internal processes. Upgrading the information system enabled the subject entities to report on transactions with financial instruments in line with MiFIR. Extensive legal requirements and the current market situation have been reflected in the previous year in the further consolidation of investment service and business providers.

The year was also marked by the entry into force of PRIIP, which imposes additional obligations on manufacturers and sellers of packaged retail investment products. The most important innovation that the regulation brings is the requirement to publish the document containing



key information on packaged retail investment products. The key information document will provide retail investors the access to information that make possible the comparison of risks of different packaged investment products.

In the field of prevention of money laundering and terrorist financing, the Joint *Guidelines for the prevention of money laundering and terrorist financing* were introduced while furthermore, common ESMA, EBA and EIOPA guidelines in the field of prevention of money laundering and terrorist financing were also instituted. The initial reviews of operations of investment service providers and transactions based on the risk results of the providers obtained using the methodology adopted on the basis of the provisions of these guidelines have also been completed.

In 2018, the regulated market saw the stabilization of the situation as the total value of trans-

actions performed was similar to that from 2017. Ljubljana Stock Exchange's market capitalization increased and exceeded the total value from 2017 by €3.7 billion.

In 2018, the market was marked by the public offering of Nova Ljubljanska banka, d. d., Ljubljana, shares and global depository receipts representing these shares. On the basis of the public offering, the Republic of Slovenia represented by the Slovenian Sovereign Holding, d. d., Ljubljana, made available to the public the existing shares of NLB owned by the Republic of Slovenia, namely in the form of shares that were listed on the Ljubljana Stock Exchange and global repository receipts representing shares that were listed on the London Stock Exchange.

In the area of takeovers, we have been more than active, issuing 15 authorisations for takeover bids. Among these, the largest and most publicly accepted was the takeover of the target company Gorenje, d. d. In this context, we find that certain takeover procedures saw the entry of completely new owners into the target companies, and in other cases the takeovers where the previous offerors had to re-submit their takeover bids as a result of the increased influence in the target companies.

At the end of 2018, the assets in mutual funds of domestic management companies amounted to €2.478 billion and slightly decreased vis a vis the end of the previous year. The decrease in assets was mainly the result of the decline of global stock indices at the end of 2018 and to a lesser extent the net outflow of assets that we have witnessed for the first time since 2013. It should be mentioned that the number of investors in 2018 increased, while also increased was the proportion of investments into bonds, mixed and global funds and money market funds. The increased diversification of funds grossly reduces risks while the structure of investments is gradually approaching the EU average. In this sense, I should also mention that the share of securities of domestic issuers in mutual funds portfolios continued to decline, specifically from 4.91 to 4.36 percent in 2018.

In the field of mutual pension funds, in 2018, a steady increase in the volume of assets was recorded. The trend is expected to continue in 2019. The majority of mutual pension funds offer old-age savings in so-called umbrella life-cycle pension funds. The volume of assets in sub-funds without guaranteed returns is substantially lower vis a vis the volume of assets in pension sub-funds with guaranteed returns, while the domestic pension funds are practically still not present on the domestic stock exchange.

Funds managed by alternative funds are increasing and amounted to just under €130 million at the end of 2018. In 2019, we are expecting increased dynamics in the field of alternative funds and the further development of the sector, in particular the establishment of private equity funds.

Last year we also participated closely with the European Securities and Markets Authority (ESMA), tackling a number of other issues and reaching decisions together with other members. Here, I want to call attention to the intensive preparations for Brexit, the adoption of investor protection measures (temporary marketing restriction, dissemination or sale of binary options and retail contracts for differences) and the area of the so-called sustainable financing (i.e. investments beneficial to the society and the environment). The latter topic was also discussed by the International Organization of Securities Commissions (IOSCO), inviting to partake in the discussion on sustainable financing also other key financial institutions, such as stock exchanges, issuers and investor.

I want to conclude with a gratitude to the employees of the Agency who through their work and dedication contributed to the fulfilment of all the tasks and goals that we have set.



Miloš Čas, MA,
Director and President of the Council
of the Securities Market Agency

The fundamental mission of the Securities Market Agency is ensuring a **safe, transparent** and **efficient** market in financial instruments. By performing **supervisory** and **regulatory** tasks, it creates the conditions for the effective functioning of the market in financial instruments.

LIST OF FREQUENTLY USED ABBREVIATIONS

AIFMD	Directive 2011/61/EU of the European Parliament and the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulation (EC) No. 1060/2009 and (EU) No. 1095/2010
AIS	Alternative Investment Funds
AJPES	Agency of the Republic of Slovenia for Public Legal Records and Related Services
The Agency	Securities Market Agency
AZN	Insurance Supervision Agency
BS	Bank of Slovenia
BPD	Brokerage company
CRD	Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and amending the Directive 2002/87/EC and repealing of Directives 2006/48/EC and 2006/49/EC
CRR	Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and on amending Regulation (EU) No. 648/2012
CSDR	Regulation (EU) No. 909/2014 of the European Parliament and the Council of 23 July 2014 on improving securities settlement arrangements in the European Union and on central securities depositories and on amendment to Directives 98/26/EC and 2014/65/EU and the Regulation (EU) No. 236/2012
CSI	The system for central storage of regulated information
CVS	Net asset value
Commission Delegated Regulation (EU) 2017/653	Commission Delegated Regulation (EU) 2017/653 of 8 March 2017 supplementing Regulation (EU) No. 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (PRIIPs) by laying down regulatory technical standards with regard to the presentation, content, review and revision of key information documents and the conditions for fulfilling the requirement to provide such documents
Commission Delegated Regulation (EU) 2016/522	Commission Delegated Regulation (EU) 2016/522 of 17 December 2015 on amending Regulation (EU) No. 596/2014 of the European Parliament and of the Council as regards the exemption of certain public authorities and central banks of third countries, indicators of market manipulation, the thresholds for disclosure to the competent authorities for information on suspensions, admitted to trading during a closed period and types of business executives, which need to be reported
DZU	Management company
EBA	European Banking Authority
EIOPA	European Insurance and Occupational Pensions Committee
ELTIF	European long-term investment funds
EMIR	Regulation (EU) No. 648/2012 of the European Parliament and the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
EuSEF	European Social Entrepreneurship Funds
EuVECA	European Venture Capital Funds
FIRDS	System of reference data for financial instruments
FURS	Financial Administration of the Republic of Slovenia
INFO HRAMBA	The system for central storage of regulated information of issuers
IISA	Integral Information System of the Agency

IORP II	Directive (EU) 2016/2341 of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision (IORPs)
IOSCO	International Organization of Securities Commissions
Commission Implementing Directive (EU) 2015/2392	Commission Implementing Directive (EU) 2015/2392 of 17 December 2015 on Regulation (EU) No 596/2014 of the European Parliament and of the Council as regards reporting to competent authorities of actual or potential infringements of that Regulation
Commission Implementation Regulation (EU) 2016/347	Commission Implementation Regulation (EU) 2016/347 of 10 March 2016 laying down the implementing technical standards with regard to the exact form of lists of persons with access to inside information and to updating of the lists of persons with access to insider information in accordance with Regulation (EU) No. 596/2014 of the European Parliament and of the Council
KDD	KDD - Central Clearing and Depository Company
MAD II	Directive 2014/57/EU of the European Parliament and of the Council of 16 April 2014 on criminal sanctions for market abuse (market abuse directive)
MAR	Regulation (EU) No. 596/2014 of the European Parliament and the Council of 16 April 2014 on abuse of market (Regulation on market abuse), and on repealing Directive 2003/6/EC of the European Parliament and the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC
MiFID II	Directive 2014/65/EU of the European Parliament and the Council of 15 May 2014 on markets in financial instruments and amendment Directive 2002/92/EC and Directive 2011/61/EU
MiFIR	Regulation (EU) No. 600/2014 of the European Parliament and the Council of 15 May 2014 on markets in financial instruments and amendment to the Regulation (EU) No. 648/2012
MSRP 9	International Financial Reporting Standard 9 – Financial Instruments
MTF	Multilateral Trading Facility
PRIIP	Regulation (EU) No. 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents on packaged retail investment products for retail investors and insurance investment products (PRIIP)
NRS	National Reporting System
OECD	Organization for Economic Co-operation and Development
OTF	Organised Trading Facility
SAOP	Accounting financial programme
SDH	Slovenian Sovereign Holding
SEOnet	Publicly available electronic services of the Ljubljana Stock Exchange, Plc., Ljubljana, which provides for everyone access to business information on companies of which securities are admitted to trading on the stock exchange, to stock exchange announcements and other capital market institutions
SIS	Special Investment Fund
SODPZ	Fund of Compulsory Supplementary Pension Insurance
ŠPICA	System for registration of employee attendance
TRACE	Access to data of the trade repository
TREM	Data exchange system between the Agency and the supervisory authorities of other EU Member States
UCITS	Undertakings for the collective investment in transferable securities (UCITS)
UCITS	Commission Directive 2009/65/EC of the European Parliament and the Council of 13 July 2009 on coordination of laws, regulations and administrative provisions relating to undertakings for collective investment for investment in transferable securities
UCITS V	Directive 2014/91/EU on amending Directive 2009/65/EC on the coordination of laws and other regulations on collective investments for investing in transferable securities (UCITS)

Regulation ESMA	Regulation (EU) No. 1095/2010 of the European Parliament and of the Council of 24 November 2010 on establishing a European Supervisory Authority (European Securities and Markets Authority) and on amending Decision No. 716/2009/EC and repealing of Commission Decision 2009/77/EC
Regulation GDPR	Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation)
Regulation (EU) 236/2012	Regulation (EU) No. 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps
Regulation (EU) 2015/760	Regulation (EU) No. 2015/760 of the European Parliament and the Council of 29 April 2015 on European long-term investment funds
Regulation (EU) 2016/1011	Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds
Regulation (EU) 2017/1131	Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds
Commission Delegated Regulation (EU) 2016/438	Commission Delegated Regulation (EU) 2016/438 of 17 December 2015 supplementing Directive 2009/65/EC of the European Parliament and of the Council with regard to obligations of depositaries
Commission Regulation (EU) 2016/2067	Commission Regulation (EU) 2016/2067 of 22 November 2016 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 9
ZBan-2	Banking Act (Official Gazette of the RS, nos. 25/15, 44/16 – ZRPPB, 77/16 – ZCKR, 41/17 and 77/18 – ZTFI-1)
ZDIJZ	Public Information Access Act (Official Gazette of the RS, no. 51/06 – official consolidated text, 117/06 – ZDavP-2, 23/14, 50/14, 19/15 – dec. CC and 102/15)
ZFK	Financial Conglomerates Act (Official Gazette of the RS, nos. 43/06, 87/11 and 56/13)
ZFPPIPP	Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act (Official Gazette of the RS, nos. 13/14 – official consolidated text, 10/15 – cons., 27/16, 31/16 – dec. CC, 38/16 – dec. CC, 63/16 – ZD-C and 54/18 – dec. CC)
ZISDU-2	Investment Funds and Management Companies Act (Official Gazette of the RS, no. 77/11, 10/12 – ZPre-1C, 55/12, 96/12 – ZPIZ-2 and 31/15 – ZISDU-3)
ZISDU-3	Investment Funds and Management Companies Act (Official Gazette of the RS, no. 31/15, 81/15, 77/16 and 77/18)
ZJF	Public Finance Act (Official Gazette of the RS, no. 11/11 – official consolidated text, 14/13 – cons., 101/13, 55/15 – ZFisP, 96/15 – ZIPRS1617 and 13/18)
ZKDPZJU	Collective Supplementary Pension Insurance for Public Employees Act (Official Gazette of the RS, nos. 126/03 and 32/15)
ZMbNFS	Macro-prudential Supervision of the Financial System Act (Official Gazette of the RS, no. 100/13)
ZNVP-1	Book-Entry Securities Act (Official Gazette of the RS, nos. 75/15, 74/16 – ORZNVP48, 5/17 and 15/18 – dec. CC)
ZPSPID	First Pension Fund of the Republic of Slovenia and Transformation of Authorised Investment Corporations Act (Official Gazette of the RS, no. 26/05 – official consolidated text, 85/09 and 32/16)
ZP-1	Minor Offences Act (Official Gazette of the RS, nos. 29/11 – official consolidated text, 21/13, 111/13, 74/14 – dec. CC, 92/14 – dec. CC, 32/16 and 15/17 – dec. CC)
ZPIZ-2	Pension and Disability Insurance Act (Official Gazette of the RS, nos. 96/12, 39/13, 99/13 – ZSVarPre-C, 101/13 – ZIPRS1415, 44/14 – ORZPIZ206, 85/14 – ZUJF-B, 95/14 – ZUJF-C, 90/15 – ZIUPTD, 102/15, 23/17, 40/17 in 65/17)
ZPNPID	Legal Successors of Authorised Investment Companies Act (Official gazette of the RS, nos. 68/07, 7/08, 121/08 - decision by the CC and 40/09)

ZPPDFT-1	Prevention of Money Laundering and Terrorist Financing Act (Official gazette of the RS, no. 68/16);
ZPre-1	Takeovers Act (Official Gazette of the RS, nos. 79/06, 67/07 – ZTFI, 1/08, 68/08, 35/11 – ORZPre75, 105/11 – dec. CC, 10/12, 38/12, 56/13, 63/13 – ZS-K, 25/14 and 75/15)
ZPSPID	First Pension Fund of the Republic of Slovenia and Transformation of Authorised Investment Corporations Act (Official Gazette of the RS, no. 26/05 – official consolidated text, 85/09 and 32/16)
ZPZPŠ-1	Bridging Insurance of Professional and Top Athletes Act (Official Gazette of the RS, no. 82/15)
ZR	Accounting Act (Official Gazette of the RS, no. 23/99, 30/02 – ZJF-C in 114/06 – ZUE)
ZSDH-1	Slovenian Sovereign Holding Act (Official Gazette of the RS, no. 25/14);
ZTFI	Market in Financial Instruments Act (Official Gazette of the RS, no. 108/10 – official consolidated text, 78/11, 55/12, 105/12 – ZBan-1J, 63/13 – ZS-K, 30/16, 9/17 and 77/18 – ZTFI-1)
ZTFI-1	Market in Financial Instruments Act (Official Gazette of the RS, no. 77/18)
ZTVP	Securities Market Act (Official Gazette of the RS, no. 6/94, 68/96 – Dec. CC, 47/97 – ZPre and 56/99 – ZTVP-1)
ZTVP-1	Securities Market Act (Official Gazette of RS, no. 51/06 – official consolidated text and 67/07 – ZTFI)
ZUAIS	Alternative Investment Fund Managers Act (Official Gazette of RS, no. 32/15 and 77/18)
ZUKSB	Act Regulating Measures of the Republic of Slovenia to Strengthen the Stability of Banks (Official Gazette of the RS, nos. 105/12, 63/13 – ZS-K, 23/14 – ZDIJZ-C, 104/15, 26/17 26/17 – ORZUKSB33 and 27/17 – cons.)
ZUP	General Administrative Procedure Act (Official Gazette of RS, nos. 24/06 – ZUP-UPB2, 105/06 – ZUS-1, 126/07, 65/08, 8/10 and 82/13)



INTRODUCTION

The Securities Market Agency (the Agency) reports annually to the National Assembly of the Republic of Slovenia. The Annual Report of the Securities Market Agency for 2018 includes a report on operations, an auditor's report and an annual account. The report presents data on issued approvals for the public offering of securities and for takeover bids, data on issued authorisations for the operations of management companies, investment funds, brokerage companies, mutual pension funds and other licenses or acts issued by the Agency. Apart from the above, the work of the Agency is described in relation to the implementation of supervision over participants in the market in financial instruments and implementation of the imposed measures, work in the normative field and cooperation with other domestic and foreign supervisory authorities or international organizations and institutions. The annual accounts comprise of the financial statements and notes to the financial statements.

The data in this report generally refer to the financial year 2018, except in individual cases when they relate to the period before or after this year, if this is reasonable for the purpose of more complete reporting on individual facts or matters related to the work of the Agency.

01 PRESENTATION OF THE SECURITIES MARKET AGENCY

The fundamental mission of the Securities Market Agency is ensuring a safe, transparent and efficient market in financial instruments. By exercising control over brokerage companies, banks engaged in investment business and services, management companies, managers of alternative investment funds, investment funds, mutual pension funds, public companies, limited companies that are subject to the Takeover Act (ZPre-1), and by the provision of other regulatory functions, it creates conditions for efficient functioning of the market in financial instruments.

LEGAL STATUS, TASKS AND BODIES OF THE AGENCY

ESTABLISHMENT AND LEGAL STATUS

The Agency was established on April 13 1994 based on the Securities Market Act (ZTVP). The Agency is a public legal entity, independent in implementing its tasks and responsibilities. For its work it is responsible to the National Assembly of the Republic of Slovenia, to which it annually reports on its activities and on the situation in the market on financial instruments. Its business and internal organization are defined by the Rules of the Agency.

AGENCY'S TASKS AND POWERS

The Agency grants authorisations and approvals, and supervises and implements other tasks and powers set out mainly by the Market in Financial Instruments Act (ZTFI-1, which entered into force on 15 December 2018), the Market in Financial Instruments Act (ZTFI), the Investment Funds and Management Companies Act (ZISDU-3), the Alternative Investment Fund Manager Act (ZUAIS) and the Takeovers Act (ZPre-1). The Agency conducts control by supervising the reports and notices that the supervised subjects are obliged to submit to the Agency by means of inspection of their oper-

ations and ordering of supervisory measures. On 15 December 2018 with the introduction of the ZTFI-1, ZTFI was repealed with the exception of Chapter 13 (Articles 469 through 495) governing the Agency's status and operations.

In addition to the above stated acts, the tasks of the Agency are regulated also by:

- Prevention of Money Laundering and Terrorist Financing Act (ZPPDFT-1);
- Book-Entry Securities Act (ZNPV-1);
- Pension and Disability Insurance Act (ZPIZ-2);
- Macro-prudential Supervision of the Financial System Act (ZMbNFS);
- Banking Act (ZBan-2);
- Legal Successors of Authorised Investment Companies Act (ZPNPID);
- Collective Supplementary Pension Insurance for Public Employees Act (ZKDPZJU);
- Financial Conglomerates Act (ZFK);
- Act amending the Financial Operations, Insolvency Proceedings and Compulsory Winding-up Act (ZFPPIPP-E);
- Slovenian Sovereign Holding Act (ZSDH-1);
- Bridging Insurance of Professional and Top Athletes Act (ZPZPŠ-1);
- Resolution and Compulsory Dissolution of Credit Institutions Act (ZRPPB);
- Regulation (EU) No. 600/2014 of the European Parliament and the Council of 15 May 2014 on markets in financial instruments and amendment to the Regulation (EU) No. 648/2012;
- Decree on the implementation of the Regulation (EU) on markets in financial instruments;
- Regulation (EU) No. 596/2014 of the European Parliament and the Council of 16 April 2014 on abuse of market (Regulation on market abuse), and on repealing Directive 2003/6/EC of the European Parliament and the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC;
- Regulation (EU) No. 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps;
- Decree on the implementation of the Regulation (EC) on short selling and certain aspects of credit default swaps;

- Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements;
 - Commission Regulation (EU) No. 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website;
 - Commission Regulation (EU) No 584/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards the form and content of the standard notification letter and UCITS attestation, the use of electronic communication between competent authorities for the purpose of notification, and procedures for on-the-spot verifications and investigations and the exchange of information between competent authorities;
 - Commission Regulation (EU) No. 1031/2010 of 12 November 2010 on the timing, administration and other aspects of auctioning of greenhouse gas emission allowances pursuant to Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowances trading within the Community;
 - Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency;
 - Regulation (EU) No. 648/2012 of the European Parliament and the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories;
 - Decree on the implementation of the Regulation (EC) on OTC derivatives, central counterparties and trade repositories;
 - Regulation (EU) No 345/2013 of the European Parliament and of the Council of 17 April 2013 on European venture capital funds;
 - Regulation (EU) No 346/2013 of the European Parliament and of the Council of 17 April 2013 on European social entrepreneurship funds;
 - Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012;
 - Regulation (EU) No. 909/2014 of the European Parliament and the Council of 23 July 2014 on improving securities settlement arrangements in the European Union and on central securities depositories and on amendment to Directives 98/26/EC and 2014/65/EU and the Regulation (EU) No. 236/2012;
 - Decree on the implementation of the Regulation (EU) on improving securities settlement in the European Union and on central securities depositories;
 - Regulation (EU) 2015/760 of the European Parliament and of the Council of 29 April 2015 on European long-term investment funds;
 - Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds;
- And other regulations.

CONCRETE TASKS OF THE AGENCY

1. Issuing of licenses for the operation or status transformation of financial institutions and investment funds and mutual pension funds under ZTFI and ZTFI-1, CSDR, ZISDU-3, ZPIZ-2 and ZUAIS to:

- Brokerage companies (BDP);
- Management companies (DZU);
- Managers of alternative investment funds;
- Mutual funds;
- Alternative Investments Funds (AIS);
- Mutual pension funds;
- Stock exchange;
- Central securities depository (KDD).

2. Issuing of authorisations to acquire a qualifying holding in:

- Brokerage companies;
- Management companies;
- Stock exchange.

3. Approving of prospectuses for the public offering of securities and admission of securities to trading on a regulated market.

