



Annual Report 2012

August 2013

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I. REPORT ON WORK

INTRODUCTION

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

The annual report consists of the report on the work of the Agency in the business year 2012, auditor's report and annual statements of accounts. The Report on the Work covers entire operations of the Agency in the previous year: information on issued approvals for public offering of securities and takeover bids, data on authorisations granted to management companies, investment funds, brokerage companies and mutual pension funds, as well as other authorisations and acts adopted by the Agency. It describes the work carried out by the Agency in connection with the supervision of financial instrument market participants, the regulatory work of the Agency, and the Agency's cooperation with other domestic and foreign regulatory authorities, international organisations and institutions. The annual statements of accounts include the Agency's financial statements and explanatory notes to the financial statements.

The figures contained in this report generally refer to the work carried out by the Agency in 2012, except in specific cases where they refer to a period before or after 2012 if that provides a more comprehensive account of particular facts or matters connected with the work of the Agency.

1. LEGAL STATUS, TASKS AND BODIES OF THE AGENCY

Establishment and legal status

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

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

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

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

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

Main tasks of the Agency

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

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

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

More specific tasks of the Agency include:

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

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

Bodies of the Agency

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

The Council of the Agency

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

In 2012, the Agency's Council consisted of the following members: Mr. Damjan Žugelj, Mr. Primož Pinoza, Ms. Anka Čadež, Ms. Edina Ključanin and Mr. Ivan Kukar.

The Council held 63 regular meetings in 2012. The Council is competent for adopting the Rules of Procedure of the Agency and the implementing regulations, issued by the Agency, deciding on licenses and approvals, and other individual matters. It is also in charge of adopting the annual report on the work of the Agency and the report on the situation on the market in financial instruments, the annual plan and the budget of the Agency. The Council adopts the Agency's annual statements of accounts, which are audited by a certified auditor, and performs other tasks within the Agency's scope of responsibilities, unless it is stipulated by law that another body of the Agency is responsible for performing those tasks.

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

Director of the Agency

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

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

2. LEGISLATION

On the legislative field, the Agency continued to be active in relation to the systematic regulation of the capital market of the Republic of Slovenia in 2012, particularly with the view of its harmonization with the European Law, and the related urgent interventions in certain acts of key importance for the Agency's operations as well as the elimination of perceived deficiency and inconsistency in these key Acts.

The expected amendment of the ZFTI was finally approved in 2012, and the Banking Act (ZBan-1) was amended and supplemented several times. It should be pointed out that the amendments to the ZBan-1 are important for the work of the Agency, because the provisions of the ZFTI in many cases refer to the provisions of the ZBan-1, while the last amendment of ZBan-1, published in December 2012 intervened directly into the text of certain articles of ZFTI which had to be amended or supplemented. The following acts were published in the Official Journal of the RS:

- Act amending the Banking Act (ZBan-1I), Official Journal of the RS, No. 48/12;
- Act amending the Banking Act (ZBan-1J), Official Journal of the RS, No. 105/12;
- Act amending the Market in Financial Instruments Act (ZTFI-E), Official Journal of the RS, No. 55/12;

As stated above, the anticipated amendment of the ZFTI was implemented with the enforcement of the amended Market in Financial Instruments Act (ZTFI-E). The amendment harmonized the Slovenian law with the Directive 2010/73/EU (Directive of the European Parliament and of the Council amending Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market) which main objectives are: to improve the rules of prospectus, which should be published by European issuers of the issue of securities, to improve legal clarity, to reduce administrative barriers for issuers and intermediaries and to improve the level of investor protection by providing sufficient information for allowance of their investment decisions. In addition to these changes the amendment affected the definition of market manipulation and enhanced the obligation to keep confidential information, which the Agency received from supervisory authorities of third countries or international organizations. Other amendments eliminated the perceived deficiencies and inconsistencies, including in the field of criminal law provisions, which have been harmonized with the provisions of Minor Offences Act (ZP-1).