4. Issuing of authorisations for takeover bids.

5. Issuing of licenses to operate as a broker, for the position of board member or executive director of the management company, brokerage company, stock exchange or a central securities depository and licenses for marketing of investment funds units.

6. Issuing of consent to the rules of the Stock exchange

7. Supervision of:

- Management companies;
- Managers of alternative investment funds;
- Investment funds;
- Mutual pension funds;
- Stock exchange;
- Central securities depository;
- Brokerage companies and banks engaged in (auxiliary) investment services and activities;
- Offers of securities to the public;
- Reporting by public companies;
- Proceedings under the ZPre-1;
- Other supervised subjects in the Agency's remit;

And the imposition of control measures to eliminate the established violations and irregularities.

8. Supervision of market abuse (market manipulation and insider trading information).

9. Supervision of entities that illegally (without permission) perform in the Republic of Slovenia services for which it is necessary to first obtain the appropriate authorisation from the Agency or the Bank of Slovenia in the financial market area.

10. Preparation of general acts on the basis ZTFI and ZTFI-1, ZISDU-3, ZUAIS, ZPre-1, ZPIZ-2 and ZPZPŠ-1 and other legislation in the Agency's remit.

11. Register keeping:

- Authorisations to provide investment services and activities;
- Authorisations to provide investment fund management services;
- Tied agents;
- Managers of alternative investment funds.

12. Conducting minor offenses procedures for violations of the ZTFI and ZTFI-1, ZISDU-3, ZUAIS, ZPIZ-2, ZPre-1, ZNVP-1, ZBan-2 and other regulations.

BODIES OF THE AGENCY

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

The director and members of the Council are appointed and dismissed by the National Assembly of the Republic of Slovenia on the proposal of the Government of the Republic of Slovenia. Their term of office is six years, with the possibility of reappointment.

THE COUNCIL OF THE AGENCY

COUNCIL COMPOSITION

The Council consists of five members. The Director of the Agency Miloš Čas, MA, is also the president of the Council. He took up duties on 4 May 2015. The current members of the Council have been appointed in July 2013 by the National Assembly of the Republic of Slovenia for a six-year term at the proposal of the Government.

In 2018, the Council had the following composition:

- Director Miloš Čas, MA, President;

- Primož Damjanovič, member;
- Primož Pinoza, MA, member;
- Mojca Majič, MA, member;
- Vesna Stanković Juričić, member.

In 2018, the Council held 38 sessions.

THE COUNCIL'S TASKS

The Council adopts the Agency's rules of procedure and the Agency's general acts, decides on licenses and approvals and other individual matters. The Council also adopts the report on the work of the Agency, a report on the state of the market in financial instruments, work plan, financial plan and the annual accounts of the Agency etc.

DECISION-MAKING PROCESS OF THE COUNCIL

The Council has two procedural bodies, namely 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.

For the decision-making process, the Agency uses the provisions of the Law on General Administrative Procedure (ZUP), unless otherwise specified in the ZTFI-1. The Council decides on individual cases according to the procedure, set in the ZTFI-1.

DIRECTOR

The Director represents the Agency, manages its business and organizes its work. In 2018, the Agency's Director was Miloš Čas, MA.

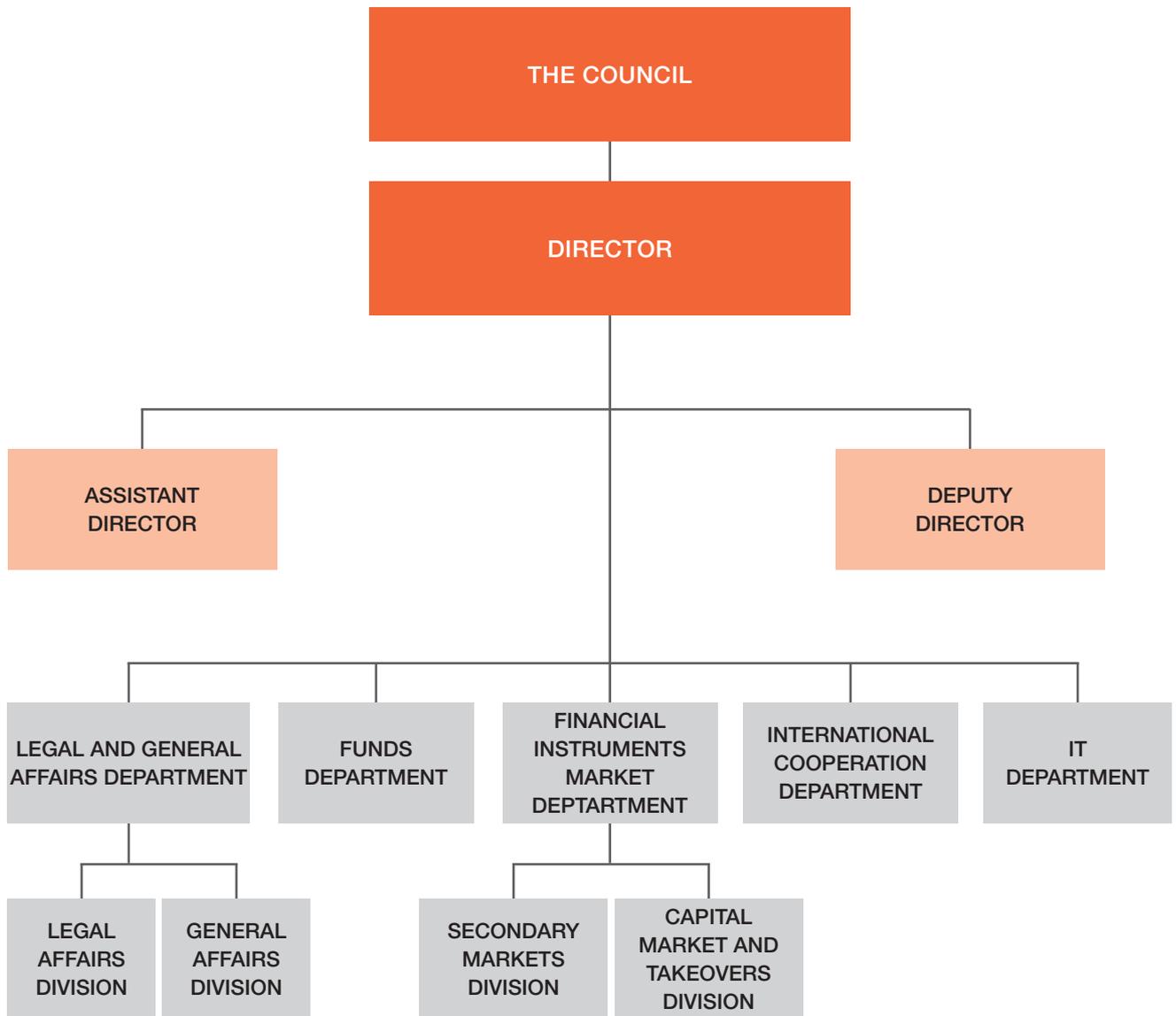
INTERNAL ORGANIZATION AND FINANCING OF THE AGENCY

ORGANIZATIONAL STRUCTURE OF THE AGENCY

In accordance with the Rules on internal organization and the job classification, the responsibilities of the Agency were carried out by the following departments in 2018:

- Legal and general affairs department:
 - Legal Affairs Division
 - General Affairs Division
- Funds Department
- Financial Instruments Market Department:
 - Secondary Markets division
 - Capital Market and Takeovers Division
- International Cooperation Department
- IT Department

Image 1:
Organizational structure of the Agency



Source: Rules on the internal organization and job classification.

The competences of the listed organizational units are as follows:

LEGAL AND GENERAL AFFAIRS DEPARTMENT

The department carries out legal and expert tasks that concern the Agency, exercises the powers of the Agency as a minor offence authority, performs organizational, personnel and other general tasks necessary for the Agency's operations and duties and tasks in the field of finance and accounting, and is responsible for relations with the public and the employees.

The Legal and General Affairs Department is split into two sections, namely:

- Legal Affairs division
- General Affairs division

The Legal Affairs Division performs legal and expert tasks related to the preparation and review of proposals of general acts issued by the Agency, Agency decisions, legal opinions and positions regarding issues from the Agency's field of work, carries out Agency's competences as a minor offence authority and also provides for other work and tasks relating to the execution of tasks and authorities of the Agency.

The General Affairs Division carries out general tasks related to the Agency's operations, e.g. the organization of the Agency's work, human resource management, personnel and public procurement tasks. Furthermore, this department also carries out duties in the field of finance and accounting and maintains relations with the public and employees.

FUNDS DEPARTMENT

The department performs the duties and tasks related to the issuing of licenses and approvals in accordance with the provisions of regulations governing investment funds and mutual pension funds (e.g. ZISDU-3, ZUAIS, ZPIZ-2, the Regulation on Money Market Funds, the European Venture Capital Funds Regula-

tion etc. and on the basis legislation introduced based on the listed regulations). It also supervises the operations of entities subject to the Agency's supervision in line with these regulations and monitors, collects and verifies reports and notifications by control subjects, monitors and analyses risks from the working area of the sector for the purpose of macro-prudential supervision, reviews and analyses business books and reports, and collects other information on the operations of entities. In these activities, it identifies the possible irregularities and carries out measures in relation to the findings of supervisory procedures. Furthermore, the department exercises the competences of the Agency pertaining to the prevention of money laundering and terrorist financing from the working area of this department. The department also performs the duties and obligations that refer to the regulation in the field of investments and mutual pension funds in the Republic of Slovenia as well as within the European Union. In the field of investment and mutual pension funds in the Republic of Slovenia, the activities encompass the cooperation in the drafting of legislation, preparation of general acts and the formulation and preparation of opinions and positions of the Agency pertaining to investments and mutual pension funds. The department also processes the data obtained via supervisory procedures and prepares statistical and other reports as per the needs of the Agency and for the purpose of external reporting on the Agency's activities. The department is responsible for the management of public and other registers kept by the ATVP in line with the sectoral provisions that constitute the work area of the Funds Department.

At European level, the ESMA is in charge of all matters relating to the field that this sector oversees.

FINANCIAL INSTRUMENTS MARKET DEPARTMENT

The department engages in the duties and obligations relating to the supervision, regula-

tion and issuing of authorisations and approvals in the field of market in financial instruments (connected to the provision of investment services, issuing of financial instruments, takeovers, trading systems, settlement systems in line with regulations e.g. ZTFI, ZNVP-1, ZPre-1, MAR, the Market in Financial Instruments Regulation etc. and on the basis of regulations adopted on their basis), excluding those that fall within the responsibilities of the Funds Department. Furthermore, the department exercises the competences of the Agency pertaining to the prevention of money laundering and terrorist financing from the working area of this department and in the field of financial conglomerates.

At European level, ESMA is responsible for all matters concerned with the subject department's work area.

The Market in financial instruments department is split into two sections, namely:

- Secondary Markets Division
- Capital Market and Takeovers Division

The Secondary Markets Division performs the duties and obligations associated with the issuing of authorisations and approvals in line with the regulations under the competence of the Financial Instruments Market department, with the exception of those associated with the work area of Capital Market and Takeovers Division. The division also carries out supervision of operations of entities (e.g. brokerage companies, banks, management companies or alternative investment fund managers in the part that performs investment services and transactions, central securities depository, stock exchange etc.), in line with the above mentioned, and furthermore carries out supervision over market manipulations and for the purpose also monitors financial instrument trading (under MAR and other regulation in the field) and verifies the regularity of the conduct of subject of supervision from the working field of the Financial Instruments Market Department pertaining to the prevention of money laundering and terrorist

financing and in the field of financial conglomerates. For these purposes, the division keeps track, collects and examines reports and notifications by subjects of supervision, reviews and analyses business books and reports, monitors and analyses risks from the working area of this department for the purposes of macro-prudential supervision and collects other information on the operations of entities, in regard to which it also determines any possible irregularities and implements measures relating to the findings of supervision. The division processes the data collected in supervisory procedures and prepares statistical and other reports from the work area of the department as required by the Agency as well as for the purpose of external reporting on the Agency's activities. The division is also responsible for managing public and other registers from the department's work area managed by the Agency in line with the regulations under control by the department. The division is also responsible for the preparation and participation in the drawing up of legislation and general acts in the field subject to its supervision, as well as for the formulation and preparation of opinions and positions of the Agency in the field.

The Capital Market and Takeovers Division carries out all tasks and duties related to the issuing of licenses and approvals in the field of offering of securities to the public (under regulations governing the offering of securities to the public) and takeovers (under regulations governing takeovers procedures). Furthermore, the department also engages in the supervision of the regularity of the conduct of supervised entities in the offer of securities to the public, takeovers procedures and the obligation of disclosure of regulated information (under regulation governing the field of transparency of the market) and exercises supervision over inside information abuse for the purpose of which it monitors the trading with financial instruments (under MAR and other applicable regulations). The division also keeps track, collects and examines reports and notifications by supervised entities, reviews and analyses business books

and reports, monitors and analyses risks from the working area of this department for the purposes of macro-prudential supervision and collects other information on the operations of entities, in regard to which it also determines any possible irregularities and implements measures relating to the findings of supervision. The division processes the data collected in supervisory procedures that it carries out, and prepares statistical and other reports from the work area of the division as required by the Agency as well as for the purpose of external reporting on the Agency's activities. The division is also responsible for managing public and other registers from the division's work area kept by the Agency in line with the regulations under control by the department. Furthermore, the division is also responsible for the preparation and participation in the drawing up of legislation and general acts in the field subject to its supervision, as well as for the formulation and preparation of opinions and positions of the Agency in the field.

INTERNATIONAL COOPERATION DEPARTMENT

The department performs the tasks and responsibilities relating to the Agency's cooperation with similar supervisory institutions in other countries and with the institutions in the European Union as well as other international institutions, coordinates the participation of the Agency in individual expert working groups (Standing Committees) in the scope of these institutions and also carries out other tasks and responsibilities associated with the Agency's international operations.

IT DEPARTMENT

The department performs all tasks and duties related to the establishment, upgrading and maintenance of the entire information system of the Agency, plans, realizes and provides for the maintenance of the security system, organizes the collection, computer management and processing as well as analyses of all Agency data, is

responsible for computer support for the Agency's presentation online and performs other tasks and duties related to the use of information technology in the responsibilities of the Agency.

EMPLOYEE DATA

As of 31 December 2018, the Agency had 47 employees: 3 masters of law, 9 masters of economics, 4 masters of economic or business science (Bologna programme), 11 graduates in law, 7 bachelors of economics, 1 bachelor of communication, 1 bachelor of journalism, 1 bachelor of mathematical engineering, 1 professor of mathematics, 1 graduate in administrative organization, 2 graduates in administrative sciences, 2 graduates in economics, 1 graduates in business informatics, 2 business secretaries and 1 person with secondary education.

The Agency has set up an *Information security management system in accordance with the requirements of ISO/IEC 27001:2013* for the regulation and supervision of market of financial instruments in the Republic of Slovenia. In 2018, the Agency successfully updated and regulated the information security management system (SUVI) and in November 2018 successfully passed the regular audit of ISO/IEC 27001:2013.

Furthermore, the Agency also holds the full *Family Friendly Enterprise certificate*.

AGENCY FINANCING

The Agency is financed via the fees and remunerations paid by participants of the market in financial instruments and other revenues generated by the operations. The funds for the Agency are provided from the fees for decisions on individual matters and compensation for supervision. The fees and charges are set out in the Tariff on Fees and Charges issued by the Agency in agreement with the Government of the Republic of Slovenia.

02 PRIMARY MARKET

GRANTING OF DECISIONS ON THE APPROVAL OF THE PROSPECTUS FOR PUBLIC THE OFFER OF SECURITIES AND ISSUING OF DECISIONS ON THE ADMISSION OF SECURITIES TO TRADING ON A REGULATED MARKET

PUBLIC OFFER OF SECURITIES AND LISTING OF SECURITIES TRADING ON THE REGULATED MARKET IN SLOVENIA

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.

In 2018, based on authorisation by the Agency (prospectus), one offer of securities was made public (Nova Ljubljanska banka, d. d., Ljubljana). In

2018, 2 issuers listed their securities for trading on the Ljubljana Stock Exchange (Nova Ljubljanska banka, d. d., and GEN-I d. o. o.).

In the field of public offering of securities, 2018 was marked particularly by the public offering of Nova Ljubljanska banka, d. d., Ljubljana, shares (hereinafter NLB) and global depository receipts representing these shares. On the basis of the public offer (prospectus), the Republic of Slovenia represented by the Slovenian Sovereign Holding, d. d., Ljubljana, offered to the public the existing shares of NLB owned by the Republic of Slovenia, namely in the form of shares that were listed on the Ljubljana Stock Exchange and global repository receipts representing shares that were listed on the London Stock Exchange.

Bonds by one issuer were also listed on the organized Ljubljana Stock Exchange market.

In 2018 in relation to the above procedures, the Agency issued 1 decision on registration document approval, 1 decision on the approval of a prospectus for the public offering of shares and global repository receipts which represent these shares in the Republic of Slovenia and which, simultaneously, were decided on in regard to the admission of the securities to trading on a regulated market and 1 decision approving a simplified prospectus for the admission of the securities to trading on a regulated market. One issuer withdrew from its intent of offering of securities.

Table 1:

Issued authorisations – approvals of the prospectus for the admission of securities to trading on a regulated market in 2018.

Issuer	Number of issued securities
NOVA LJUBLJANSKA BANKA, d. d., Ljubljana	Shares and global repository receipts from 10,000,001 to 14,999,999 units

Source: the Agency.

Table 2:

Issued authorisations – confirmation of the simplified prospectus for admission of securities to trading on a regulated market in 2018.

Issuer	Number of issued securities
GEN-I trgovanje in prodaja električne energije, d. o. o., Krško	Bonds on behalf of 200 units per €100,000

Source: the Agency.

Table 3:

Issued authorisations – confirmation of the simplified prospectus for the sale of securities to the public in 2018.

Issuer	Number of issued securities
NOVA LJUBLJANSKA BANKA, d. d., Ljubljana	Shares and global repository receipts from 10,000,001 to 14,999,999 units

Source: the Agency.

EXEMPTIONS FROM THE OBLIGATION TO PUBLISH A PROSPECTUS FOR CERTAIN TYPES OF THE OFFERING OF SECURITIES

In 2018, the Agency received 39 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.

This means that the issuers do not need to compile a prospectus, but they must inform the Agency of the application of exemption within 3 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. In relation to this the Agency in particular monitors whether the issuers used the exemption in accordance with the purpose of the statutory provisions.

The Agency also regularly monitors the in-

crease in the share capital of public limited companies by granting new shares through publications in the Official Gazette of the Republic of Slovenia, the notifications of the clearing and depository company and public announcements (calling for 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 regularly 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 Articles 49 through 51 of the ZTFI apply. They must notify the exemption to the Agency in accordance with Article 52 of the ZTFI.

In the supervision over Chapter 2 of ZTFI in 2018, the Agency commenced 1 supervisory procedure, namely in the case where the issuer was offering securities while not notifying the Agency on the use of the exemption or provided such a notification to the Agency too late. In the case of this violation, the offense was suspected a minor offence, which the Agency decides on as a minor offence authority.

SUPERVISION OF REPORTING AND IMPOSED SUPERVISORY MEASURES

REPORTING BY PUBLIC COMPANIES

Public companies are required to report to the public and the Agency on their financial and legal status and operations with the submission and publication of the audited annual report and semi-annual report. They also have to regularly report on all regulated issues, related to the company or securities of which they are issuers. They also need to report on inside information that could have a significant impact on the price of securities and on inside information that might significantly impact the price of the securities.

PUBLIC COMPANIES

A public company is an issuer whose securities are admitted to trading on a regulated market in the Republic of Slovenia or another Member State. At the end of 2018, 41 companies had the status of a public issuing company.

COMPANIES WHOSE HOME MEMBER STATE IN REGARDS WITH REPORTING IS THE REPUBLIC OF SLOVENIA FOR THE HOME MEMBER STATE

ZTFI anticipates that certain public companies in relation to certain securities consider the Republic Slovenia as the home Member State according to the law (e.g. the Republic of Slovenia is in the case of a public company in regards with the issue of shares a home Member State on the basis of the fact that the Public company is registered in Slovenia). When a public company can choose freely the home member state (i.e. the Republic of Slovenia), the Agency must be informed. As of 31 December 2018, it was considered that the Republic of Slovenia represented the home Member State for 41 public companies. All of the companies had offices registered in the Republic of Slove-

nia, while 4 of them informed the Agency about the selection of the Republic of Slovenia as the home Member State (these four companies have securities listed in both the Republic of Slovenia as well as another EU member state).

SUPERVISION OF REPORTING BY PUBLIC COMPANIES

The Agency supervises the reporting of public companies in the following ways.

Regular 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, takes actions in the situations of suspected violations of reporting rules prescribed by the ZTFI. In 2018, the Agency addressed many requests for explanations regarding their ad-hoc reporting to the public companies. In case of violations, the Agency takes action against individual public company. Supervisory measures may be, for instance, order on elimination of violations, termination of trading on a regulated market with a certain security etc.

As group supervision by carrying out an 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. Supervisory measures may be, for instance, order on elimination of violations, termination of trading on a regulated market with a certain security etc.