As stated above, the last amendment of ZBan-1J directly intervened into ZFTI, in addition this amendment mainly aimed to address the financial crisis in the Republic of Slovenia, but it also gave the Agency certain new powers. For example the Agency is responsible to issue a decision which abolishes the prohibition to exercise voting rights to person or persons acting in concert in the bank if and when they provide bank's capital adequacy.. With the original decision the Agency prohibited those persons to exercise their voting rights. The Agency shall be in accordance with this amendment informed of certain acquisitions or disposals of securities for which the amendment would exclude the mandatory takeover bid under the Takeovers Act. In case the Agency does not receive such notice within prescribed time limit it has all powers as misdemeanor authority to act against the offender.

In 2012 the Agency initiated the activities referring to amendments and supplements to the implementing regulations, which are necessary due to the above quoted amendments of the ZTFI-D and ZBan-1H, which were published in 2011.

In relation to the risk management of brokerage companies, the Agency adopted 8 amendments and supplements to the existing implementing regulations:

- Decision on amendments and supplements to the Decision on high exposure of brokerage companies;
- Decision on amendments and supplements to the Decision on capital requirement calculation for credit risk in relation to securitization and rules on brokerage companies exposure to transferred credit risk;
- Decision on amendments and supplements to the Decision on risk management and implementation of internal capital assessment for brokerage companies;
- Decision on amendments and supplements to the Decision on capital requirement calculation for credit risk according to the standardized approach for brokerage companies;
- Decision on amendments and supplements to the Decision on capital requirement calculation for credit risk according to the internal rating system approach for brokerage companies;
- Decision on amendments and supplements to the Decision on capital requirement calculation for market risks for brokerage companies;
- Decision on amendments and supplements to the Decision on capital and capital requirements reporting for brokerage companies;
- Decision on amendments and supplements to the Decision regulating reporting on specific facts and circumstances of brokerage companies.

The above stated implementing regulations were published in the Official Journal of the RS, No. 33/12. Also the Decision on the diligence of the members of the Management Board and Supervisory Board of brokerage companies was published in the same Official Journal of the RS, No. 33/12, which falls within the scope of the provisions of investment services and transactions.

With reference to settlement of transactions in financial instruments the Agency adopted the Decision on organizational requirements for managing the central register and operation of the settlement system, which was published in Official Journal of the RS, No. 22/12, while the Decision on amendments and supplements on the Decision on specific rules on inside information and investment recommendations was published in Official Journal of the RS, No. 6/12 and which entered into force on February 1, 2012.

Due to amendments of laws and regulations by which the Agency performs supervision and other tasks and responsibilities as well as of EU Regulation No. 236/2012 of the European Parliament and of the Council from March 14, 2012 on short selling and certain aspect of credit default swaps as well as on Regulation on implementation of the Regulation on short selling and certain aspect of credit default swaps (Official Journal of the RS, No. 54/12) the Agency had to adjust the Tariff on charges and fees by issuing The Amendments and Supplements of the Tariff on charges and fees, which was published in Official Journal of the RS, No. 80/12 and its amendments in Official Journal of the RS, No. 102/12. Substantial part of the amendments of the Tariff on charges and fees is due to the new ZISDU-2, which was necessary to align the existing Tariff.

ZISDU-2, which entered into force on November 2, 2011, transposed the UCITS IV Directive into the Slovenian law (Directive 2009/65/EC OF THE European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS)) providing on the field of UCITS the following new features: master-feeder structures, possibility of cross-border mergers of UCITS, simplification of notification of UCITS in another Member State, European passport for management companies and replacement of the extract of the prospectus with key investor information, management companies are permitted to perform services of managing the securities of individual clients and to provide certain auxiliary services, changes of incoming and outgoing payments of investment fund units and upgrade of mechanisms of cooperation of supervisory

authorities of different member states, which are necessary for expansion of cross-border operations of management companies. Furthermore, the ZISDU-2 provided for new regulation of certain non-UCITS and their operations in the Republic of Slovenia. An important new element defined in the act is also a possibility to establish alternative funds. For domestic management companies these legislative changes represent an opportunity and provide at least equivalent struggle with numerous competition from other member states, while increasing the complexity of their business.

Based on ZISDU-2 , according to the work plan, the Agency issued 33 general acts which arrange in detail various areas:

- Decision on types and classes of investment funds (Official Journal of the RS No. 33/12);
- Decision on management companies' holders of qualifying holdings (Official Journal of the RS No.33/12)
- Decision on diligence of the management board and supervisory board of the management company and on documentation on eligibility to perform the function of a member of the board of management company (Official Journal of the RS No. 33/12);
- Decision on operations of a management company (Official Journal of the RS No. 33/12); ;
- Decision on providing investment services and activities (Official Journal of the RS No. 33/12);
- Decision on detailed content of call for subscription and payment of shares of an investment company (Official Journal of the RS No. 33/12);
- Decision on articles of management company (Official Journal of the RS No. 33/12);
- Decision on capital of a management company (Official Journal of the RS No. 33/12);
- Decision on financial statements and analytical chart of management company (Official Journal of the RS No.43/12);
- Decision on the audit of the management company's annual report (Official Journal of the RS No. 54/12);
- Decision on annual and semi-annual report of the investment fund (Official Journal of the RS No. 43/12);
- Decision on the audit of the investment fund's annual and semi-annual report (Official Journal of the RS No. 54/12);
- Decision on the calculation of the net asset value and the value of the mutual fund unit (Official Journal of the RS No. 33/12);
- Decision on the asset management techniques of the investment fund (Official Journal of the RS No. 33/12);
- Decision on risk management of the investment fund (Official Journal of the RS No. 33/12);
- Decision on certification examination related to trading in investment funds (Official Journal of the RS No. 33/12);
- Decision on criteria for determining significant impact on the management's issuer (Official Journal of the RS No. 33/12);
- Decision on the method for exchange of the units of the transferring mutual fund with the units of the receiving mutual fund (Official Journal of the RS No. 33/12);
- Decision on publications and direct communications of unit holders (Official Journal of the RS No. 33/12);
- Decision on the agreement on performance of depositary services involving a management company of a Member State (Official Journal of the RS No. 33/12);
- Decision on master and feeder UCITS (Official Journal of the RS No. 54/12);
- Decision on the reporting of the management company, the management company of a member state and a branch of a management company of a third country (Official Journal of the RS No. 33/12);
- Decision on documentation to issue authorization and approval to the management company, to the management company of a member state and to the management company of the third country (Official Journal of the RS no. 33/12);
- Decision on reporting of the depositary (Official Journal of the RS No. 33/12);

- Decision on trading in units of a mutual fund on the organized market (Official Journal of the RS No. 33/12);
- Decision on exemptions on issuing authorization of the issuance of the prospectus of an open investment fund (Official Journal of the RS No. 33/12);
- Decision on the management rules and prospectus of an open investment fund (Official Journal of the RS No. 33/12);
- Decision on the method and conditions of the trading of investment fund units (Official Journal of the RS No. 33/12);
- Decision on temporary suspension of redemption or introduction of partial redemption of the units of a mutual fund (Official Journal of the RS No. 33/12);
- Decision on investments of an investment fund (Official Journal of the RS No. 33/12);
- Decision on total operational costs of a mutual fund (Official Journal of the RS No. 33/12) and
- Decision on payments of investment units with transferable securities (Official Journal of the RS No. 33/12).

Until the end of 2012, the Agency adopted 3 amendments and supplements of general acts in the field of investment funds and management companies:

- Decision on supplements to the Decision on investments of investment fund (Official Journal of the RS No. 76/12);
- Decision on supplements to the Decision on certification examination related to trading in investment funds (Official Journal of the RS No. 76/12);
- Decision on amendments on the Decision on depositary reporting (Official Journal of the RS No. 69/12).

EU Directive 2011/61/EU on alternative investment fund managers and amending directives 2003/41/ES and 2009/45/ES and Regulations EC No. 1060/2009 and EU No. 1095/2010, which initiates a common European arrangement for non-UCITS funds managers, was adopted in 2011. The deadline for implementation of the Directive into Slovenian legislation is on June 22, 2013. There for the Agency had cooperated in 2012 with the Ministry of Finance in preparing comments on the Proposal for Regulation of the EU Parliament and of the Council on European Venture Capital Funds and on the Proposal for Regulation of EU Parliament and of the Council on European Social Entrepreneurship Funds. Those Regulations govern venture capital funds and social entrepreneurship funds, which fall within alternative investment funds. The above mentioned Regulations will be directly applicable into legal agenda of the member states, therefore the Agency in 2012 in cooperation with the Ministry of Finance and the Ministry of Economy has acceded to a detailed analysis of the existing system framework, with an emphasis on the placement of supervision over those entities.