ANNUAL AND SEMI-ANNUAL MANAGEMENT REPORTS

Each year, the Agency monitors the reporting of all public companies that are obliged to publish the annual report. In doing so, all the annual reports are examined in particular regarding the fulfilment of individual sets of contents (e.g. individual elements of the annual report

provided for by the Companies Act), whereas from the set of public companies each year, according to the advance plan and according to the principle of rotation, selects a few annual reports from the listed companies, which shall be checked in detail and in accordance with pre-defined priorities, of which the public companies also informed in advance with publications and circulars (for example, it verifies compliance of disclosures with the requirements of a specific international accounting standard, taking into account, in particular, supervisory priorities which are formed annually under ESMA). The ZTFI requires public companies to publish their annual report no later than 4 months after the end of the financial year and ensure their public access for at least 10 years after publication.

If the annual report is not adopted by the competent body of the company by the deadline, 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 the annual report to the Agency and inform it on the method of publication. In 2018, the Agency received through 'INFO HRAMBA' 42 audited annual reports by public companies for the period from 1 January to 31 December 2017. The number of public companies may change during the year (securities are admitted and delisted from organized 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.

In the procedure of supervision over the reporting by public companies on the annual re-

ports to the Agency, the latter did not identify any violations that would require a stricter action by the Agency, i.e. the order for the elimination of violations (e.g. in the context of the correction of the annual report for 2017 or an indication of the relevant information in future annual reports by the company). However, during the control of the public announcement and the contents of the annual report of 4 public companies, specific shortcomings or inconsistencies were established which do not constitute violations of legislation. As a result, the Agency issued a letter to the management board pointing out to the companies the identified deficiencies or inconsistencies in order to improve the contents of their annual reports and in this way provide for improved transparency and quality of investor financial information.

The Agency annually supervises the reporting by public companies on semi-annual business results. Public companies are obliged to publish their semi-annual report covering the first six months of the financial year as soon as possible and not later than in three months after the end of this period. In addition, they must ensure that their semi-annual report is publicly available for at least ten years after its publication. The ZTFI also specifies that the issuer shall submit to the Agency the contents of this publication and inform it about the manner of publication.

The Agency in 2018 received 40 semi-annual reports of public companies for the period from 1 January to 30 June 2018.

In the process of supervision over the semi-annual reporting of operating results, the Agency found violations in 1 public company (no 2018 semi-annual report posted by the company). The Agency issued the company an order to eliminate violations. In this case, the offence was also suspected as a minor offence, which the Agency determines as a minor offence authority. The supervision over semi-annual reports has not yet been completed at the end of 2018.

ANNOUNCEMENTS OF QUALIFYING HOLDINGS

In 2018, the Agency received 108 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 regular basis, mainly because this is a significant area of reporting, and often the first indication of a concentration of ownership rights and prediction of possible takeovers. On one hand, the supervision is performed in order to provide adequate transparency; on the other side, however, are changes in qualifying holdings frequently also indications of suspected illegal takeovers, often through concerted actions of several subjects involved. In the latter case, this is thus a source of information that can be a significant indicator for the Agency's supervisory activities, which further on continue in relation to the takeover legislation. In this respect the Agency, with numerous requests, reminds the holders of significant shares of the obligation to report adequately to the public, where it determines that the violations of the provisions of the ZTFI have been committed, and as a minor offence authority considers them in the minor offence procedure.

In 2018, the Agency commenced 2 supervisory procedures in scope of the continuous supervision of the subject area (the reporting entity failed to inform the Agency or the issuer on the significant shares while the issuer furthermore did not publish the notice), which were still being conducted at the end of 2018.

PUBLISHING OF INSIDE INFORMATION

In 2018, public companies published 1020 pieces of information that were identified as inside information. This is the type of information (publications) that MAR, which became fully applicable in July 2016 (based on ZTFI and

ZTFI-1, the Agency is competent to engage in exercising supervision in the field), defines in a way that provides the criteria that define it (inside information is 'price-sensitive' information for which it is considered that it would likely have significant impact on the prices of financial instruments), but is not specified by the regulation in such a way that each type of information that could be considered to be inside would also be specifically stated. That is due to the fact that public companies result from various activities, are different in size and in different stages of development, due to which for each of them there are specific situations and events that concretely represent inside information, whereby investors take their investment decisions. It should be added that MAR obliges public companies to publish all inside information by statutory provision, the suspension of which is allowed the issuers only in cases admissible by law (e.g. when it is unlikely that the postponement of the publication of inside information would mislead the public).

The field of inside information reporting is important from the standpoint of efficiency of each capital market and is also the area which has significant impact on confidence in it. As the mentioned field is also an important part of ensuring transparency of issuers, the Agency monitors the reporting of this field especially carefully.

When monitoring the reporting of public companies in 2018 regarding the publication of inside information, the Agency conducted 4 supervisory procedures. All the supervisory procedures were concluded with an official notice, as violations of the provisions of the ZTFI or MAR, as violations were not detected.

REPORTING ON OPERATIONS OF PERSONS PERFORMING MANAGERIAL RESPONSIBILITIES, AS WELL AS PERSONS WHO ARE CLOSELY RELATED TO THEM

As indicated, on 3 July 2016 MAR became fully applicable, instituting the reporting by persons

performing managerial duties and persons who are closely associated to them. On the same day came into force also the Delegated Regulation 2016/522, which is binding in its entirety and has from that date been used directly. The first novelty, which it provides, is that the issuer must ensure that the information which are required to be reported, are to be published as soon as possible and no later than three working days after the completion of the operation in a manner that provides quick access to such information on a non-discriminatory basis and be submitted to the system for central storage of regulated information. Another novelty is that the reporting obligation arises for any subsequent operations after their total value of €5,000 in a calendar year is achieved. The threshold of €5,000 is calculated by adding and without netting of all transactions.

At the end of 2017, the Agency set up an electronic way of reporting on transactions between persons performing administrative tasks and persons closely associated with them. The electronic reporting method enables easier and faster reporting, while the Agency provides better control over reporting.

The Agency performs constant supervision of persons performing managerial responsibilities and persons who are closely associated with them. In the context of supervision of reporting, the Agency in 2018 did not find any irregularities.

REPORTING ON THE LIST OF PERSONS AVAILABLE FOR INSIDE INFORMATION AND REPORTING ON THE SUSPENSION OF THE PUBLICATION OF INSIDE INFORMATION

The Agency has established an electronic reporting on the list of persons with access to inside information, and at the same time the electronic reporting about suspension the publication of inside information.

The reporting of the list of persons with access to inside information and on the suspen-

sion of publication of inside information are prescribed by MAR. Reporting on the list of persons available for inside information is an important tool for inside trading supervision. On the basis of this reporting, the Agency identifies the predominant volume of persons with access to inside information, whereby the form in which the data is communicated also reveals the extent to which specific inside information an individual has accesses to and in what period of time.

On 3 July 2016, the Implementing Regulation of the Commission (EU) 2016/347 entered into force, which is fully binding and has been applied directly from that date. The most important change is that as of 3 July 2016, the issuers must comprise two forms, namely a form for persons who, due to the nature of their tasks, have permanent access to the company's inside information, and a form for persons who have occasional access to inside information, related to a particular business or event.

In 2018, the Agency established the adequacy of reporting on the list of persons with access to inside information in four supervision cases in the context of which it carried out the supervision over the publications of inside information.

The reporting of the suspension of the publication of inside information (the same in the field of supervision of inside information based on inside trading) serves the Agency for the purpose of identifying the existence of inside information, which have not yet been made public (in the period when the inside information exists but it is not publicly announced, raises the risk of prohibited trade on this basis). In relation to this reporting, the Agency also supervises the timeliness of the publication of suspended inside information. MAR in the case where the issuer decides to postpone the publication of inside information stipulates that the issuer is obliged to inform the competent supervisory authority thereof immediately after it has disclosed the inside information to the public, and

must also provide a written explanation of how the conditions for the postponing of publication set out in this Regulation are met.

In 2018, the Agency received 1 report on the suspension of the publication of inside information in relation to which the Agency verified whether it was submitted in line with the provisions of the relevant regulation. No irregularities were established.

REPORTING ON THE BASIS OF SLOVENIAN SOVEREIGN HOLDING ACT

Pursuant to the Article 56 of the Slovenian Sovereign Holding Act (ZSDH-1) (data protection and inside information), the Slovenian Sovereign holding (SDH) must submit to the Agency the list of state owned capital investments in relation to which the SDH obtains confidential information or information that have characteristic of inside information in accordance with the act that governs the market in financial instruments and record of all those transactions on investments that ranked on the above mentioned list, concluded by the persons from the fourth Paragraph of Article 56 of the ZSDH-1. List and records must be submitted by the SDH to the Agency at the end of each month.

On the basis of Article 64 of the ZSDH-1, the Agency implements supervision over the public release of data that the SDH must publish on its website, and which also applies to all companies in which the SDH holds major holdings or prevailing influence.

03 TAKEOVERS

ISSUING OF AUTHORISATIONS FOR TAKEOVER BID

In 2018, the Agency issued 15 authorisations for takeover bid according to the ZPre-1.

The Agency issues such authorisations after it verifies 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 of-

Tabela 5:

Izdana dovoljenja – dovoljenje za prevzemno ponudbo v letu 2018

Offeror	Target company	Date of authorisation
MSIN, d. o. o., Ljubljana	CETIS, d. d., Ljubljana	11 January 2018
ALPSKA INVESTICIJSKA DRUŽBA, d. o. o., Ljubljana	REKREACIJSKO TURISTIČNI CENTER KRVAVEC, d. d., Cerklje na Gorenjskem	11 May 2018
INTUS INVEST, investicijske rešitve, d. o. o., Ljubljana	NARAVNO ZDRAVILIŠČE TOPOLŠICA, d. d., Topolšica	15 May 2018
HISENSE Luxembourg Home Appliance holding S.a.r.l., Luxembourg	GORENJE gospodinjski aparati, d. d., Velenje	28 May 2018
Bartimaeus, finančno poslovanje d. o. o., Ljubljana-Dobrunje; Celjski sejem d. d., Celje; Liko d. d., Petrovče; Staroveški Marko, Ljubljana-Dobrunje; Pišek Boris, Celje; Planinc Franc, Celje; Kastelic Jože, Komenda; Karničnik Matej, Braslovče; Rojc Jurij, Šentjur in Jeraj Boštjan, Kranj, ki nastopajo v imenu in za račun 69 delničarjev družbe Kovintrade Mednarodna trgovina, d. d.	KOVINTRADE Mednarodna trgovina, d. d., Celje	22 June 2018
PLASTA proizvodnja in trgovina d. o. o., Šentrupert	TOVARNA OLJA GEA, d. d., Slovenska Bistrica	17 August 2018
POSTOJNSKA JAMA, d. d., Postojna	CERTA HOLDING, d. d., Cerklje	23 August 2018
POSTOJNSKA JAMA, d. d., Postojna CERTA HOLDING, d. d., Cerklje	CERTA, d. d., Cerklje	28 August 2018
SAVA družba za upravljanje in financiranje, d. d., Ljubljana	HOTELI BERNARDIN d. d., Portorož	25 October 2018
RRC Računalniške storitve, d. o. o., Ljubljana	POMURSKE MLEKARNE, d. d., Murska Sobota	1 October 2018
ALEA INŽENIRING, d. o. o., Celje	TERME DOBRNA, d. d., Dobrna	30 October 2018
SALUS promet s farmacevtskimi, medicinskimi in drugimi proizvodi, d. d., Ljubljana	SANOLABOR, podjetje za prodajo medicinskih, laboratorijskih in farmacevtskih proizvodov, d. d., Ljubljana	28 November 2018
NANOTEHNA PLUS, d. o. o., Podčetrtek	TOVARNA KEMIČNIH IZDELKOV, d. d., Hrastnik	28 November 2018
A1 Slovenija, telekomunikacijske storitve, d. d., Ljubljana GH	Telekomunikacijski sistem Radvanje Pekre Limbuš d. d., Maribor	3 December 2018
MAX RENT, d. o. o., Celje	CELJSKI SEJEM, d. d., Celje	7 December 2018

Source: the Agency.

feror is adequate (it must not exceed the highest price under which the offeror obtained the securities in the period of last 12 months) and the adequacy of other disclosures regarding the offeror 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.

While 2017 saw the highest numbers of issued takeover bid authorisations after 2008 (17), 2018 was also extremely active pertaining to takeovers. The Agency issued 15 takeover bid authorisations while noting that these takeovers refer to the takeovers of target companies engaged in grossly diverse activities (manufacturing, tourism, telecommunications etc.). In regard to takeovers in 2018, it should be mentioned that, in their relation, there were cases of takeovers where the new owners would enter the company ownership structure as well as takeovers which had already been published by the previous offerors as a result of the enhanced scope of influence in the target company (exceeding the additional 10% of the takeover threshold that is utilized until the transferee exceeds 75% of the voting rights of the target company).

EXEMPTIONS FROM THE OBLIGATION FOR TAKEOVER BID

Provisions of Articles 22 and 22.a, 22.b and 22.c of the ZPre-1, Articles 76 and Article 78 of the ZBan-2 and Article 28 of the Law on Measures to Promote Financial Stability (ZUKSB) provide exemptions from the obligation for takeover bid. A person who is exempt from the takeover bid must notify the Agency within three working days of the acquisition or disposal of securities.

In 2018, the Agency received 7 such notifications.

SUPERVISION

Based on the ZPre-1, the Agency in 2018 implemented supervision of takeovers. The supervisory proceedings addressed the ownership in those target companies for which the ZPre-1 is used. On 31 December 2018, there were 252 target companies in the Republic of Slovenia to which the takeover legislation refers.

In 2018, the Agency began to conduct 28 operations of supervision in relation to the target company to which ZPre-1 refers:

- In 10 supervisory procedures, the suspicion of minor offences where the Agency acts as a minor offence authority was confirmed;
- In 1 supervisory procedure, the decision was finalized to terminate the suspension of voting rights and in 1 supervisory procedure the decision on the suspension of voting rights was finalized;
- 10 supervisory procedures were finalized with an official notice or report on supervision made because no violations of ZPre-1 were identified;
- 6 supervisory procedures (possible occurrence of the obligation to submit a takeover bid) have not yet been completed.

04 SECONDARY MARKET

At the end of 2018, 4 brokerage companies and 8 banks with the authorisation to provide investment services and activities, 3 management companies with the authorisation to provide management services or ancillary services, 1 manager of an organized market, which also operated a multilateral trading system (MTF) and 1 manager of the settlement system who also managed the central register operated on the Slovenian capital market. Furthermore in the Republic of Slovenia, 1,676 investment firms from Member States of the European Union were authorised to directly engage in the provisioning of investment services and transactions.

ISSUING OF AUTHORISATIONS AND APPROVALS

In the secondary market in 2018, the Agency dealt with applications and issued authorisations and approvals in connection with the provision of investment services and activities, the provision of services for the management of trading systems and the provision of services related to settlement systems and central depositories. In the same year it also dealt with several applications and issued licenses to several natural persons in connection with the performance of various functions. In 2018, the Agency also received notifications from investment firms from EU Member States for the provision of investment services and activities in the Republic of Slovenia.

In 2018, competent authorities from other EU Member States informed the Agency on the direct provisioning of CSD services, which will be engaged in the Republic of Slovenia by entities from these countries.

BROKERAGE COMPANIES

In 2018, the Agency dealt with the submission by a brokerage company in regard to

the issue of company division license and the brokerage company submission for a new ancillary service of lending to clients. That year, the Agency issued to the brokerage company the decision limiting its operations in the process of the termination of the authorisation for the provision of investment services and activities due to a change of activity. In all the above cases, the Agency decided to issue the licenses.

MANAGERS OF ORGANIZED MARKET AND MTF

In 2018, the Agency issued a decision authorising the Ljubljana Stock Exchange to engage in MTF management services for money market financial instruments. This authorisation extended the scope of financial instruments traded via the multilateral trading system managed by the Ljubljana Stock Exchange.

CENTRAL REGISTER AND CLEARING AND DEPOSITORY COMPANY

In 2017, the Agency received from KDD the submission for the issuing of authorisation to engage in 3 basic services and 11 ancillary non-banking services as set out by CSDR. Because of the extremely demanding and extensive subject and the required cooperation by all entities involved in the decision drafting procedure, the Agency will decide on the application during the course of 2019.

MEMBERS OF MANAGEMENT IN A BROKERAGE COMPANY

In 2018, the Agency issued 1 authorisation for performing the function of a member of the management board or the executive director in a management company. Additionally in 2018, the Agency also issued two decisions establishing that the authorisations of two members of the Management Board or executive directors for performing their functions in the management companies had ceased.

BROKERS

In 2018, the Agency issued 5 licenses for brokerage operations, while one person withdrew their submission for the issuing of such an authorisation.

NOTIFICATION OF SERVICES IN THE REPUBLIC OF SLOVENIA

In 2018, the supervisory authorities of other EU Member States informed the Agency on 109 investment firms from other Member States that have started to become engaged directly with the investment services and activities in financial instruments in the Republic of Slovenia.

The list of investment firms and managers of investment funds from EU Member States that may engage in investment services and activities in the Republic of Slovenia is published at <http://www.a-tvp.si/eng/notifications-from-other-member-states/investment-firms-and-management-companies>.

SUPERVISORY PROCEDURES AND IMPOSED MEASURES OF SUPERVISION

In accordance with the legal provisions in force, the Agency performs supervision on the secondary market:

- By issuing licenses and approvals;
- By monitoring, collecting and checking the information of brokerage companies, banks and other persons obliged to report to the Agency according to the regulations, or to inform it about individual facts and circumstances (supervision over reporting);
- By carrying out reviews of the operations of brokerage companies, banks and other persons, as determined by the applicable legislation;
- By imposing supervisory measures.

The work of the Agency in 2018 the field of investment services and operations was mainly marked by activities related to:

- The introduction of new legislation on the capital market (MiFIR);
- Compliance with the legal requirements in the field of prevention of money laundering and terrorist financing;
- Complying with the statutory requirements of the ZTFI;
- Prohibition of the misuse of the market in financial instruments;
- By meeting the requirements of manufacturers, providers and advisers of packaged retail investment products in line with PRIIP.

These activities were also adapted to the work of the Agency in the area of supervision in 2018. Accordingly, pursuant to the current legislation, the Agency carried out in particular the following activities:

- Supervision in connection to reporting under MiFIR;
- Supervision in relation to the compliance with legal provisions in the field of anti-money laundering and terrorist financing;
- Supervision in relation to the compliance with the requirements of PRIIP;
- Supervision in relation to the price list by the settlement system manager;
- Supervision in relation to legal requirements which must be fulfilled by a person in order to become a member of the Management Board;
- Supervision connected to the suspected abuse of the market in financial instruments;
- Supervision of a tied agent;
- Supervision regarding the provisioning of investment services.

In 2018, the Agency exercised supervision over the following groups of entities:

- Brokerage companies, banks authorised by the Bank of Slovenia to engage in investment services and activities and management companies authorised to engage in certain investment services and activities;

- Producers and providers of packaged investment products in the offering of products to retail investors;
- Settlement system managers;
- Members of the board of directors in brokerage companies;
- Persons suspected of having engaged in restricted abusive practices in the market in financial instruments;
- Tied agent;
- Persons who were suspected of carrying out investment services and activities without the proper authorisation by the Agency of the Bank of Slovenia.

In 2018, the Agency launched 43 supervision procedures relating to the provision of investment services and activities, regarding the fulfilment of ZPPDFT-1 provisions, the fulfilment of the provisions of PRIIP, prohibited abuse of market in financial instruments and in relation to the compliance with the legal requirements of settlement systems. It should be emphasized that the supervised entities in two procedures were all the brokerage companies, all the banks authorised to provide investment services and activities and the management companies engaging in certain investment services and activities. In relation to the supervision over manufacturers and sellers of packaged investment products, the Agency examined 35 documents containing key information. The supervisory procedures carried out in 2018 include procedures related to the reporting by supervised entities, reviews of business operations and procedures that were initiated on the basis of violations identified by the Agency based on information from various sources.

In 2018, the Agency initiated the following supervisory procedures of individual subject groups:

- 3 business reviews of brokerage companies;
- 1 review of operations in a bank authorised to provide investment services and activities;
- 2 supervision of reporting entities under Mi-

- FIR (all brokerage companies, banks and savings banks, 3 management companies with the authorisation to engage in certain investment services and activities);
- 1 supervision of producers and providers of packaged investment products;
- 1 supervision of the settlement system manager;
- 1 supervision of 3 members of the board of directors in brokerage companies;
- 5 supervisions of entities based on suspicion of illegal execution of investment services and activities;
- 1 supervision of a tied agent;
- 28 supervisions related to the suspicion of illicit abuse of the market in financial instruments.

Furthermore, in 2018 the Agency regularly supervised reporting. However, it did not detect any violations of the legislation in force and commenced no special supervisory procedures in this sense.

REVIEWS OF OPERATIONS AND IMPOSED SUPERVISORY MEASURES

In 2018, the Agency conducted 3 reviews of operations of brokerage companies, 1 review of bank operations and 1 review of a subject without authorisation to engage in investment services and activities. In the review of the operations of two brokerage companies, the Agency was investigating the existence of possible violations and irregularities of the current legislation pertaining to provisioning of investment services and activities, while in the review of one brokerage company and one bank, the Agency attempted to identify any possible violations of the current legislation in the field of prevention of money laundering and terrorist financing. In the review of the entity without the authorisation to engage in investment services and activities, the Agency determined whether it was actually engaged in the provisioning of investment services and activities.

REPORTING OF BROKERAGE COMPANIES AND BANKS, LJUBLJANA STOCK EXCHANGE AND KDD

In 2018, the Agency regularly monitored, collected and checked the information of brokerage companies and banks and other persons that are obligated to report to the Agency or to notify the Agency on individual facts and circumstances. In connection to this it collected, monitored and checked numerical and non-numeric reports and notifications from brokerage companies, banks with the authorisation of the Bank of Slovenia for the provision of investment services and activities, Ljubljana Stock Exchange and KDD, which they are obliged to submit to the Agency, as well as other reporting entities in line with the current legislation. These entities report to the Agency through the NRS. Due to the enforcement of MiFIR at the beginning of 2018, supervised subjects were required to communicate specific types of reports on the basis of the provisions of this new regulation into new National Reporting System (NRS) for the first time while the Agency, based on the very same regulation as well as other current legislation, exchanged certain data with ESMA, supervisory authorities of other Member States as well as trade repositories.

In 2018, the Agency received 56 numerical reports from brokerage companies via the NRS which referred to:

- Capital and capital requirements of brokerage companies;
- Exposure of brokerage companies;
- Leverage.

In 2018, the Agency also received 641 non-numeric brokerage companies' reports through the reporting system.

Persons obliged to report (brokerage companies and some banks with the authorisation for providing investment services and activities) daily report 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. In regards to these reports, the Agency received 4,109 data files in 2018. Within the exchange of information on transactions with supervisory authorities of other Member States, the Agency received 1,728 and sent 3,046 files in 2018.

In 2018, the Agency also received 193 non-numeric reports from Ljubljana Stock Exchange and 5 non-numeric reports from KDD.

In 2018, the Agency received 209 notifications from persons obliged to report under the EMIR.

When verifying the reports and notifications sent to the Agency by individual supervised entities on the basis of legislation and implementing regulations, the Agency verifies 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.

In 2018, the Agency focused in supervisory proceedings particularly on the correctness of reported data. With the introduction of MiFIR, the set of data that the reporting entities are required to report to the Agency has been significantly expanded. A significant part of this data is exchanged by the Agency with ESMA and supervisory institutions from other Member States, which, like the Agency, use the data in their supervisory activities. To facilitate such use of data, it is extremely important that the reported data is correct.

REPORTING UNDER EMIR

With respect to EMIR, the Agency is obligated to supervise the reporting by entities to the trade repository on all concluded derivative transactions and monitor the indicated data. In order to facilitate the monitoring of these data and their analytical processing, ESMA established

the TRACE system. On the basis of TRACE data, a Data Quality Review is performed once annually for the purpose of data quality assurance, joined also by the Agency in entirety for the first time in 2018. In close cooperation with the competent national authorities, ESMA optimizes the necessary technical infrastructure for data processing, planning software for their management as well as the analytical evaluation methodology. In this sense, ESMA in cooperation with the competent national authorities has prepared the “Data Quality Action Plan”, the aim of which is to improve the quality and usefulness of data in trade repositories.

IMPOSED SUPERVISORY MEASURES

In 2018, the Agency issued, based on its findings from supervisory procedures, the following measures:

- 2 decisions to eliminate violations, with which it imposed on brokerage companies decisions on elimination of 5 violations of applicable legislation. In addition, the Agency also proposed to the brokerage companies 36 operational improvements associated with the provisioning of investment services and activities, and 5 improvements in the field of money laundering prevention;
- 1 order for the elimination of violations to a settlement system manager;
- 1 order for the elimination of violations to a tied agent.

In 2018, the Agency also issued several decisions on the suspension of the procedure as well as decisions establishing that the entities have eliminated the violations of the current legislation.

Furthermore in 2018, the Agency also issued 3 decisions on appeals against the orders on the elimination of violations (market abuse).

05 FUNDS

ISSUING OF AUTHORISATIONS AND APPROVALS

INVESTMENT FUNDS AND MANAGEMENT COMPANIES

In 2018, the Agency in the field of investment funds and management companies operations issued the following:

- 1 decision on the termination of the authorisation to provide investment fund management services;
- 1 authorisation for the acquisition of an indirect qualifying holding in a management company;
- 12 licenses on the execution of custodian services contracts;
- 2 licenses on the amendment of the custodian services contract;
- 1 acquisition license (transfer of a sub-fund's assets onto the acquiring sub-fund);
- 3 licenses for taking over the mutual fund management;
- 2 licenses for the management of an individual (new) sub-fund;
- 4 approvals on the amendment of the rules on mutual fund management;
- 6 approvals on the amendment of the rules on umbrella fund management in the part pertaining to all sub-funds;
- 82 approvals on the amendments of the rules on umbrella fund management in the part pertaining to an individual sub-fund;
- 7 licenses for the publication of a mutual fund prospectus; and
- 7 licenses for the publication of an umbrella fund prospectus.

Additionally in 2018, the Agency issued to management companies 4 decisions on the termination of the procedure regarding the issue of consent on the rules of the management of the mutual fund, the request for the issue of a license for the publication of a mutual fund prospectus, the request for the issue of authorisation for the execution of a custodian services

contract for the mutual fund account and the request for the issue of a mutual fund management authorisation.

In 2018, the Agency issued to natural persons in the field of management company operations and the marketing of units of investment funds the following:

- 1 authorisation for performing the function of a member of the management board or the executive director in a management company;
- 1 rule on termination of the authorisation to perform the function of a member of the management board or executive director in a management company;
- 2 decisions on the termination of the authorisation procedure for the performance of duties by a management board member or the executive director in a management company; and
- 80 authorisations for the marketing of units of investment funds.

ALTERNATIVE INVESTMENT FUNDS AND ALTERNATIVE INVESTMENT FUND MANAGERS

In 2018, in the field of AIF and AIF managers, the Agency issued:

- 2 decisions on the granting of the special investment fund manager status (SIS);
- 2 decisions on the granting of the special investment fund status (SIS);
- 1 decision on the termination of the AIF management services authorisation.

MUTUAL PENSION FUNDS AND MANAGERS OF MUTUAL PENSION FUNDS

In 2018, the Agency considered 6 applications by managers of mutual pension funds and issued the following authorisations or approvals:

- 1 approval on the change of the rules on the management of the umbrella pension fund; and
- 5 licenses on the execution of custodian services contracts.

PENSIONS AND INSURANCE COMPANIES WITH ASSETS COVERING TECHNICAL PROVISIONS AND INTERNAL FUNDS

In 2018, the Agency handled 7 submissions by additional assets covering technical provisions and 2 submissions by insurance companies engaged in internal fund management while also issuing 9 authorisations for the conclusion of custodian services contracts.

NOTIFICATION OF SERVICES IN THE REPUBLIC OF SLOVENIA

In 2018, the Agency received a notification from management company from a Member state on the termination of the marketing of 7 UCITS.

In the same period, the Agency also received 19 notices on the opening of marketing of the units of the European Venture Capital Fund (EuVECA) of the Member States that qualify for marketing in the Republic of Slovenia, and one notice on the opening of marketing of the units of the European Social Entrepreneurship Fund of a Member State that qualifies for marketing in the Republic of Slovenia.

In line with AIFMD, the Agency also received in 2018 10 notifications by AIF administrators from other Member States on the intent of AIF direct management or the intent to engage in the provisioning of investment services and transactions connected to financial instruments in the territory of the Republic of Slovenia.

Furthermore in 2018, the Agency received 35 notifications from AIFs from other Member States marketed to professional investors in the Republic of Slovenia.

SUPERVISION OF REPORTING AND IMPOSED SUPERVISORY MEASURES

Management funds, alternative investment funds, managers of mutual pension funds and custodians or mutual pension funds provide the Agency with a number of regular and exceptional reports. All standard reports within the framework of reporting on investment funds, mutual pension funds and depositaries of investment fund assets or mutual pension funds are thus exclusively covered in electronic form, while the supervision of the received data is, to some extent, automated. The aforementioned electronic reporting is based on sending XML files within the numerical part of reporting and PDF files in the context of non-numeric reporting. The Agency is regularly checking the timeliness and regularity of the received reports, and in particular determines whether the report may possibly be the result of a violation of the regulations. The Agency regularly implements the upgrading of electronic data capture with the NRS system, through which it ensures proper supervision due to changes in legislation, while introducing system improvements in terms of increase of transparency and usefulness of the received reports.

In 2018, in the field of reporting by management companies and managers of mutual pension funds, the Agency prepared amendments to the functional specifications. These amendments were necessary in order to coordinate functional specifications with the applicable legislation.

At the end of 2017, due to the additional requirements for electronic signing and encoding of data and reports, the Agency complemented the functional specification of all reporting entities which send the Agency data via the NRS system. The subject changes were implemented in the NRS reporting system in the beginning of 2018.

MANAGEMENT COMPANIES

At the end of 2018, 6 management companies managed 6 umbrella funds with 95 sub-funds and 5 mutual funds. The volume of assets in the investment funds of domestic management companies amounted to €2.478 billion at the end of 2018.

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. The request for regular reporting contributes to more consistent compliance with the regulations and thus increased safety of investors.

Daily reporting by management companies represents reporting on the value and change in the value of investment fund unit as at the accounting day. The Agency received 24,917 such reports in 2018, the receipt of which is daily analysed for any above-average changes in the fund unit value.

Once per month, management companies report the data from their balance sheets as at the last accounting day for the previous month (MATRIKA/ISBS form) and data on transactions in the period of the previous month (MATRIKA/ISTR form) for each managed investment fund. In 2018, the Agency received 1,210 MATRIKA/ISBS forms and 1,210 MATRIKA/ISTR forms, where the forms represent the basis for the on-going review of operations of investment funds, mainly to supervise the compliance of the investment policy of investment fund with the provisions of the ZISDU-3, the prospectus or the rules on the investment fund management.

The regular monthly review comprises a review of reports on the facts and events related to the operations of management companies and investment funds (the Agency received 189 such reports in 2018) and a review of reports on the transfer of the provision of an individu-

al service or investment fund management to another person, and the potential amendment of contract or termination of authorisation (113 reports received in 2018).

A management company must report the economic outturn of each investment fund on a quarterly basis. The Agency received 403 such reports in 2018.

In 2018, the Agency timely received 17 (audited) annual reports relating to operations in 2017, namely from 7 management companies, 6 umbrella funds and 4 mutual funds. In the supervision process over those reports the Agency determined that the auditors gave a favourable opinion on all financial statements of management companies, financial statements of umbrella funds and financial statements of mutual funds. The auditors also gave a favourable opinion on all umbrella funds and mutual funds regarding compliance with the rules determined in the ZISDU-3 and general acts on the management of investment funds issued on its basis. In addition, the Agency in 2018 also timely received 9 semi-annual reports, relating to operations in the period from 1 January to 30 June 2018, namely for 6 umbrella funds and 3 mutual funds.

A management company is obliged to submit to the Agency also the internal audit report and report on fulfilment of capital adequacy requirements on the last day of the calendar year. Both reports must be submitted at the latest upon submission of the audited regular annual report. In 2018, the Agency received and reviewed 7 reports on internal audit and 7 reports on capital adequacy of management companies for 2017.

A management company must submit to the Agency all changes of documents with key information for investors for each mutual fund that it operates, not later than with its submission to the public. In 2018, the Agency timely received 190 such documents.

The management companies must regularly report on the publications concerning legal and business events related to the operation of the management company and the investment funds. In 2018, the Agency received and reviewed 84 such notifications.

Should the investments of an investment fund exceed the limit allowed of individual types of investments, the management company must immediately inform the Agency thereof. The notification must include the description and proportion of deviations, reasons for deviation, description of actions for termination of deviations and indication of the deadline by which the deviation will be eliminated. The Agency received and reviewed 37 such notifications in 2018. In most cases, the cause for such reporting was the fall of the value of investments of the investment fund, which can be attributed to the situation on financial markets, or a decrease or an increase of the number of asset units in the circulation as a result of higher payments or pay-outs 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. The review and analysis of the reports is carried out regularly, while the Agency received 6 such forms in 2018. In all of the cases, the cause for such reporting is a fall in the net value of funds or a fall in the fund units in circulation, which does not necessarily result in actual insolvency of an individual investment fund. In 2018, all investment funds in the management of the domestic management companies provided unhindered payments to investors.

Management companies must inform the Agency also about the error in the calculation of net asset value of a mutual fund. Review and analysis of such reports are carried out regularly. In 2018, the Agency did not receive any such reports.

Management companies providing management services in financial instruments and

ancillary services must additionally send these reports to the Agency. In 2018, the Agency received 56 such reports.

In 2018, the Agency continuously reviewed all these reports through the Agency's integrated information system (IISA), which allows automatic control of regularity and timeliness of the arrival of reports. In addition to the above stated review of reports, the Agency, with the help of IISA, throughout 2018 also conducted substantive review of reports of mutual funds in terms of compliance of investments with legal provisions and fund rules. At least once in 2018 the Agency also examined the compliance of 102 sub-funds and mutual investments funds with fund management rules. The findings, collected on the basis of reviews of those reports and notices, were also the reason for further introduction of supervisory procedures.

In 2018, the Agency thus began to lead 13 supervisory procedures in relation to the reporting of management companies. In 10 cases, it requested clarification of the data in the submitted reports. Furthermore, the Agency in respect of infringements identified in the process of supervision of management companies, issued 1 order to eliminate violations, in connection to which, based on the submitted appeal, the Agency also issued 1 decision on the opposition. What is more, in 1 case the Agency concluded that there is a suspicion of an offence where the Agency acts as a minor offence authority. In 2018, the Agency concluded 10 supervision procedures (including the supervision procedures commenced in 2017) with an official notice because no violations of statutory provisions were identified.

In the scope of financial stability monitoring and macro-prudential policy making, in 2018, the Agency kept track of the risk of (non-)stability of the mutual fund industry. The risk was measured via the weighing of the total net contributions into mutual funds and net contributions by individual mutual fund types, where the weight is the total net asset value (NAV) or the NAV of an individual type of mutual fund.

MANAGERS OF ALTERNATIVE INVESTMENT FUNDS

At the end of 2018, there were 14 AIF registered managers and 1 AIF manager authorised by the Agency to provide AIF management services. These managers managed 3 SIS and 25 AIF without status. At the end of 2018, the amount of funds in the management of AIF managers located in the Republic of Slovenia amounted to just under €130 million.

All managers of AIF who operated in 2018 are required to report annually to the Agency, whereby the AIF managers must submit one report, the content of which refers to each individual AIF manager, and one report that substantively relates to individual AIF that is managed by the manager. In 2018, the Agency thus received and examined 12 reports on the operation of AIF managers and 17 reports on the operations of the AIF. The Agency is required to submit the above mentioned reports to ESMA.

AIF managers with the authorisation of the Agency for the provision of services for the management of AIF must provide the Agency with additional reports regarding the provision of AIF management services. In 2018, the Agency received 11 such reports.

MANAGERS OF MUTUAL PENSION FUNDS

At the end of 2018, 3 managers of mutual pension funds managed 3 umbrella pension funds with 12 sub-funds and 1 mutual pension funds. The volume of these funds in the management of mutual pension fund managers at the end of 2018 amounted to €1.124 billion.

The managers of mutual pension funds must report monthly on the value of the mutual pension fund unit, the nature and composition of the mutual pension fund's investments, the number of members and employers, the capital of the manager, the reserves for non-reach-

ing the guaranteed value of the mutual pension fund assets and the structure of investments from those reserves. In 2018, the Agency received and examined 549 such reports.

Managers report quarterly on the operating result of the mutual pension fund. In 2018, the Agency received and reviewed 53 such reports.

Managers of mutual pension funds must submit to the Agency the (audited) annual report of the mutual pension fund for the past business year, no later than by 30 June of the current year. In 2018, the Agency timely received 7 audited annual reports from mutual pension funds for the 2017 financial year, namely for 2 mutual pension funds, 3 umbrella pension funds, with 9 sub-funds, the First Pension Fund of the Republic of Slovenia and the Compulsory Supplementary Pension Insurance Fund. In supervisory procedures over these reports, the Agency determined that auditors gave positive opinions on all financial statements of all mutual pension funds. The auditors also determined compliance with rules determined by the ZPIZ-2, general acts on management of mutual pension funds, accuracy and completeness of notifications and reports by the Agency, and public publications on mutual pension fund operations.

In the case that the managers of mutual pension funds change the statement on investment policy, they must no later than in three working days of changes submit to the Agency the text on the amended statement and explanation of the reasons for the change. In 2018, the Agency received 3 such notifications.

In 2018, the Agency continuously reviewed all the above mentioned reports with the help of IISA. In addition, the Agency, with the help of IISA, also conducted substantive review of reports, namely substantively checked the compliance of investments of all mutual pension funds with the rules on management. Findings, collected on the basis of reviews of those reports and notices, were also the reason for further introduction of supervisory procedures.

In 2018, the Agency thus initiated 2 supervisory procedures relating to the reporting of mutual pension fund managers. In supervisory procedure of reporting of managers of mutual pension funds in 2018, the Agency required further clarification of the 1 received report.

DEPOSITORIES OF ASSETS INVESTMENT FUNDS OR MUTUAL PENSION FUNDS

At the end of 2018, 4 depositories of assets provided custodian services for investment funds and mutual pension funds.

Depositories must report to the Agency the data on supposed irregularities in operations of investment funds or pension funds, established while performing the custodian services for an individual investment or mutual pension fund. In 2018, the Agency received and reviewed 24 such reports, related to the area of investment funds, wherein in 2018 the Agency did not receive any such report related to the field of operations 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 investments of an investment fund.

Every half a year the depositories must report on their operations involving the investments of an investment fund or a mutual pension fund. In 2018, the Agency received and reviewed 59 such reports (56 for investment funds and 2 reports for mutual pension funds).

MANAGEMENT COMPANIES FROM OTHER EU MEMBER STATES

At the end of 2018, units of 97 UCITS from other Member States were marketed in the Republic of Slovenia. Management companies from Member States that market units of UCITS from other Member States in the Republic of Slovenia were managing €212 million of Slovenian resident assets at the end of November 2018.

Managing companies from other Member States that market units of UCITS in the Republic of Slovenia must keep the Agency updated about changes to the prospectus, changes in management rules or statutes, annual and semi-annual reports and changes in the document with key information for the investor.

In 2018, the Agency received and examined 79 such notices.

REVIEWS OF OPERATIONS AND IMPOSED SUPERVISORY MEASURES

In 2018, the Agency carried out 2 reviews in the field of investment fund management services of 2 management companies while 1 review was carried out in December 2018.

In regard to the carried-out reviews, the Agency held a meeting with the management of 1 management company where it gave its conclusions and made recommendations on how to improve company operations. In 2018, the Agency also received the response report by the management company regarding the recommendations made.

06 LEGISLATION

PREPARATION OF GENERAL ACTS

In 2018, most of the activities of the Agency in the normative field were related to the preparation of general acts in the field of ZTFI, ZISDU-3 and ZPIZ-2, and the use of ESMA guidelines or common guidelines of ESMA, EBA and EIOPA.

In the area of the ZTFI, the Agency in 2018 prepared and adopted one general act, namely:

- Decision determining the programme and method of examining the required knowledge of brokers (Official Gazette of the RS, No. 106/07, 64/10 and 35/18).

As mentioned, on 15 December 2018, a new Market in Financial Instruments Act (ZTFI-1) became valid and stipulates that, within six months of the entry into force of this Act, the Agency is required to publish the regulations necessary for the implementation of this Act. Namely, with the introduction of the ZTFI-1, 32 general acts issued based on the ZTFI expired. As a result, at the beginning of 2019, the Agency actively acceded to the preparation of new general acts.

In connection to the use of the ESMA guidelines or the application of the common guidelines of ESMA, EBA and EIOPA, in 2018, the Agency in adopted:

- Decision on the application of ESMA guidelines on certain aspects of the MiFID II suitability requirements (Official Gazette of the RS, No. 83/18);
- Decision amending the Decision on the application of European Securities and Markets Authority (ESMA) guidelines and recommendations (Official Gazette of the RS, No. 83/18);
- Decision amending the Decision on the application of European Securities and Markets Authority (ESMA) guidelines and recommendations (Official Gazette of the RS, No. 68/2018);
- Decision on the application of the Guidelines on Stress Test Scenarios under Article 28 of

the MMF Regulation (Official Gazette of the RS, No. 51/18);

- Decision on the application of the Guidelines for the assessment of the suitability of members of management bodies and key office holders (Official Gazette of the RS, No. 35/18);
- Decision on the application of European Securities and Markets Authority (ESMA) guidelines and recommendations on the requirements regarding product management (Official Gazette of the RS, no. 24/18);
- Decision on the use of joint guidelines under Articles 17 and 18(4) of Directive (EU) 2015/849 on simplified and enhanced customer due diligence and the factors credit and financial institutions should consider when assessing the money laundering and terrorist financing risk associated with individual business relationships and occasional transactions (Official Gazette of the RS, No. 12/18); and
- Decision on the application of ESMA Guidelines on the management bodies of market operators and data reporting service providers (Official Gazette of the RS, No. 12/18).