In 2012 the Agency closely monitored the process of the adoption of the UCITS V Directive (Directive EC on supplements of Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards the functions of depositary, remuneration policy and sanctions as well as the preparation of the proposal for Regulation of the EU Commission on key information documents for packaged retail investment products for retail investors – so-called PRIIPS).

In the field of operations of mutual pension funds the Agency issued the Decision on amendments and supplements of the Decision on the register of personal accounts and certificate of the number of units (Official Journal of the RS No. 43/12).

In 2012 the Agency cooperated with the Ministry of Labor, Family, Social Affairs and Equal Opportunities in the drafting of the new ZPIZ-2, which was published on December 14, 2012. Important innovation of this Act relates to mutual pension funds, provides an opportunity to create

an umbrella pension fund and the possibility of the implementation of the investment policy of the life cycle. Towards the end of 2012 in accordance with the work plan, the Agency started with activities in relation to the preparation of general documents that need to be issued according to the new Regulation (13 general acts are planned to be issued).

In order to ensure maximum transparency of the systemic framework in the area of investment funds (both internal and external public), the Agency acceded to the project of forming a user-friendly on-line application for access to all current regulations, comments and views as well as cases in the field of ZISDU-2. This web application should be launched in the first half of 2013.

In 2012, the Official Journal of the RS published two short amendments of Takeovers Act (ZPre-1) – Zpre-1C and ZPre-1D. With these two amendments expected amendments and supplements of the takeover legislation were adopted, which in previous years were signaled by the Agency to the Ministry of Economy.

The goal of amendment ZPre-1C was to improve the situation of minority shareholders and to provide better supervision of the Agency over the implementation of ZPre-1. Some additional definitions for clearer implementation were introduced into the law (e.g. definition of futures contracts, clearer definition of the scope of the law), dematerialization of the shares of the company under ZPre-1 was legalized (violation of this provision constitutes an offense), provisions to inform the Agency on individual actions and added exemption to the obligation to make a takeover bid were entered as well. In addition this amendment affected penalty provisions - with calculations from tolar amounts to euros – and raised fines for violations.

The last amendment of ZPre-1 – Zpre-1D – has changed the takeover threshold, from the current 25% to 1/3 of voting rights.

In 2012 in light of dealing with financial crisis led to adoption of two new laws that are relevant for Agency's work. Official Journal of the RS No. 105/12 from December 27, 2012, published Slovenian Sovereign Holding Act (ZSDH) and Act Determining the Measures of the Republic of Slovenia to Strengthen Bank Stability (ZUKSB). Among other things, both Acts include special provisions relating mandatory takeover bid for the person to whom this Act refers, the Agency is also minor offences authority, on the basis of ZUKSB, responsible for the imposition of fines for breach of its obligations under the Paragraph 6 of Article 28 of this Act (updating the list of companies/investments).

Despite the efforts of the Agency, which are primarily focused on the preparation of clear and comprehensible rules, having large number of them and their growing complexity, this raises new questions and requests for additional explanations and observations. In addition to issued opinions on specific issues related to the funds regulation the Agency adopted several positions with the aim to improve legal certainty, representing guidelines for management companies, investment funds and mutual pension funds. In 2012 the Council adopted the following positions: on the interpretation of Articles 170 and 171 of ZISDU-2, on implementation of then payment system in/out of investment funds as determined in Paragraph 4 Article 236 of ZISDU-2, position on setting the deadline for the elimination of deviations from the rules and exposure of investment fund because of the reasons determined in paragraph 3 Article 192 of ZISDU-2 and the position on informing the members of mutual pension funds. In the area of ZTFI the Council adopted two positions: on the transfer of the client's financial instruments and managing the accounts of dematerialized securities to another brokerage company or bank and on the procedures of increase of share capital with contributions. All Council's positions are published on the Agency's website.