Furthermore, pursuant to the provisions of ZPPDFT-1, the Agency was obligated to draw up the adjustments and amendments to the Prevention of Money Laundering and Terrorist Financing Guidelines in the Capital Market Area. Accordingly, the Agency adopted new guidelines at the beginning of October 2018.

In the field of collective asset management, legislative changes were not introduced until the end of 2018 when amending laws ZISDU-3C and ZUAIS-A were adopted. Consequently, no general acts with the exception of the two listed below were changed:

- The Decision on the professional examination concerning the marketing of units of investment funds was amended mid-2018 (the amending law was published in the Official Gazette of the RS, No. 51/18). Changes to this Act were necessary due to harmonization with GDPR requirements;
- The Decision on investment company's cap-

ital was amended as a result of the introduction of the Amendments to the Slovenian Accounting Standards 2016 (the amending law was published in the Official Gazette of the RS, No. 82/18). In line with the amendment of the International Accounting Standards, the amendment to the Slovenian Accounting Standards (2016) reorganized the accounting treatment of fixed assets that companies hire for their operations. This amendment had a direct impact on the calculation of the available capital of management companies. As a result, the Agency decided adjust the general act and maintain the existing regime.

The provisions of ZPIZ-2 did not change in 2018. However, the adjustment of pension fund operations was indirectly influenced by the amendment of the ZISDU-3 from 2017. Namely, ZPIZ-2 stipulates that the custodian services are governed *mutatis mutandis* by the provisions of the act, which regulates investment funds and management companies applying to custodian services for mutual funds. As a result of this, the Agency in 2018 carried out training on the topic, which was followed by the harmonization of pension fund and internal insurance company fund custodian services contracts.

PARTICIPATION IN THE PREPARATION OF ACTS

In the legislative area, the Agency in 2018 also worked closely with the relevant competent ministries and other participants in the systemic regulation of the capital market of the Republic of Slovenia. As ever was the main purpose of the cooperation a consistent harmonization of domestic legal framework with the European and the ratification of in the practice detected flaws and inconsistencies.

The Agency actively collaborated in the drafting of the new ZTFI-1 which was adopted on 20 November 2018 and entered into force on 15 December 2018. The predominant part of ZTFI-1 relates to the transposition of Directive

2014/65/EU on markets in financial instruments (MIFID II) while certain legislative provisions constitute technical and editorial adjustments. The Act also governs the implementation of MiFIR and the Regulation implementing the Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds while at the same time introducing important innovation in the field of investor claims compensation systems. Another novelty is the introduction of the Organised Trading Facility which does not constitute an organized market or MTF. Another important innovation is the introduction of a new category of financial instruments, i.e. emission allowances and the determination of the conditions for algorithmic trading. ZTFI-1 also amends certain existing rules and introduces new rules that will help enhance the protection of investors and clients, particularly especially the extended provisions on record keeping by brokerage company and stricter conditions on client notification on the services and risks associated with individual financial instruments. Furthermore, the customers will also need to provide more detailed information on the costs resulting from individual services.

The drafting of the new ZTFI-1 necessitated the corresponding adjustments of ZISDU-3 and ZUAIS. In 2018, the Agency took part in the preparation of amending laws ZISDU-3C and ZUAIS-A. While the amending law ZISDU-3C focused particularly on harmonization with the new ZTFI-1 (references to ZTFI were removed and replaced with appropriate ZTFI-1 references), the ZUAIS-A amended additionally governs the implementation of Regulation (EU) 2015/760.

In 2018, the Ministry of Labor, Family, Social Affairs and Equal Opportunities started drawing up the amendment to ZPIZ-2 implementing IORP II into the Slovenian legal system. In the preparation of ZPIZ-2 amendments, the Agency already took part in the initial phases and together with the Insurance Supervision Agency

(AZN) offers technical assistance to the Ministry in the preparation of the amending law the submission of which to the legislative procedure can be expected in 2019.

In 2018, the Agency also:

- Submitted proposals for the amendment and update of the proposed Personal Data Protection Act (ZVOP-2);
- Submitted proposals to the proposed Act on the Implementation of the Regulation on Securitization (2017/2402);
- Submitted proposals to the proposed Act Implementing the Regulation (EU) on Key Information Documents for Packaged Retail and Insurance-based Investment Products (ZIUDPNP);
- Submitted proposals for the amendment and update of the Investment Funds and Management Companies Act;
- Submitted proposals for the amendment and update of the Alternative Investment Fund Act;
- Submitted proposals for the amendment and update of the Physical Assets of the State and Local Government Act as well as amendments and update of the Public Finance Act;
- Proposed amendments and update of the Information Security Act;
- Reviewed and submitted comments on the new Consumer Protection Act pertaining to the part that affects capital markets;
- Participated in the drawing up of the Decree by the government of the RS on the implementation of the Regulation (EU) on markets in financial instruments;
- Participated with the Office for Money Laundering Prevention in the preparation of a larger number of general acts;
- Reviewed and submitted comments on the proposed Regulation implementing the Regulation (EU) on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds;
- Participated in the preparation of the proposal of Decree implementing the Regulation (EU) on money market funds;
- Reviewed and submitted comments on the draft of the Decision amending the Decision on detailed rules as regards trust services for an internal insurance fund.

MONITORING AND IMPLEMENTATION OF EUROPEAN LEGISLATION RELATING TO THE AGENCY'S OPERATIONS

Through its membership in ESMA, the Agency keeps track of the adoption of implementing regulations of the European Parliament, of the Council and the European Commission referring to the Agency's remit and the ESMA guidelines. The list of important provisions, directives and implementing EU regulations is published at <http://www.a-tvp.si/eng/eu-legislation/eu-legislation>.

In the field of the provision of investment services and activities, the Agency participated in 2018 in scope of the working groups or different committees within ESMA in the preparation of ESMA regulatory and implementation technical standards and guidelines which more precisely complement the provisions of individual Articles of MiFID II and MiFIR. The Agency has consistently supervised the status of individual acts of the European Commission and ESMA in the field of the market in financial instruments, linked to the mentioned directive and regulation. Operational activities related to the implementation of the requirements arising from MiFID II and MiFIR have been implemented since the beginning of 2018 via the participation in the preparation of a new ZTFI-1 and cooperation with stakeholders in the capital market, to whom it answered a number of questions. Consequently, in 2018, the Agency spent a lot of time preparing for the implementation MiFID II and the entry into force of MiFIR.

In 2018, the European Commission adopted a number of proposals of acts that have since

2018 been introduced and will in the future impact the Agency's activities in the field of supervision of trading in financial instruments. In 2018, the Agency presented its opinion on the proposals:

- The overhauled investment firm rules – the proposal is made up of the Proposal for a Regulation by the European Parliament and of the Council on the prudential requirements for investment firms and on the amendment of Regulations (EU) No. 575/2013, (EU) No. 600/2014 and (EU) No. 1093/2010, and the Proposal for a Directive of the European Parliament and of the Council on the prudential supervision of investment firms and amending Directives 2013/36/EU and 2014/65/EU;
- Regulation of covered bond issuance – the proposal is made up of the Proposal for a Directive of the European Parliament and the Council on the issue of covered bonds and covered bond public supervision and amending Directive 2009/65/EC and Directive 2014/59/EU and the Proposal for a Regulation of the European Parliament and the Council on amending Regulation (EU) No. 575/2013 as regards exposures in the form of covered bonds;
- Rules on the issuing of sovereign bond-back securities – the proposal is made up of the Proposal for a Regulation of the European Parliament and of the Council on sovereign bond-backed securities;
- Referring to the promotion of sustainable development – specifically the proposals (i) Proposal for a Regulation of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment, (ii) Proposal for a Regulation of the European Parliament and of the Council on disclosures relating to sustainable investments and sustainability risks and amending Directive (EU) 2016/2341 and (iii) Proposal for a Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2016/1011 on low carbon benchmarks and positive carbon impact benchmarks;
- Reforming the European supervisory authori-

ties system – the Agency has focused on the proposals which impact the position and the competences of the European Securities and Markets Authority;

- Rules on the resolution of central counterparties – specifically the Proposal for a Regulation of the European Parliament and of the Council on a framework for the recovery and resolution of central counterparties and amending Regulations (EU) No 1095/2010, (EU) No 648/2012, and (EU) 2015/2365;
- Rules regulating clearing obligations – specifically the Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No. 648/2012 as regards the clearing obligation, the suspension of the clearing obligation, the reporting requirements, the risk-mitigation techniques for OTC derivatives contracts not cleared by a central counterparty, the registration and supervision of trade repositories and the requirements for trade repositories;
- Facilitating the raising of capital by SMEs – the proposal consists of the Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) No 596/2014 and (EU) 2017/1129 as regards the promotion of the use of SME growth markets.

In the field of investment funds, the Agency in 2018 also closely monitored developments in the adoption of the regulations of the European Parliament and the Council, the European Commission and the ESMA guidelines relating to investment funds.

PRIIP determines same rules on the form and content of the document with key information to be prepared by the providers of packaged investment products for retail investors, insurance investment products, and uniform rules for the transmission of the key information document to small investors. In April 2017, Delegated Provision of Commission (EU) 2017/653 came into force, which sets out in detail the uniform rules relating to the document with key information for retailers. For managing companies, a transitional period of five years is set,

and the regulation for them enters into force on 1 January 2020. However, in 2018, the search for a solution that would extend the period for another 2 years was started.

In July 2017, Regulation (EU) 2017/1131 entered into force, which determines same rules for money market funds that are established, managed or marketed in the EU, with regard to the financial instruments eligible for the investment of the money market fund, the money market fund portfolio, the valuations of the money market fund and the reporting obligations related to the money market fund. The majority of the provisions will apply 12 months from the entry of the Regulation into force, i.e. from 21 July 2018 while the existing money market funds were required to submit their alignment applications until 21 January 2019. In regard to this Regulation, ESMA issued in 2018 the Guidelines on Stress Test Scenarios under Article 28 of the MMF Regulation while the Agency confirmed their application by means of a decision on the application of this Regulation. In the field of the regulation of money market fund operations, the Commission Implementing Regulation (EU) 2018/708 of 17 April 2018 laying down implementing technical standards with regard to the template to be used by managers of money market funds when reporting to competent authorities as stipulated by Article 37 of Regulation (EU) 2017/1131 of the European Parliament and of the Council was published in 2018, while the first reporting under this Regulation is expected in the first quarter of 2020.

In 2018, the regulation in the field of custodian services was rounded up with the issuance of two regulations (Commission Delegated Regulation (EU) 2018/1619 of 12 July 2018 amending Delegated Regulation (EU) 2016/438 as regards safe-keeping duties of depositaries and the Commission Delegated Regulation (EU) 2018/1618 of 12 July 2018 amending Delegated Regulation (EU) No 231/2013 as regards safe-keeping duties of depositaries), by means of which the Commission has eliminated the deficiencies referred to in Regulation 2016/438.

In the field of pension insurance, 2018 was marked by the introduction of the Regulation of the European Parliament and of the Council on a Pan-European Personal Pension Product (PEPP).

The Regulation introduces a new form of individual retirement savings scheme that allows providers to create personalized pension products on a pan-European level with the objective of diverting a larger volume of savings from household from traditional instruments, such as bank deposits, to capital markets. Furthermore in 2018, an intensive legislative trilogue was held where the Agency was actively involved with the submission of its positions via the Permanent Representation of the Republic of Slovenia to the EU in Brussels. The legislative process was formally completed at the beginning of 2019 while the development of the first products is expected in the coming years.

2018 saw the introduction of the GDPR according to which the Agency appointed an authorised person for the protection of personal data.

07 MINOR OFFENCE PROCEEDINGS

MINOR OFFENCE PROCEEDINGS FROM THE JURISDICTION OF THE AGENCY AS MINOR OFFENCE AUTHORITY

In 2018, the Agency as a minor offence authority under ZP-1 issued 12 minor offence decisions, as follows:

- 1 decision relating to ZISDU-3 violations with 3 fines imposed on violators in respect to those violations;
- 3 decisions relating to ZPre-1 violations with 12 fines imposed on violators in respect of those violations;
- 1 decision relating to violations of Chapter 2 of the ZTFI on the offer of securities to the public due to which the violators were imposed 3 fines;
- 4 decisions relating to violations of Chapter 3 of the ZTFI on the disclosure of regulated information imposing 9 fines on the violators;
- 3 decisions relating to violations of Article 241 of the Zban-2 in connection to Article 525 of the ZTFI on the communication of data to the Agency, with two fines imposed onto two of the violators, and the other two receiving a formal notice from the Agency.

In all the above-mentioned minor offence decisions, the Agency imposed a total of 29 fines on the offenders. The total fines imposed amounted to €834,430. Furthermore, the Agency also terminated 1 violation proceeding commenced in 2017 due to an alleged ZPre-1 violation.

The Agency also issued 9 warnings resulting from violations of the ZTFI.

For (alleged) violations of the provisions of the ZTFI, the Agency issued another official note in 2018 because the action did not constitute a violation. For the reasons that the action is not a violation, 1 official note was issued due to (alleged) violations of the ZNVP. In connection

to ZPre-1 violations, a further 19 official notes were issued, 18 based on their minor nature and 1 as a result of lapse of time. In connection to ZISDU-3 violations, one official note was issued based on the minor nature of the violation.

At the same time, the Agency as a minor offence authority commenced one procedure ex officio in 2018 which has not yet been decided on during the indicated year, while the procedure in questions refers to the violation of the provisions of ZPre-1.

As of 1 January 2018, 3 minor offence proceedings were pending before the competent district courts in order to decide on the requests for judicial protection, which were concluded in 2018.

In 2018, no new requests for judicial protection were filed before the competent district courts, or complaints before competent higher courts.

As of 31 December 2018, 3 minor offence proceedings were pending before competent district courts in order to decide on the request for judicial protection.

08 COURT AND OTHER PROCEEDINGS

COURT PROCEEDINGS BEFORE THE ADMINISTRATIVE COURT OF THE REPUBLIC OF SLOVENIA AND THE SUPREME COURT OF THE REPUBLIC OF SLOVENIA

As of 1 January 2018, there were 2 actions pending before the Administrative Court of the Republic of Slovenia for judicial protection against decisions of the Agency and 1 procedure for the application of review before the Supreme Court of the Republic of Slovenia.

In 2018, no new judicial protection proceedings were instituted before the Administrative Court of the Republic of Slovenia, with the exception of proceedings arising from actions in connection with requests for access to public information, as will be explained in a separate section below.

During this period, the Agency received no decisions by the Administrative Court of the Republic of Slovenia in relation to the filed actions.

In 2018, the Supreme Court of the Republic of Slovenia released a decision on the audit submitted in 2016, rejecting the audit.

As of 31 December 2018, 2 judicial protection proceedings were pending before the Administrative Court of the Republic of Slovenia.

COURT PROCEEDINGS BEFORE THE CONSTITUTIONAL COURT OF THE REPUBLIC OF SLOVENIA OR HIGHER COURTS

As of 1 January 2018, the Agency was involved in no civil proceedings before the competent district and higher courts.

Between 1 January 2018 and 31 December 2018, no new proceedings before district and higher courts were commenced.

As of 31 December 2018, the Agency was involved in no judicial proceedings before the district and higher court.

ANNOUNCING THE SUSPICION OF A CRIMINAL OFFENCE THAT IS PROSECUTED EX OFFICIO

In 2018, the Agency filed no charges with the competent public prosecutor.

In 2018, the Higher Court in Ljubljana upheld the conviction by the District Court in Ljubljana against a natural person, namely resulting from a criminal act of abuse of inside information (criminal charges were filed by the Agency in 2009).

REQUEST FOR ACCESS TO PUBLIC INFORMATION

As of 1 January 2018, the Agency, as a result of a complaint by an applicant regarding the request for access to information in line with the Access to Public Information Act (ZDIJZ), the Agency was involved in 1 procedure before the Information Commissioner, while another 3 procedures for judicial protection before the Administrative Court of the Republic of Slovenia were conducted regarding actions against decisions of the Information Commissioner brought by the Agency.

In 2018, the Agency received 1 requests from a natural person for access to public information according to ZDIJZ, which was dismissed. The applicant did not file a complaint against the Agency's decision.

In 2018, the Information Commissioner partially approved 1 appeal based on an applicant's requests and ordered the Agency to provide or offer insight into the required information, furthermore rejecting the request in two parts. The Agency filed a lawsuit against the decision by the Information Commissioner at the Administrative Court of the Republic of Slovenia. In 2018, the Administrative Court of the

Republic of Slovenia reached a decision on 1 lawsuit. Namely, the Agency's lawsuit was upheld, with the contested part of the decision by the Information Commissioner being eliminated and the case remitted to the Information Commissioner for re-examination of the decision.

As at 31 December 2018, the Agency was involved in 1 procedure before the Information Commissioner due to the complaint of the applicant in connection with the request for access to information under the ZDIJZ (remitted for re-examination) and 3 proceedings of judicial protection before the Administrative Court of the Republic of Slovenia for actions brought by the Agency against the decisions of the Information Commissioner in relation to the requests for access to public information.

09 COOPERATION WITH DOMESTIC AND FOREIGN SUPERVISORY AUTHORITIES

COOPERATION WITH SUPERVISORY AUTHORITIES AND INSTITUTIONS IN THE REPUBLIC OF SLOVENIA

In the supervisory procedures, the Agency is also cooperating with other authorities and institutions, in so far as this is necessary for the performance of its functions and powers and in particular with:

- Bank of Slovenia;
- Insurance Supervision Agency;
- Police;
- Office for Money Laundering Prevention;
- Market Inspectorate;
- Agency for Public Oversight of Auditing;
- Financial Administration of the Republic of Slovenia;
- Supervisory authorities of the Member States; and
- Foreign supervisory authorities on the basis of concluded agreements on mutual cooperation.

In the past year the Agency also cooperated with supervisory authorities within the framework of the Working Group for supervision of the implementation of Cooperation of the Prosecutor General's Office, the Police and other competent authorities and institutions in detection and prosecution of perpetrators of minor offence and the functioning of specialized and joint investigation groups (i.e. the Supreme Court of the Republic of Slovenia, the Ministry of Justice, the Ministry of the Interior, the Police, the National Bureau of Investigation, the Ministry of Finance (MF), the Financial Administration of the Republic of Slovenia, the Office for Money Laundering Prevention, the Commission for the Prevention of Corruption, Slovenian Competition Protection Agency).

In 2018, the Agency cooperated with the Bank of Slovenia in various working groups and also in other statutory cases. Cooperation between the two institutions also took place in other fields of expertise.

In 2018, the Agency, together with the Bank of Slovenia, AZN, also participated in the Financial Stability Board. Representatives of the Ministry of Finance are also present at the meetings.

In 2018, the Agency, together with the Bank of Slovenia, AZN and Ministry of Finance, participated also with the Commission for mutual cooperation of supervisory authorities.

The Agency cooperates with the Bank of Slovenia also in the field of international cooperation, namely connected to the visits of the World Bank and the International Monetary Fund, organized by the Bank of Slovenia and that fall under the respective missions. The third type of cooperation is acquiring information from commercial banks that are required from the Agency in the international exchange of information from the foreign supervisors, in accordance with the agreements signed on exchange of information and cooperation of IOSCO and ESMA MMoU.

On a regular basis and at a special request, the Agency reported to the Bank of Slovenia and the AZN aggregated data and statistics on the operations of investment funds and mutual pension funds.

In 2018, the Agency worked with the Office for Money Laundering Prevention of the RS in the preparation of money laundering prevention guidelines adopted by the Agency on 10 October 2018. In the first half of 2018, the Agency cooperated with the Office for the Prevention of Money Laundering, the Bank of Slovenia and the AZN and the capital market entities in formulating comments, clarifications and amendments to the reports and action plans related to the 5th round of evaluation of the effectiveness of anti-money laundering measures prepared in connection with the visit of Moneyval experts in Slovenia in November 2016. The Moneyval report was adopted at the plenary session in Strasbourg in June 2017, and the Action Plan to improve technical consistency and improve the effectiveness of money laundering prevention

was adopted by the Government of the Republic of Slovenia in December 2017. The Agency also cooperated with the Office in preparing the Office's answers to the individual questions raised regarding the new ZPPDFT-1, in particular in cases where the issues were posed by taxpayers for whom the Agency is the primary supervisor. Furthermore, the Agency participated in the training in the field of money laundering prevention organized by various organizers.

The Agency within its competence closely cooperates also with the competent ministries, namely the Ministry of Finance, Ministry of Economic Development and Technology and the Ministry of Labour, Family, Social Affairs and Equal Opportunities. The cooperation with the Ministry of Finance and Ministry of Labour, Family Social Affairs and Equal Opportunities extended mainly to the field of legislation preparation, both on European and Slovenian level.

The Agency also cooperated with the Association of Members of the Securities Exchange – GIZ, the Association of Investment Funds Management Companies - GIZ and the Association of Banks of Slovenia – GIZ. Thus, in 2018, it continued with the practice of holding a regular annual meeting with the administrations of regulated entities and organized several joint meetings with the representatives of the industry.

EU AND INTERNATIONAL COOPERATION

EUROPEAN SECURITIES AND MARKETS AUTHORITY – ESMA

The major activities of the Agency have been related to the area of the EU, especially in the field of legislation pertaining to financial markets and its implementation. After a period of intense drafting of regulatory technical standards and advice, ESMA has focused its efforts on ensuring the highest degree of supervisory

convergence. Primarily, the decision is consistent with the findings and interests of the members because it is vital for providing for effective and transparent financial markets, investor protection, financial stability and market trust as well as supervisors. Simultaneously, this field is important for the creation and operation of the future capital markets union and the potentially modified structure of European financial supervision in the future.

For this purpose, in addition to its regular work plan, ESMA has also started drawing up a special activity plan to provide for supervisory convergence among members. It is vital that members enforce many European regulations in the most uniform and comparable manner in line with good member practices in individual areas of business.

In 2018, the activities for ensuring the supervisory convergence of the highest priority included in particular activities connected to the commencement of the actual implementation of important financial market regulations, i.e. MiFID II and MiFIR. Regulations in EU Member States apply directly, which is why the practical implementation by Member States resulted in no peculiar events while the transposition of the directive took place with varying dynamics. In Slovenia, the ZTFI-1 amending law was adopted quite late, not until the end of 2018, a significant period after the expiry of the statutory transposition deadline. Nevertheless, the Agency together with other members has been actively participating in the activities of various permanent committees, i.e. ESMA Standing Committees. During 2018, major focus was on the activities that lead to ensuring the uniform, consistent and correct implementation of the directive and regulation. Because of the volume of the regulations, their content is dealt with in more detail by several standing committees.

The supervisory convergence delivery instruments are guidelines, documents known as Q&A, various opinions and statements on specific items as well as joint educations and the

exchange of views between members. ESMA regularly updated the already published sets of questions and answers from various technical fields. Some of them were further updated by the Agency which also published its answers to specific questions and dilemmas of the participants in the Slovenian capital market.

Peer reviews, a well-established practice of ESMA since the existence of CESR, are also fundamental: the methodology of work and review execution were upgraded and supplemented. Certain reviews included only specific members because of the specific nature of the technical issues (e.g. compliance with ESMA Guidelines on effective supervisory techniques under UCITS) or a peer review already specified in regulation (area of CCPs under EMIR where the Agency was not included because no CCP is operational in Slovenia). As a rule, ESMA plans 1–2 reviews annually, including on-site inspections and re-examination or follow-up on at least one already completed peer review in order to verify amendments and progress.

Based on the numerous reporting obligations resulting from the various regulations and the obligation of supervisors to report to ESMA as well as the obligations of ESMA regarding the establishment and upkeep of various registers, calculations and databases, in 2018, the concern for the improvement of the quality of different data and in turn more effective reporting were the top priorities. To this end, the Agency carried out extensive testing of data on concluded transactions and other reports under MiFIDII/MiFIR, data in trade repositories under EMIR and others.

In the course of 2018, intense Brexit preparations took place in both the UK and ESMA as well as certain member states. Several times, ESMA has clearly expressed its expectations for coordinated member activities in licensing procedures in the event of a decision by investment service providers from the UK to relocate activities to EU countries. Alongside the public releases of ESMA opinions and recommenda-

tions, the supervisors participated actively in concrete expert panels in the field. Simultaneously, ESMA is also the supervisory authority with competence over certain financial market participants, which is why it closely monitored the developments and scheduled activities of credit rating agencies and trade repositories headquartered in the UK. Also important is punctual and particularly the correct and comprehensible notification of investors on the possible consequences of UK's exit from the EU. In 2018, ESMA devoted increased attention to the issue both in its activities as well as the role of coordinator between members.

Financial market news and innovations in financial markets – so-called Fintech (from new financial instruments and services to platforms and technology) require supervisors to monitor, analyse and take timely and appropriate action. ESMA and its members, including the Agency's representatives, were active in the special Standing Committee while simultaneously, the topics were also tackled by the so-called Joint Committee which includes all three supervisory agencies (ESMA, EBA and EIOPA). In 2018, ESMA actively analysed and coordinated the legal opinions on cryptoassets and their ICOs. All three supervisors, including the International Organisation of Securities Commissions and other institutions, expressed interest in the so-called sustainable finance which became one of the session and discussions in 2018.

Activities in the field of preparation of regulatory technical standards and advisory services was continued on a somewhat smaller scale in 2018, primarily with the drafting of proposals in the field of the new regulation on prospectuses which will be enforced mid-2019 as well as securitization and EMIR.

In the field of important tasks of ESMA and members, namely investor protection and the provisioning of regulated financial markets, in 2018, ESMA actively monitored the subject contents and introduced measures in accordance with the new competences as provided

by MiFIR. Specifically, it has adopted the interim measures of marketing restriction, dissemination or sale of specific financial instruments in connection to which risks and substantial losses, particularly for retail investors, were identified together with the analyses carried out by members.

The regular activities of ESMA and its members have consistently been conducted in the scope of unified IT projects where ESMA has, already some time ago, assumed the coordinating role between members in order to introduce uniform IT solutions in line with the new regulations. The Agency representatives regularly participated in the IT team and furthermore, in 2018, also carried out regular system testing. Here, for the purpose of coordination of data, reports and other information, the Agency actively collaborated with other members and ESMA.

In 2018, intensive activities by EU Member States pertaining to the coordination of the Commission proposal on the future organization and competences of ESAs (so-called ESAs Review) from September 2017, which was supposed to be coordinated by the end of 2018 under the Austrian Presidency. The Agency regularly forwarded its comments, proposals and numerous explanations of its opinions on the future organization of ESMA, the foreseen new ones, additional responsibilities, governance and the position of the members. The final result, namely the political decisions of the Commission, the Parliament and of the Council, has not yet been concluded by the end of 2018. However, the final proposal harmonized between the majority EU Member States was substantially different from the original proposal by the Commission.

The Agency, in accordance with ESMA, in 2018 again decided on the compliance with ESMA guidelines and gradually introduced them into practice. A portion of these documents has a substantive connection to the implementation of MiFID II into the Slovenian legal

system. As a result, the Agency was unable to give its formal position that the guidelines in the area are actually being implemented as well as considered. The Agency's notifications were finally coordinated at the 2018 after the enforcement of ZTFI-1.

ESMA regularly published reports on the situation on financial markets, vulnerabilities, opportunities (i.e. Trends, Risks and Vulnerabilities – TRV reports, twice a year) and quarterly reviews of „Risk Dashboards“. Some of the analyses are also related to the UK's decision to leave the EU (i.e. Brexit).

In 2018, the employees of the Agency also participated mainly in the work of the ESMA SC (Standing Committees) dealing with current areas of legislation (for example, Supervisory Convergence SC, Working Group for Collection and Processing of Financial Market Data – Market Data, Information Technology – IT, investment funds, MISC (Market Integrity SC) and others). Due to the staffing of the Agency, the costs associated with business trips and in connection with other work tasks, group participation is also possible via conference calls. The work of specific groups of ESMA fields of activity, even if the rules and regulations apply to all EU members, is monitored through a review of group documents, decision-making and at the ESMA Board of Supervisors.

The Agency staff also took part in some of the training and workshops organized by ESMA or major members in 2018. The knowledge and experience of colleagues who provide them at these events, as well as the regular exchange of information, data and opinions between us, are important for the ongoing work of the Agency, as well as for the preparation of regulations, opinions or recommendations. Most of the cooperation between supervisors is in the exchange of information and data necessary for the implementation of supervisory procedures, but more and more also when there are ambiguities when working or implementing new regulations. Additionally, a number of ESMA docu-

ments and questions and answers (Q&A) from various fields and opinions, recommendations or warnings are supported.

The Agency also regularly exchanged supervisory information with ESMA members, as well as third country supervisors, in the course of the previous year, in accordance with the information requirements received and the provisions of the agreements and the law governing the provisions on these activities. The Agency also provided the requested information and data to ESMA.

In 2018, ESMA's Legal Network in cooperation with IOSCO representatives drew up the agreement with the European Data Protection Board (EDPB) on the exchange of personal data with third countries in supervisory procedures by regulatory authorities resulting from the introduction of the new General Data Protection Regulation (GDPR) at the end of May 2018. The Administrative Arrangement is scheduled to begin early 2019. Regardless, the exchange of personal data with third countries is taking place, specifically on the basis of the "public interest" derogation under GDPR. The representatives of the Agency also attended the Legal Network session on the exchange of personal data with third countries following the introduction of GDPR, where representatives of other European supervision authorities highlighted that the exchange of personal data related to the execution of supervisory procedures is conducted regularly with all of the participants applying the public interest derogation.

INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS – IOSCO

In IOSCO, the International Organization of Securities Commissions, the Agency participated in all three committees where it is a member, specifically the Presidents Committee, GEM (Emerging Markets Committee) for developing countries and fast-growing economies and the European Regional Committee (ERC). The work of the organization is focused

on deeper cooperation with Member States and stakeholders, in particular in determining the IOSCO standards, information sharing and education and protection of investors.

In the field of investor protection, IOSCO focused increased attention in 2018 on the rapidly growing crypto market, particularly coin offering (ICO). In a press release, the IOSCO Board exposed the evident risks associated with ICO, particularly to retail investors. The latter, in the opinion of IOSCO, were also at high risk in the case of the marketing and sale of contracts for difference (CFD) and other speculative offers promising high yields.

An important topic of the last two years, as well as the next three-year IOSCO strategy, is the issue or the attainment of sustainable financing in capital markets as well as the importance of regulators in the endeavour. Based on dialogue with IOSCO and other key financial institutions, e.g. the stock exchange, issuers, applicants, where discussions on the importance of regulators in the securities market for the promotion of sustainable investments was conducted, at the end of 2018, IOSCO established the working group responsible for the subject issue known also as the Sustainable Finance Network (SFN).

In the field of information exchange, IOSCO members have acceded to the upgraded Memorandum on the basis of which organization members exchange information from supervisory procedures – EMMoU (Enhanced MMoU). In order for these improvements to be intentional and feasible, accessible and immediately useful for those members whose arrangement allows their immediate use, the new EMMoU was founded on the current MMoU.

EMMoU introduces new powers for the parties, that could in supervisory procedures for the exchange of information be acquired or at the request forwarded, namely: obtaining of statements, audit records, freezing of assets, obtaining records from Internet service pro-

viders and retrieving of records of telephone conversations. The group at MMoU named the new powers with the acronym ACFIT (Audit papers, Compelled statements, Freezing Assets, Internet service provider records, Telephone records). The new EMMoU principle is the same and is based on the MMoU. It will not annul or eliminate the current MMoU, but will be built on its good practices. However, since the new EMMoU will be a big leap for many members, party to the current MMoU, a long transition period for the adoption on the new EMMoU is confirmed, namely 10 years. In the meantime (and also later), both agreements shall apply. So far, 7 member states who meet all the conditions (all 5 novelties) have acceded to EMMoU, namely the USA, Singapore, Quebec, Ontario, Hong Kong, British Columbia, the Bahamas and three member states who have partially met the accession conditions (minimum 3 novelties) – Great Britain, Australia and South Korea.

In the context of bilateral technical assistance under the topic of Financial Services offered by the Republic of Slovenia to Montenegro, the Agency's representatives in July of 2018 held training at the Montenegrin Commission headquarters in Podgorica in connection to the visit of Ljubljana by Montenegrin representatives at the end of 2017. The programme was founded on the exchange of experience and information related to regulation of markets in financial instruments as well as the requirements connected to investment firm operations.

Similar training in the context of bilateral assistance was again held in October 2018 at the Agency's headquarters for members of the North Macedonian Commission. Agency representatives introduced in detail the Agency's reporting system (National Reporting System, non-numeric/numeric reporting, data viewer, automated notifications, registers and lists etc.).

10 REPORT ON OTHER ACTIVITIES

PUBLISHING WARNINGS BY THE AGENCY AND FOREIGN SUPERVISORS

In 2018, the Agency continued publishing on its website the warnings of the Agency and the warnings of other supervisors. In 2018, it:

- Published 3 warnings by the Agency; and
- Published 550 warnings by other supervisors.

REPORTS OF BREACHES OF EMPLOYEES IN CERTAIN ENTITIES (WHISTLE BLOWERS)

I.

The Agency has established a system for dealing with violations in accordance with the provisions of Article 239 of the ZBan-2 in conjunction with Article 301 of the ZTFI, Article 160 of ZPPDFT-1, Article 454a. of the ZISDU-Articles 3 and 12 of the Regulation implementing Regulation 909/2014/EU in conjunction with the first and second paragraphs of Article 65 of Regulation 909/2014/EU and Article 239 of the ZBan-2 in conjunction with Article 301 of the ZTFI. This system allows the informant to remain anonymous when filing the report.

For the purpose of establishing a system for dealing with these reports, the Agency adopted the Rules on the Adoption and Treatment of Violations that the Agency can, in accordance with the aforementioned Rulebook, provide:

- Employees and persons in a comparable situation with entities performing investment services and activities in accordance with the ZTFI on the circumstances that constitute a possible or actual violation of the requirements or restrictions laid down in the regulations referred to in point 1 of Article 197 of the ZTFI and other regulations that must be respected by persons performing investment services and activities;

- Employees and persons in a comparable situation with the taxpayers referred to in the second paragraph of Article 151 of the ZP-PDFT-1 on circumstances that constitute a possible or actual violation of the provisions of the ZPPDFT-1;
- Management companies employees and custodians under the ZISDU-3 on violations and possible violations of the ZISDU-3 and regulations issued on its basis relating to a management company or a custodian; and
- Employees in CSDs under Regulation (EU) No. 909/2014.

In 2018, the Agency did not receive complaints of violations by the above mentioned persons.

II.

Furthermore, the Agency has also set up a system for dealing with violations, which constitute or could constitute the violation of MAR specifically in line with provisions of Article 397.a of the ZTFI. This system allows the informant to remain anonymous when filing the report.

For the purpose of establishing a system for dealing with these reports, the Agency adopted the Rules on the Adoption and Treatment of Violations that constitute or could constitute violations of MAR (hereinafter: the Rules) which may be provided to the Agency, in line with the Rules, by the persons in possession of information on facts that constitute or could constitute a MAR violation.

In 2018, the Agency did not receive complaints of violations by the above mentioned persons.

REGISTER KEEPING AND PUBLICLY AVAILABLE LISTS

Based on provisions of the ZTFI and ZTFI-1, ZISDU-3 in ZUAIS, the Agency keeps:

- A register of authorisations for the provision

- of investment services and activities;
- Register of tied agents;
 - Register of authorisations for the provision of investment fund management services; and
 - Register of alternative investment funds managers.

All registers are publicly available on the website of the Agency.

REGISTER OF AUTHORISATIONS TO PERFORM INVESTMENT SERVICES AND ACTIVITIES

In accordance with the regulations of ZTFI, the Agency must establish and regularly update the register of authorisations for provision of investment services and activities, in which all brokerage companies that the Agency issued authorisation to provide investment services and operations are registered, as well as banks, to which the Bank of Slovenia issued an authorisation to perform investment services and activities. In this register, in accordance with the applicable legislation, are kept also management companies that have acquired the permission of the Agency for the provision of management services and ancillary services.

In 2018, the Agency deleted 3 subjects from the register (2 banks and 1 brokerage company).

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.

In 2018, the Agency entered in the register of tied agents 1 entity, and deleted 7 subjects.

REGISTER OF AUTHORISATIONS TO PERFORM INVESTMENT FUND MANAGEMENT SERVICES

In accordance with the provisions of ZISDU-3, the Agency keeps a Register of authorisations for the provision of investment fund management services in which the management companies that the Agency issued the authorisation to provide investment management services funds are registered.

In 2018, the number of management companies in the subject register was reduced by one management company whose investment fund management services authorisation expired in line with Article 93 of ZISDU-3.

REGISTER OF ALTERNATIVE INVESTMENT FUND MANAGERS

The Agency, in accordance with the regulations of the ZUAIS, keeps a register of alternative investment fund managers, in which all the alternative investment fund managers with the authorisation of the Agency for the provision of alternative investment fund management services and registered managers of alternative and the alternative investment funds that they manage are registered.

In 2018, the Agency processed 3 requests for the entry into the register of managers of alternative investment funds.

PUBLIC LISTS

In addition to these registers, the Agency also keeps other publicly accessible lists with the aim of informing investors, supervised entities and different authorities and institutions as follows:

- List of public companies;
- List of issued authorisations for public offerings of securities with prospectuses;
- List of companies referred to in Article 4 of the ZPre-1 (target companies that are subject to takeover legislation);
- List of prospectuses and any possible annex-

es to the prospectus confirmed by the Supervisory Board of the home Member State of the issuer, if the Agency has been informed;

- List of takeover bids;
- List of issued authorisations for marketing of investment funds and selling investment units or shares in investment funds;
- List of notified investment firms of Member States;
- UCITS list, developed in other Member States, which are marketed in the RS;
- List of alternative investment funds from other Member States, which are marketed to professional investors in RS;
- List of managers of alternative funds from other Member States who are directly engaged in alternative investment fund management services;
- List of European venture capital funds (EuVECA) and the European Social Enterprise Fund (EuSEF) from other Member States of the EU, which are marketed in the Republic of Slovenia.

EDUCATION OF PROVIDERS OF FINANCIAL SERVICES AND PUBLIC COMPANIES

In May 2018, the Agency organized an educational seminar where it outlined the new developments in the capital market. The seminar was divided into two sets of topics intended for investment services and activities providers and banks engaging in custodian services, respectfully. In the context of the first section, the participants were outlined the ESMA Guidelines, PRIIP, the European Benchmark Regulation and reporting requirements in line with MiFID II and MiFIR. The participants of the second division, “Custodian Services for Pension Funds and Internal Funds of Insurance Companies”, became acquainted with the new arrangements for the provision of custodian services, with emphases from ZISDU-3B and Regulation 438/2016/EU. Alongside banks providing custodian services, other seminar

sections were also attended by representatives of pension fund managers, representatives of insurance companies and custodians of pension fund assets.

FINANCIAL, GENERAL, PERSONNEL AND OTHER MATTERS

As of 31 December 2018, there were 47 employees in the Agency, 46 of whom are employed for an indefinite period, and one with a fixed employment term. Out of all employees, 3 persons have concluded short-term employment contracts, 1 of them due to parenting and 2 under the title of disability. In 2018, the Agency newly employed 3 persons, while 1 person’s employment contract was terminated. In 2018, on the basis of hours worked, the Agency had an average of 42.03 employees.

In November 2017, the Agency introduced new Rules on the internal organization and job classification which had a significant impact on the internal organization of the Agency. With the new internal organization and systematization which was instituted on 1 January 2018, the Agency pursued the objectives of increased organization of work, more centralized management (5 departments instead of 7) and consequently the optimization of work.

The Agency pays great attention to additional education and training of employees, also due to the rapid development of financial markets and new services. Thus, the Agency enabled its employees training with outsourcers and participation in internal professional development training. In the past year, the representatives of the Agency thus participated in numerous work meetings and individual educational programs, especially in the framework of IOSCO and ESMA, in the field of supervision and new European legislation.

In 2018, the Agency adopted, changed and supplemented the following internal acts:

- Rules on the internal organization and job classification;
- Rules on the protection of classified information of the Agency;
- Agency rules on the content and means of public relations management;
- Agency rules on the determining working time;
- Rules on safety and health at work;
- Guidelines on public procurement contracts;
- Rules on annual leave and other absence from work;
- Guidelines on the uniform format of acts, written and electronic correspondence;
- Rules on the procedure for the publication of information on the Agency's website;
- Rules on supervisory procedures;
- Family-friendly company policy;
- Integrity plan;
- Rules on the adoption and treatment of violations;
- Rules on special project work;
- Rules on the testing for alcohol, drugs and other prohibited substances in the workplace;
- Rules on the manner of preparation, adoption and publication of (internal) Agency acts;
- Rules on the adoption and treatment of violations that constitute or could constitute violations of Regulation 596/2014/EU (Market Abuse Regulation).

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, handover records and monitoring and evaluation of the implementation of orders, record-keeping and resolving of potential complaints etc.).

In line with the legislation on occupational health and safety and fire safety, the Agency in

2018 saw to it that its employees underwent the necessary medical examinations (preventive, periodical, targeted).

In 2018 in accordance with the Integrity and Prevention of Corruption Act and applicable guidelines, the Agency provided timely monitoring of the implementation of the Integrity Plan of the Agency.

Based on Article 494 of the ZTFI in connection with paragraph one of Article 557 of ZTFI-1, the Agency must, within ten days after the adoption, submit the annual accounts with the Auditor's Report and Financial Plan to the Minister of Finance. It is considered that the annual accounts and the financial plan are approved unless the Government of the Republic of Slovenia decides otherwise within 15 days of their receipt. Pursuant to paragraph 6 and 9 of Article 58 of the Implementation of the Republic of Slovenia's Budget for 2018 and 2019 Act (ZIPRS1819), the approval of the Government of the Republic of Slovenia of the financial plan and the annual report on activity of indirect budget users, which include also the Agency, is not required. Instead, the approval by the ministry of finance is required.

The Agency also submits the Annual Report and the Financial Plan to the National Assembly of the Republic of Slovenia. In line with Article 472 of the ZTFI in connection to paragraph one, Article 557 of the ZTFI-1, the Agency also prepares for the National Assembly of the Republic of Slovenia the Report on the situation and conditions on the market in financial instruments, which is, as a rule, discussed by the Committee on Finance and Monetary Policy of the National Assembly of the Republic of Slovenia.

By the end of February 2018, the Agency prepared and reported to the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPEŠ) its annual report for 2017, composed of the business report and annual accounts, as prescribed by the Accounting Act (ZR) and Public Finance Act (ZJF). By

the prescribed deadline, 31 March 2018, the Agency's Council adopted the Agency's annual statement of accounts for 2017 and the Financial plan for 2018, together with the Work plan of professional services for 2018. On 19 March 2018, the Ministry of Finance gave its approval to the Agency's Work plan for 2018 and the Financial plan of the Agency for 2018. On 16 April 2018, the Ministry of Finance gave its approval to the Agency's annual statement of accounts.

In August 2018, the Agency prepared the Draft for the Financial Plan for 2019 and 2020, as required by Article 13 of the Public Finance Act (ZJF) and the Decree on development planning documents and procedures for the preparation of the central government budget for indirect users, including the Agency.

In addition, the Agency promptly and timely prepared various other compulsory reports and data from the financial accounting fields for external users (the Agency's balance sheet for 2017, corporation tax for the period from 1 January 2017 to 31 December 2017, reports in relation to salaries, quarterly reports on statistics of financial accounts and on government revenue, semi-annual report for 2018 etc.) and internal users.

The Agency has its own accounting, but has outsourced part of the accounting tasks, especially in the field of salaries, to an external contractor. In the context of accounting, which keeps books and other accounting records and performs the tasks of budgeting, control and analysing, the year 2018 recorded 19.000 entries (entry from business events carried out onto the appropriate account or the account book where they are recorded). Certain entries were made in order to monitor the movement of general government revenue and expenditure (the cash-flow accounting principle applies to the recognition of revenue and expenditure in books of accounts).

As a rule, the Agency independently handles its own debt collection, using reminders and

then lodging of motions for enforcement at local courts or FURS. Insofar as proceedings are initiated against the debtor based on ZFP-PIPP, the Agency reported its claims. In 2018, the Agency filed 28 proposals for enforcement with FURS and 2 reports of claims in bankruptcy proceedings of legal entities at the district courts.

The external contractor carrying out the internal audit of the Agency's operations performed a regular audit for 2018 which consisted in particular of the verification of compliance of fixed asset recording (financial and accounting function) with current regulations.

The legality, the purpose and the efficient and effective use of the assets of the Agency are supervised by the Court of Audit of the Republic of Slovenia.

INFORMATION TECHNOLOGY

In 2018, the Agency updated the electronic reporting on financial instrument transactions, upgraded the mutual pension fund and umbrella pension fund manager reporting, simplified the overhauled website along with SOC and SIEM system, purchased a secondary disk array and set up an electronic data base of target companies and public companies.

NRS

In 2018, the Agency continued the upgrading of the NRS electronic reporting system, as follows:

- Implementation of the automatic transaction reporting ARM interface in line with MiFIR;
- Overhaul of LEI code verification process that is used in the reporting of transactions referring to reports on financial instrument transactions under MiFIR;
- Amending of the requirements on electronic reporting of subject persons on transactions referring to reports on financial instrument

transactions under MiFIR in connection to the ISIN code identification by financial instrument type;

- Amending of the electronic reporting requirements by subject persons on transactions that refer to reports on financial instrument transactions under MiFIR with updated schemes for the purpose of reporting and publication of reference data on financial instruments (FIRDS), data on the transparency in connection to financial instruments (FITRS) as well as schemes connected to the so-called Double Volume Cap Mechanism (DvC);
- Amending the requirements on electronic reporting on transactions by the subject persons that refer to reporting on financial instrument transactions in line with MiFIR with updated instructions on the changes pertaining to reporting, validation rules and XML schemes;
- Rules on the adjustment of the functional reporting specifications referring to the reporting of numerical reports under ZTFI for brokerage companies and management companies engaged in providing management services in financial instruments in connection to the cancellation of reports and the integration of KALIN02 reporting on a consolidated basis;
- Implementation of overhauled reporting by mutual pension fund and umbrella pension fund manager in line with the new Functional specification dated 12 December 2017.

TREM

In 2018, the Agency continued to upgrade the system for the exchange of data between the Agency and the supervisory authorities of other EU Member States (TREM) by amending the exchange of reports on transactions in financial instruments, referential data collection and exchange system, CFI data validation method, transaction statistical data under Regulation (EU) 600/2014. In addition, the AIFMD and Short Selling reports exchange system was also overhauled.

ESMA

At the level of ESMA, the Agency in 2018:

- Completed the implementation of the system for the receipt, publication and exchange of the system of reference data for financial instruments;
- Maintained the transaction data exchange system in line with MiFIR;
- Overhauled the system for the calculation of transparency in connection to data processing, relevancy of MIC data to calculations, statistical data on transactions, decreasing order of transparency data publication, CFI data validations in line with MiFIR;
- Overhauled the entities register and sanctions in the field of MiFID II, UCITS V, MAD-MAR and EMIR;
- Implemented the administrator and benchmark publication system;
- Maintained the TRACE system;
- Maintained the SARIS system (Suspension and Restorations Information System) (temporary halt and withdrawal of financial instruments from trading venues).

APPLICATIONS

In the field of applications, the Agency in 2018:

- Carried out the comprehensive overhaul of the contents and design of the Agency's website making it more user friendly and accessible. The following functionalities were added to the website: reporting by whistle blowers related to MAR, updated comments on legislation and search by legislation functionalities (E-ZISDU, E-ZUAIS and E-ZTFI);
- Linked the Agency's websites with its internal systems, e.g. the integral information system (IISA), documenting system (GC) in order to make the data up-to-date and the elimination of the issue of repeated entry of identical data into different internal systems of the Agency;
- Modernized the documenting system in a technical and content manner in order to improve the operation of the document system and provide faster and better responsiveness

to users and furthermore implemented new functionalities into the documenting system, e.g. electronic purchase orders, mass case location entry, OCR conversion from PDF to Word formats;

- Successfully updated IISA, which enables more efficient information support for the business processes of the Agency; the areas of reports, analyses, registers, lists, staff and search engines;
- Added the following major IISA elements:
 - Electronic target companies database from Article 4 of ZPre-1 (CD e-database). The CD e-database as a supervisory tool will be used in the conduct of supervisory proceedings. For the purpose, the database will include all the data that the Agency receives in reports either directly or via various subject persons;
 - Public company e-database (JD). The Agency' database is a supervisory tool which combines all the information on a public company as the subject of supervision by individual public company;
 - COREP reader;
 - Reader for received transactions of data on transactions in line with MiFIR;
 - Implemented the service for the daily collection of information on bearer securities acquired from KDD.
- Overhauled the following IISA elements:
 - Exchange of data on operations of mutual pension funds with AZN;
- Executed a major software overhaul, adaptation and adjustment project (e-mail server, database servers, printer server, operating systems, anti-virus software, infrastructure, backups and replications) at the primary as well as backup locations, including application software (websites, e-session app, SAOS, ISPO, SharePoint, ŠPICA, Solaria) at the primary location;
- Purchased new backup and replication software.

SYSTEMS

In the field of system infrastructure, the Agency in 2018:

- Purchased a secondary disk array at the primary location;
- Finalize the Agency's environment and application transition towards high availability;
- Implement the SIEM system for the active detection of security events and risks while improving the security of the entire network of the Agency based on the findings;
- Implement the SOC system for responding, systematic monitoring and verification and proactive response to security events while improving the security of the entire network of the Agency based on the findings;
- Successfully conducted a business continuity test at a backup location;
- Carried out an internal and external safety inspection;
- Replaced the Internet service provider;
- Commenced the replacement of the Agency's thin clients and the updating of employee virtual desktops, scheduled for completion in 2019;
- Commenced the purchase of infrastructure equipment (servers, switches) for the Agency's data centre responsible for the operation of the complete information infrastructure of the Agency. The purchase will be finalized in 2019;
- Commenced the transfer from the MS SQL 2008 data server to the MS SQL 2016 data server which is scheduled to be completed in 2019;
- Fitted larger disks at the backup location as a result of lack of disk space for replication purposes;
- Purchased a new security certificate for the operations of the environment of the Agency.

11 INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

To the Council of the Securities Market Agency
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Opinion

We have audited the financial statements of the Securities Market Agency which include the balance sheet as of 31 December 2018, the statement of income and expenses for the year then ended and the annexes to both financial statements, the summary of key accounting policies and other explanatory information.

In our opinion, every aspect of the attached financial statements fairly represent the financial situation of the Securities Market Agency on 31 December 2018 and the surplus of income over expenditure for the year then ended are in line with the Accounting Act and the associated regulatory measures.

The basis for the opinion

We conducted the audit in accordance with the International Standards on Auditing (ISA). Our responsibility under these rules is described in this report in the paragraph the *Auditor's Responsibility for Auditing Financial Statements*. In accordance with the Code of Ethics for Accountants issued by the International Standards on Ethics for Accounting Professionals (IESBA Code) and ethical requirements pertaining to the auditing of financial statements in Slovenia, we confirm our independence from the company and that we have fulfilled all other ethical requirements in line with these requirements and the IESBA Code. We believe that the audit evidence obtained is sufficient and appropriate as the basis of our audit opinion.

Other information

The management is responsible for other information. Other information comprise items 01 to 10 which form an integral part of the annual accounts, however, they do not include the financial statements and our auditor's report on these financial statements.

Our opinion on the financial statements does not relate to other information while we do not express any assurance in regard to them.

In connection to the completed audit of the financial statements, it is our responsibility to review other information and assess whether such other information is significantly inconsistent with the financial statements, legal requirements or our knowledge gained via the auditing, or otherwise shown to be materially incorrect. If on the basis of the work done we conclude that there is a material misstatement of other information, we must report on such circumstances. With regard to the described procedures, we hereby report as follows:

- That every material aspect of other information is in line with the audited financial statements;
- That other information have been drawn up in line with the current legislation and regulations; and
- That on the basis of the understanding of the company and its environment we have obtained during the audit in relation to other information, no material misstatements were identified.

Management's responsibility for the financial statements

The management is responsible for the drawing up and presentation of these financial statements in line with the Accounting Act and the related implementing regulations as well as the resulting internal controls as required in accordance with the management's decision to make possible the preparation of financial statements that do not include material misstatement as a result of fraud or error.

In preparing the company's financial statements, the management is responsible for assessing its ability to act as a going concern, disclose matters relating to a going concern and to use the assumption of an operating entity as the basis for accounting unless the management intends to liquidate or halt operations or if it has no other option than to commit to one or the other.



Auditor's responsibility for auditing financial statements

Our goals are to obtain the reasonable assurance as to whether the financial statements as a whole are free from material misstatement due to error or fraud and to issue the auditor's report that includes our opinion. The acceptable assurance is a high level of assurance, however not a guarantee that an audit conducted in accordance with ISA will always identify the material misstatements, if any exist. A misstatement can result from fraud or error and is considered important if it is justifiable to expect that, either individually or collectively, it affects the user's economic decisions taken on the basis of these financial statements.

When performing auditing in accordance with the audit rules, we employ professional judgment and maintain professional discretion. Also:

- We recognize and evaluate the risks of material misstatement in the financial statements either as a result of error or fraud, we design and carry out the audit procedures in response to the assessed risks and collect sufficient and adequate audit evidence which serve as the basis for our opinion. The risk that we will not identify the misrepresentation resulting from fraud is higher than the risk associated with errors since fraud may involve collusion, forgery, deliberate omission, misinterpretation or the avoidance of internal control;
- We carry out procedures for checking and understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate to the circumstances, but not with the intention to express an opinion on the efficiency of the company's internal controls;
- We assess the appropriateness of the accounting policies used and the acceptability of accounting estimates and the associated management disclosures;
- On the basis of the audit evidence collected on the existence of significant uncertainty about events or circumstances that raise doubt about the organization's ability to continue as a going concern, we adopt the decision on the appropriateness of the management's use of the assumption of a going concern as the basis for accounting. If we make a decision on the existence of a significant uncertainty, we are required to draw attention in the auditor's report to the relevant disclosures in the financial statements or, in case of unfavourable disclosures, to adjust the opinion. The auditor's decisions are based on the audit evidence collected from the date that the auditor's report was issued. However, subsequent events or circumstances may lead to the termination of the organization as a going concern;
- We evaluate the general presentation, structure, contents of the financial statements, including disclosures, and whether the financial statements represent the subject transactions and events in such a way that a fair presentation is achieved;
- Among other, the management is informed about the planned scope and schedule of auditing and the important audit findings, including the weaknesses in internal controls that were identified during our audit.

Ljubljana, 5 March 2019

BDO Revizija d.o.o.
Cesta v Mestni log 1, Ljubljana, Slovenia

12 ANNUAL ACCOUNT (ANNUAL STATEMENT)
(audited data)

The annual statements is drawn up in line with Article 494 of the ZTFI in line with paragraph one of Article 557 of the ZTFI-1 as well as in line with Articles 20 and 21 of the Accounting Act. It consists of:

- Financial statements; and
- Notes to the financial statements.

FINANCIAL STATEMENTS

In accordance with the second paragraph of Article 20 of the ZR and the Rules on the compilation of financial statements for the budget, budget users and other entities of public law (Rules on the compilation of annual accounts), the form and content of the financial statements are prescribed.

According to the Rules on the compilation of annual reports, the financial statements to be compiled by the Agency include:

- The balance sheet, which is compiled on the Balance sheet form (Annex 1 to the Rules on the compilation of annual reports); and
- A statement of revenue and expenditure, which is compiled on the Statement of Income and Expenditures of Certain Users form (Annex 3 to the Rules on the Compilation of Annual Reports).

NOTES TO FINANCIAL STATEMENTS

The notes to financial statements consist of:

- Value explanations; and
- Descriptive explanations.

VALUE EXPLANATIONS TO FINANCIAL STATEMENTS

According to the Rules on the compilation of financial statements, the notes on the balance sheet and the statement of income and expenses are prescribed in the form of mandatory annexes and records.

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

- The balance and movements of intangible assets and tangible fixed assets (Annex 1/A to the Rules on the compilation of annual reports);
- The balance and movement of long-term capital investments and loans (Annex 1/B to the Rules on the compilation of annual reports).

A compulsory annex to the statement of revenue and expenditure is a table compiled in Revenue and Expense Statement of Certain Users by Type of Activity form (Annex 3/b to the Rules on the Compilation of Annual Reports).

The accounts which are defined in Articles 21 to 25 of the Rules on the compilation of financial statements are drawn up on the following forms:

- Statement of income and expenses of certain users on the principle of cash flow (Annex 3/A to the Rules on the compilation of annual reports);
- Statement of accounts of financial receivables and investments of certain users (Annex 3/A-1 to the Rules on the compilation of annual accounts); and
- Statement of accounts for certain users (Annex 3/A-2 to the Rules on the compilation of annual reports).

DESCRIPTIVE EXPLANATIONS TO FINANCIAL STATEMENTS

Among the descriptive explanatory notes to the annual accounts are:

- The underlying accounting assumptions used;
- Information on the methods used for the valuation of individual items in the financial statements;
- Accounting information relating to the disclosure of information disclosed in the balance sheet, the statement of revenue and expenditure and the annexes thereto.

USED BASIC ACCOUNTING ASSUMPTIONS

According to the ZTFI, the Agency is an independent legal entity. In accordance with the ZJF or the Rulebook defining direct and indirect budget users of state and municipal budgets, the Agency is defined as an indirect user of the state budget. In accordance with the ZR and the Rules, which analyse and measure the revenues and expenditure of legal entities governed by public law (Rules on analysis and measurement of revenues and expenses of legal entities governed by public law) and the ZJF or the Rules on the compilation of annual reports, it is defined as a user of a single chart of accounts.

In line with the regulation governing the standard classification of institutional sectors (SKIS), the Agency is classified in Sector S.12 (Financial Corporations) or S.12601 (Public financial auxiliaries). As a result, the Fiscal Rule Act does not apply to the Agency, since it refers to state budgets that are consolidated summary accounts of income and expenditure of every institutional unit from the national sector, which includes all institutional units that have been classified under Sector S.13 (General Government) in line with SKIS.

In the management of the books and the composition, preparation and submission of annual reports, the Agency complies with the provisions of the ZR and other regulations, including the ZJF, and in accordance with Art. 2 of ZR, also the Slovene Accounting Standards issued by the Slovenian Institute of Auditors.

The Agency, pursuant to Article 31 of the ZR, which is applicable from 1 January 2000, values the items in the in accordance with accounting standards, unless otherwise provided by the ZR and other regulations.

In the application of Slovenian Accounting Standards, Article 16 of the Rules on the Parsing and Measurement of Revenues and Expendi-

tures of Public Legal Entities is used, which specifies that certain users of a single chart of accounts identify and parse revenues and expenses, and evaluate assets and liabilities in accordance with the ZR, and the regulations issued on its basis. The provisions of the Rules governing the single chart of accounts for the budget, budget users and other entities governed by public law (Rules on the Single Account Plan) shall also be taken into account in the parsing and disclosure of revenue and expenditure. For the rest, which is not governed by these regulations, accounting standards apply.

The Agency has its own accounting department, where all documentation is kept and made in the Slovenian language and in Euro. As of January 1, 2014, the Agency transferred a part of the accounting tasks, especially from the field of salaries, to an external contractor.

The business year is equal to the calendar year.

INFORMATION ON THE METHODS OF VALUATION OF INDIVIDUAL ITEMS IN FINANCIAL STATEMENTS

1. RECOGNITION OF REVENUE

Revenues for the accounting period are recognized on an accrual basis. In order to monitor the movement of general government revenues and expenses, they are also determined and parsed according to the cash flow principle, which is stipulated in the Rules on the compilation of annual reports.

Revenue from operations consists of income according to legislation (ZTFI, ZP-1, ZUP etc.).

The funds for the work of the Agency for the implementation of statutory powers and competences are provided in accordance with the provisions of the ZTFI as well as compensation and other revenue generated through its operations. The Agency does not generate revenue from the sale of goods and services on the market.

The amount of fees and charges is determined by the Tariff on Fees and Refunds, issued by the Agency in accordance with Article 491 of the ZTFI in connection with paragraph one of Article 557 of ZTFI-1 with the consent of the Government of the Republic of Slovenia.

The Agency as a minor offence authority in the minor offence procedure also decides on the amount of the sanction for a minor offence (a fine), which is the revenue of the state, and on the amount of the costs of the procedure (court fee), which is the revenue of the Agency.

Financial revenues arise in relation to the status of free cash on transaction accounts, financial investments in deposits with commercial banks or the manager of the single treasury account of the government and purchases of securities of the Republic of Slovenia (regular interest). They are also disclosed due to non-timely paid receivables (default interest). Financial revenues also show exchange differences, usually in respect to official travel outside the Republic of Slovenia.

Other revenues consist of revenues outside ordinary business events in the framework of the Agency's operations, which are neither expected nor frequent, nor can they be reasonably expected to occur in the foreseeable future.

Revaluation operating revenues arise upon the disposal of intangible assets and tangible fixed assets, in so far as their sales value exceeds the carrying amount. Revaluation operating revenues also include write-offs of liabilities.

2. RECOGNITION OF EXPENDITURE

Expenses are recognized on an accrual basis. In order to monitor the movement of general government revenues and expenses, they are also determined and parsed according to the principle of cash flow, which is defined in the Rules on the compilation of annual reports.

Expenses for the accounting period are those amounts of costs incurred in each accounting period and other costs that, in accordance with the adopted accounting rules (regulations, accounting standards, internal acts) on the inclusion of expenses in the expenses of the accounting period, affect the profit or loss of the accounting period. Since the Agency performs tasks and powers determined by laws, it does not carry out, for example, production, the costs incurred in each accounting period are the expenses of this accounting period, except when costs are recognized in expenses in accordance with the adopted accounting rules in the period following the accounting period (deferred costs, in particular through accruals and deferrals).

Expenses usually contain the value (input) of value added tax, since the Agency in line with the fifth paragraph of Article 5 of the Value Added Tax Act (ZDDV-1) does not count as a taxable person in connection with the transactions that it carries out as an authority, even though the Agency collects taxes, contributions and other fees and payments connected to such activities and transactions.

Financial expenses in the form of interest arise in connection with late payments of liabilities. Financial expenses also show exchange differences, usually in respect of official travel outside the Republic of Slovenia.

Other expenditures consist of unusual items and other expenses. They contain occasional events outside ordinary business events in the framework of the Agency's operations, and for them neither frequent nor regular repetitions are expected, nor is it reasonable to expect them to appear in the foreseeable future.

Revaluation operating expenses arise upon the disposal of intangible assets and tangible fixed assets, insofar as their sales value does not exceed the carrying amount. Revaluation operating expenses also include revaluation expenses due to impairment of operating receiva-

bles when outstanding receivables are doubtful as to settlement, as well as disputed because they have started legal proceedings.

3. STATEMENT OF ASSETS AND LIABILITIES TO RESOURCES BASED ON TYPES AND MATURITY

Assets and liabilities are parsed by type and maturity in the balance sheet. The part of long-term receivables or liabilities that falls due no later than one year from the balance sheet date is disclosed as short-term receivables or liabilities.

4. DECLARATION OF ACCRUAL PRINCIPLE

Accrual principle comprises deferred costs, expenses or income. Accruals that will be used within a year are short-term, and those that will be used in a period longer than one year are long-term.

Short-term deferred costs revenues include up to 12 months of pre-paid expenses or expenses, mainly from subscriptions to publications, and short-term accrued costs and deferred revenues include short-term deferred revenues.

Long-term deferred costs and accrued revenues include long-term deferred costs, mainly from subscriptions to publications, and long-term deferred revenues in long-term accrued costs and deferred revenues.

5. STATEMENT OF LONG-TERM RECEIVABLES FROM OPERATIONS

Long-term operating receivables include receivables that fall due for a period longer than one year (for example, payments by a floor owner into a reserve fund under the Housing Act).

6. STATEMENT OF INTANGIBLE AND TANGIBLE FIXED ASSETS

Among the intangible assets are use of software programs (software) purchased for the performance of individual functions, as well as licenses, both for a period longer than one year.

Property, plant and equipment (business premises, storage and parking space), transport means and equipment are among tangible fixed assets.

These assets are shown separately in the accounting books, but are, once excluded, no longer disclosed in them.

7. WITHDRAWAL OF INTANGIBLE AND TANGIBLE FIXED ASSETS – DEPRECIATION

Regular write-off (depreciation charge) of assets is carried out in accordance with accounting standards, the rates and the method by which it is performed, is prescribed by the Rules governing the method and rate of write-off of intangible long-term assets and tangible fixed assets (Regulations on write-off).

Depreciation accounting is the creation of corrections of the value of fixed assets in the books for the amount of depreciation calculated on the basis of the annual calculation, and the extraordinary write-off is made in case of disposal, permanent exclusion from use and due to revaluation due to impairment of fixed assets.

Depreciation of assets is calculated using the straight-line depreciation method and using prescribed depreciation rates in the Regulation on write-off.

8. REVALUATION OF TANGIBLE FIXED ASSETS

Revaluation of tangible fixed assets, due to their impairment or possible increase in value, is carried out to the extent and in accordance with Article 13 of the Rules on Parsing and Measurement.

9. SHORT-TERM FINANCIAL INVESTMENTS

Short-term financial investments are presented as short-term loans, securities investments, short-term deposits and other financial investments. However, if they are held by the Agency, they usually have only short-term deposits.

10. SHORT-TERM RECEIVABLES

Short-term receivables are presented as regular receivables (not yet and already in settlement of the due receivable), as well as doubtful receivables regarding the payment and the disputed receivables because legal proceedings have started due to them.

11. OWN RESOURCES AND LONG-TERM LIABILITIES

On the basis of the ZTFI, the funds for the work of the Agency are provided from fees and charges determined by the Tariff issued by the Agency in agreement with the Government of the Republic of Slovenia, as well as from other revenues generated by the Agency with its operations.

In accordance with the provisions of the ZTFI, the excess of revenues over expenses realized in the previous year is partly excluded in the reserves of the Agency in the amount determined by the financial plan of the Agency for the year in which the surplus was realized, while the balance is directed to the budget of the Republic of Slovenia.

The ZTFI also contains provisions regarding the budget of the Republic of Slovenia. The surplus of expenses over revenues generated by the Agency is covered by the reserves of the Agency, but if the reserves of the Agency are insufficient, the excess of the expenses of the Agency shall be covered from the budget of the Republic of Slovenia. The funds of the budget of the Republic of Slovenia can only be provided if the performance of the tasks of the Agency could become seriously compromised otherwise.

The same provisions as the ones held by ZTFI also had the previously valid Securities Market Act, namely ZTVP and ZTVP-1.

The value difference between revenues and expenses for the financial year is determined by the provisions of the Agency's reserves in the ZTVP, ZTVP-1 and ZTFI and is as an increase

in the excess of revenues over expenses (Article 172 of the ZTVP, Article 305 of the ZTVP-1 and Article 492 of the ZTFI in connection with paragraph one of Article 557 of ZTFI-1) or as a reduction in the excess of expenditure over revenues (Article 174 of the ZTVP, Article 306 ZTVP-1 and Article 493 of the ZTFI in connection with paragraph one of Article 557 of ZTFI-1).

Reserves of the Agency are shown in the balance sheet on two items within their own resources, namely in the item of the fund of assets in other legal entities governed by public law that are in their possession, for intangible assets and tangible fixed assets, and in the item surplus of revenues over expenses.

12. TAXES

Although the Agency is established under a special law (Securities Market Act, Official Gazette of the RS, No. 6/1994) for the purpose of non-profit character, and also actually operates in accordance with the purpose of its establishment under a special law, it is, pursuant to the second paragraph of Article 9 of the Act on corporation tax, obliged to pay corporate income tax on income from the profitable activity, taking into account the Rules on the definition of profit and non-profit activity.

On the basis of the decision of the Tax Administration of the Republic of Slovenia, the Agency ceased to be identified for the purposes of value added tax on 1 February 2006 or, in accordance with the adoption of the ZDDV-1 from the date of its application, that is, from 1 January 2007 on the basis of paragraph five Article 5 of the ZDDV-1, as a body governed by public law, does not regard the taxable person as a taxable person in respect of the activities or transactions which it carries out as a public authority, even though it levies fees, contributions and other charges and payments in respect with those activities or transactions.

13. DEFINITION OF CASH AND SECURITY

Cash is shown in cash in hand in domestic currency.

Cash and foreign currency funds are shown as balances on accounts opened in accordance with the regulations of the Public Payments Administration of the Republic of Slovenia, as well as bonded deposits and bonds of the Republic of Slovenia.

14. STATE SUPPORT

Apart from the establishment of the Agency in March 1994, when the Republic of Slovenia provided the Agency with funds for the start of operations, the Agency did not receive funds from the budget of the Republic of Slovenia.

15. PAYMENTS IN THE BUDGET

The Agency paid to the budget of the Republic of Slovenia the share of surplus income over expenditures from 2000 to 2002, 2010 to 2012 and 2014 to 2016, each time in the amount determined by the Agency's Financial Plan valid for the relevant year, to which the Government of the Republic of Slovenia gave its consent or from 2016 on the basis of the provisions of the law governing the implementation of the budgets of the Republic of Slovenia, the Ministry of Finance.

The Agency will also pay into the budget of the Republic of Slovenia the surplus of income over expenditures from 2018.

ACCOUNTING INFORMATION CONCERNING THE DISCLOSURE OF DATA IN ACCOUNTING STATEMENTS FOR 2018

(Disclosures under Article 26 of the Rules on the Compilation of Annual Reports)

1. Allocation of revenue and expenditure by activity

The Agency performs supervision and performs other tasks and responsibilities determined by ZTFI, ZISDU-3, ZPre-1, ZNVP-1, ZP-1 and other laws and regulations. It shall carry out its duties and responsibilities in order to ensure compliance with the provisions of those laws and their respective amendments and regula-

tions issued on the basis of these laws, thus creating conditions for the efficient operation of securities markets and investor confidence in these markets.

The funds for the work of the Agency shall be provided in accordance with the provisions of the ZTFI in the form of fees, compensations, court fees and other revenues generated by the Agency through its operations. Other revenues generated by the Agency to a lesser extent by their operations are primarily revenues from interest received as a result of investments of free cash, and occasionally also revenues from extraordinary business events and possibly also from the sale of tangible fixed assets.

The Agency does not generate revenues from the sale of goods and services on the market, it does not engage in commercial activity, and therefore does not have any revenue or expenditure in this respect.

The expenses of the Agency shall be incurred in connection with the above, in particular with regard to its exercise of supervision and the exercise of other tasks and competences set out in the above mentioned regulations.

2. Depending on the field of work, the Agency does not have any stock of finished products or stocks of unfinished production among its assets. The Agency does not even have significant tangible fixed assets or intangible assets that would be fully written off and would still be in use.

3. Long-term provisions, as prescribed by the regulations governing the single chart of accounts for the budget, budget users and other entities governed by public law, for risks and penalties, were not formulated by the Agency.

4. Reasons for disclosing the excess of expenses over revenue in the statement of revenue and expenditure

The **surplus** of expenses over revenues amounts to €24,165.

The funding for the Agency is provided from fees and compensation in the amounts stipulated by the Tariff on Fees and Charges and in part from other income generated by the Agency through its operations, e.g. when the Agency as a minor offence authority decides on level of the sanction for a minor offence (a fine), which is the revenue of the state, and on the amount of the costs of the procedure (court fee), which is the revenue of the Agency.

Total revenues in the amount of €3,384,529 consist of operating revenues (99.18%), financial revenues (0.03%), other revenues (0.77%) and revaluation operating revenues (0.02%).

Revenue from operations consists of revenues according to laws (ZTFI, ZP-1, ZUP etc.).

The most recent financial crisis had a significant impact on the operations and scope of financial organizations, while at the same time, the application of the new legislation in 2018 additionally increased the regulatory requirements pertaining to operations by such financial organisations, including their operating costs. As a result, some financial organizations engaged in investment services and client asset management ceased operations in 2018. On the other hand, the new legislation extends the range of financial instruments and entities which are considered to provide these services, meaning that this fact also has an impact on revenue levels.

In 2018, the most prominent event in the capital market was the application of the provisions of the new legislation which regulates in more detail the performance of investment services and transactions as well as the management and operation of financial instrument trading systems. As a result, the providers of investment services and trading system managers were required to adjust their operations and reporting methods as required by MiFIR. Due to the complexity of the adjustment and the resulting costs, 2018 saw the continued reduction of the number of investment service providers compared to 2017.

The Agency is facing declining levels of financial discipline while unfulfilled obligations by the subject are on the increase, with specific supervised subject failing to settle their obligations under the title of fees under the Tariff and under the title of offences under the jurisdiction of the Agency (fines and cost of procedures). As a result of claims which are not expected to be settled either in full or in part, e.g. due to insolvency proceedings, and claims which may trigger judicial proceedings, the Agency presents operating expenses from revaluation.

Even though the total value and number of unsettled liabilities is annually increasing, the individual unsettled claims have lower values, resulting in disproportionate recovery costs in light of the levels of receivables. The Agency regularly monitors debtors, communicates them payment reminders and files applications for enforcement for due receivables with the authority responsible for enforcement, registers them for bankruptcy proceedings etc.

Generally, financial revenue is made up of income from interest resulting from the investment of free cash, from free cash in bank accounts as well as interest on default from the settlement of liabilities by debtors and revenue from exchange rate gains, generally in connection to missions outside the borders of the Republic of Slovenia by the employees. In 2018, financial revenue is made revenue from interest on default connected to the settlement of liabilities by debtors (99.80%) and the reimbursement of tuition fees by employees (0.20%). Since (as of September 2014) the interest rate for free cash on the sub-accounts of the single treasury account amounts to 0,000%, the Agency has no interest income from the amount of free cash on the account.

Other revenue consists of reimbursement of costs on the basis of court acts (enforcement, judgments) and doubtful claims from previous years settled in 2018 previous.

Operating income from revaluation consists of revenue resulting from the disposal of fixed assets (84.77%) and revenues arising from the write-off of liabilities as a result of lapse of time in accordance with the Obligatory Code from payments received for undefined purposes (15.23%).

Because a significant portion of revenue is profoundly connected to the conditions in financial markets and actual activities of players in the financial instruments market as outlined above, the level of realized revenue is lower than projected.

Total expenses in the amount of €3,360,364 consist of labour costs (61.30%), costs of goods, materials and services (29.19%), depreciation (7.70%), other costs (0.12%), financial expenses (0.00%) and other expenses (0.01%) and revaluation operating expenses (1.68%).

Labour costs include salaries and wages, employers' social security contributions, collective supplementary pension insurance premiums for civil servants paid by the employer, annual holiday leave, transport and work expenses, labour costs, jubilee benefits and other costs.

Costs of goods, materials and services account for a larger portion of service costs (95.82%) and the smaller constitutes material and energy costs (4.18%).

ESMA has an important impact on the volume of expenses, particularly the increase of costs. Namely, it requires the Agency, as its equal member, to regularly participate in plenary sessions and in working group activities as well as an increased contribution to the ESMA joint budget in the form of a membership fee as well as for the development and maintenance of ESMA information projects (MMF, Prospectus III, TRACE, Benchmark etc.).

Due to the implementations and changes to the directives and regulations of the European

Parliament and of the Council referring to information technology (IT) in connection to the market in financial instruments, the Agency is required to overhaul and update its IT. Because recent years saw an increase in the buying of such fixed assets, both through the purchase of new assets as well as through the replacement of existing assets with new ones due to incompatibility, the maintenance costs associated with these assets have been increasing as a result.

Also, because of the continuous changing of the legislation and the European legislative system, including ceaseless innovations in the market in financial instruments, the work by the employees of the Agency must be carried out in a professional and quality manner, which in turn impacts the mandatory fulfilment and continuous training of all employees and furthermore encompasses various education and training programmes.

Depreciation represents the value of depreciable assets that has been transferred between costs and is determined as the product of the depreciation basis and the depreciation rate for each individual intangible asset or individual tangible fixed asset.

Other costs include the contribution to the use of building land (90.29%), RTV contribution (6.04%) and court fees (3.67%).

Other expenses consist of the costs of procedures returned by the Agency ex officio.

Revaluation operating expenses comprise expenses arising from the exclusion from the use of intangible assets and tangible fixed assets due to irreparable defects, incompatibility with other equipment in the field of information technology, etc., from the write-off of receivables mainly in relation to closed bankruptcy procedures, unpaid receivables from compulsory settlement and due to stagnation, and from the formation of a correction of the value of receivables that were transferred between

doubtful due to the introduction of procedures under the ZFPPIPP.

With the 2018 financial plan, the Agency based on the precautionary principle also planned for the development and maintenance of ESMA information projects (MMF, Prospectus III, TRACE, Benchmark etc.) in totals and by projects as planned by ESMA to be realized in 2018; regardless, certain project were not completed. The above mentioned is also the reason that the realized expense levels were lower than anticipated.

5. Reasons for disclosing the surplus of income over expenses in the balance sheet

Pursuant to the provisions of the ZTVP, ZTVP-1 and ZTFI on the reserves of the Agency, they are formed from the surplus of revenues over expenses, in accordance with the financial plan of the Agency, which is shown in the balance sheet as a change in the item of the fund's other legal persons public property in their possession, for intangible assets and tangible fixed assets (property fund owned), and the item excess of revenues over expenses.

In 2018 vis a vis 2017, the asset title fund increased by €11,119 to €1,497,696 (equity of the fund of assets owned by the present value of intangible assets and tangible fixed assets), while in turn the surplus of income over expenses was reduced by the same amount, totalling €2,771,274.

6. The outstanding receivables as of 31 December 2018 amount to €962,552, of which 32.47% are for own account and 67.53% for a foreign account (offences – fines, the withdrawal of proceeds by payment of the monetary amount).

6.a. Outstanding receivables for own account amount to €312,573, of which 93.79% are doubtful, mainly due to claims for claims under the ZFPPIPP and enforcement procedures, as well as disputed ones.

Outstanding claims arise from the relationships with the entities over which the Agency carries out supervision (95.88%), with budget users on the basis of salary refunds, interest from investing free cash - bonds of the Republic of Slovenia and corporation tax (2.50%) and employees (1.62%).

Outstanding receivables refer to debtors in the country (70.71%) and to debtors outside the country (29.29%).

Among the outstanding claims, there are receivables that have not yet been settled (4.12%) and those in the settlement of the already due receivables (95.88%). Among the settlement of claims that have already been settled are primarily receivables reported in procedures under the ZFPPIPP and in enforcement procedures.

The outstanding receivables are in the recovery procedures, namely the first with a payment reminder, then by submission of proposals for enforcement in the county courts or the Financial Administration of the Republic of Slovenia. In so far as the debtor starts the procedure under the ZFPPIPP, receivables are registered in these procedures.

6.b. Receivables for a foreign account amount to €649,979, of which 99.63% are doubtful in respect of claims in procedures under the ZFPPIPP and in enforcement procedures.

Foreign currency accounts receivable include receivables arising from final decisions on minor offence (100.00%). No receivables connected to the withdrawal of proceeds by payment of the monetary amount exist.

7. The outstanding liabilities as of 31 December 2018 amount to €1,133,695, of which 42.67% are for own account and 57.33% for foreign accounts (offences – fines, withdrawal of proceeds by payment of the monetary amount).

Outstanding liabilities include one mature receivable in the total of €3,232, however was paid on 14 January 2019.

7.a. Outstanding liabilities for own account amount to €483,716, referring to creditors in the country (85.01%) and to creditors outside the country (14.99%).

Among all obligations, liabilities to taxable persons from fees paid in accordance with the Tariffs are as a procedural precondition for carrying out the procedure for the Agency's deciding on individual issues (14.99%) and to other persons (85.01%).

The liabilities to other persons include liabilities arising from December 2018, accrued wages, travel orders, and the like. From the relationships with natural persons (20.07%), liabilities arising from business relationships with suppliers (41.06%), liabilities to budget users arising from the obligation to pay duties for December 2018 accrued wages, etc. (23.90%) and other liabilities to other groups of legal entities (14.98%).

7.b. Liabilities for foreign accounts amount to €649,978, of which 99.63% are doubtful from the claims in procedures under the ZFPPIPP and in enforcement procedures.

Foreign liabilities include liabilities arising from final decisions on minor offences (100.00%). No liabilities under the title of withdrawal of proceeds by payment of the monetary amount exist.

8. The sources of funds used for investing in intangible assets and in tangible fixed assets are the reserves of the Agency, formed pursuant to Article 172 of the ZTVP, Article 305 of the ZTVP-1 and Article 492 of the ZTFI in connection with paragraph one, Article 557 of the ZTFI-1 from the surplus of revenues over the expenses of an individual year, which are in the balance sheet the amounts shown on two items within their own resources, namely in the

asset fund item in other legal entities governed by public law that are in their possession, for intangible assets and tangible fixed assets, and in the item surplus of revenues over expenses.

Tangible fixed assets, primarily in the form of computer equipment and intangible assets were purchased the total of €316,514.

9. The Agency shall impose free cash in accordance with the Rules governing the freeing of funds of indirect users of state and municipal budgets and the narrower parts of municipalities that are legal entities from August 15, 2014 in the form of deposits only with the EZR's manager, since the total volume of investments of free cash outside the EZR system cannot exceed €50,000 and debt securities issued by the Republic of Slovenia.

Due to unfavourable interest rates, including the negative return on debt securities (bonds of the Republic of Slovenia), taking into account the restriction of the volume of investments in deposits outside the EZR system (€50,000), the Agency did not impose free cash on the sub-account of the single treasury account in the form of deposits at the EZR Treasury or commercial banks and in debt securities in 2018. As of 31 December 2018, the Agency has an investment of €897,514 of free cash in the bonds of the Republic of Slovenia with a nominal value of €844,000 and an annual interest rate between 2.250% and 4.625%.

10. Reasons for significant changes in fixed assets

The value of fixed assets changed due to new acquisitions, write-offs and amortized depreciation. Here, an important proportion can be attributed to fixed assets in the field of information technology (IT).

Due to the implementations and changes to the directives and regulations of the European Parliament and of the Council referring to information technology (IT) in connection to the market in financial instruments, the Agency is

required to overhaul and update its IT in order to reach the standards prescribed by ESMA and furthermore provide for the implementation of a uniform reporting system inside the EU on concluded transactions and reporting on received orders from clients, the receipt and validation of information on financial instruments, exchange of information between EU supervisors etc. The overhaul and modernization via the purchase of new fixed assets and the replacement of existing fixed assets with new ones is also important because of the adjustments made to reporting forms (ISO 20022), data exchange methods (SFTP protocol replacing the FTPS protocol) and the volume of information exchanged.

11. The off-balance sheet records have not been presented in accordance with Article 72 of the Rules on the Single Account Plan of the Agency as there were no potential (possible) liabilities (guarantees, mortgages, etc.) that would affect the change in assets or liabilities.

12. Offence proceedings

On the basis of the law regulating minor offences, the Agency on the January 1, 2005 became a minor offence authority that, in the minor offence procedure, also decides on the amount of the sanction for a minor offence (fine) or the amount of the costs of the proceedings (court fee) and the amount of the confiscation of proceeds with payment of the money amount.

In accordance with the above law, fines and the withdrawal of proceeds by payment of the monetary amount are revenue of the state and the court fee is the revenue of the minor offence authority, which is the Agency.

Regarding the fines and the withdrawal of proceeds from payment of the monetary amount from final decisions on minor offences, the Agency acts in accordance with the Instructions to the Supervisor for recording public finance receivables (JFP), receivables from JFP forwarded to tax enforcement and the write-off of receivables issued by the Ministry of Finance in 2013. The Agency receives the receivables, as well as liabilities, from fines and the with-

drawal of proceeds by payment of the monetary amount, recorded in their accounts under the "in their own name for a foreign account" system, that is for the account of the budget of the Republic of Slovenia.

Receivables as of 31 December 2018 from final decisions on fines and withdrawal of proceeds by payment of the amount of money, as well as liabilities arising from this account, amount to €649,979, of which 99.63% are doubtful, mainly arising from claims for claims in procedures under the ZFPPIPP and in enforcement procedures.

13. Legal proceedings

As of 31 December 2018:

- Two court proceedings were opened before the Administrative Court of the Republic of Slovenia for appeals brought against the decisions of the Agency;
- Before competent district courts, 3 minor offense proceedings were commenced for the purpose of a decision on the requests for judicial protection filed by legal and responsible persons of these legal entities;
- Before the Administrative Court of the Republic of Slovenia, 3 court proceedings were commenced against the decisions by the Information Commissioner in relation to the requests for access to public information while 1 procedure is still on-going before the Information Commissioner for redress on the matter.

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