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

3. GRANTING OF AUTHORIZATIONS AND APPROVALS

The year 2012 was very difficult and complex for Slovenian capital market. There was no improvement of the situation on capital market. Due to difficult conditions and a reduced amount of transactions, we witnessed consolidation and rationalisation of operations of brokerage and management companies.

In the field of issuing various licenses and approvals the Agency's work in 2012 marked the alignment of management's company operations with ZISDU-2 and on its basis implemented regulations. In 2012 management companies proceeded with the establishment of optimal funds governance structure (companies that in the past took over managing of the funds from other management companies in 2012 carried out activities related to merging of funds).

In 2012, the Agency processed a total of 504 cases related to the issue of authorisations and approvals or notifications and announcements. Despite rather unfavorable conditions on financial markets, the number of applications for authorisations and approvals was slightly surprising, as it was by 50 % higher than planned. Within this framework, the Agency also processed 195 notifications on management of financial services received from supervisory authorities of other Member States, of which 42 notifications referred to termination of operations on the territory of the Republic of Slovenia. In 2012, 4 requests were rejected or refused by the Agency, or withdrawn by the applicants, of which two rejected requests referred to the member of board of a brokerage company, one request referred to a member of board of management company and one request referred to the register of tied agent.

In 2012 the Agency in certain cases of issued authorizations and approvals exceeded its plans, while in others did not issue the planned number of applications. The reason of different number of processed requests from planned is in number of individual applications received by the Agency. However, it must be underlined that cases examined by the Agency have become more complex, which reflects the maturity of the industry and adverse conditions on capital market. Fewer received and processed applications the Agency recorded on the following fields:

- Management of each sub-fund of the fund. According to the Agency the reason lays in difficult conditions in capital market and therefore there was no demand from investors in sub-funds with different investment policies which existing sub funds already have. Consequently management companies did not have a need for establishment of such sub funds in such a large extent as the Agency provided in its annual work plan. In relation to publication of a prospectus and an extract of the prospectus of a mutual fund/master fund/feeder fund. We believe the reasons are similar as under the previous item,
- Contracts or changes in contracts for the provision of custody services, which is according to the Agency the result of reduced activities in the industry,
- Notifications of investment funds from EU directly to Slovenia as a result of difficult situation in Slovenia and
- Marketing of investment funds and selling their units, where the Agency received and considered half less applications as planned. The main reason for fewer applications lies in poor conditions in the industry, where there are no new employments.

In 2012 the Agency received and processed significantly higher number of applications than planned in the field of:

- Supplements of the rules for managing mutual fund/master fund as a result of adjustment to the ZISDU-2,
- Inclusion of master fund's feeder funds into other master funds as a result of optimization of managing funds within each management company,

- Merge of mutual funds/feeder funds with other mutual funds/feeder funds (the same reason as stated in previous item),
- Providing broker services. The Agency estimates the reason of extremely small number of these applications lies in fact that there is small number of staff with the license on the market,
- Providing/discontinuation of performing the function of a member of the brokerage company's board as a result of staff turnover and the termination of functioning of certain brokerage company,
- Discontinuation of performing the function of a member of management company's board as a result of the termination of functioning of certain management company.

In 2012 the Agency, under suspense condition, issued all necessary permits to set up a new management company, which is possible since the implementation of the provisions of ZISDU-2.

The implementation of the new ZISDU-2 led the Agency in 2012 to consider some new types of applications and authorizations.

3.1. Public offering of securities

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

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

The Agency has established that the number of issuers, who decided for public offer of securities in 2012, was still low as in 2011. According to the Agency, such situation can be mostly attributed to the financial crisis, which considerably affected the investors' trust in securities as had been anticipated by the issuers, who did not even attempt to accomplish new offers. As a result, 5 issuers decided to place their securities to trade at the Ljubljana Stock Exchange, whereas 8 issuers offered their shares to the public after their prospectus had been approved by the Agency.

In 2012, the Agency issued 4 decisions on the approval of a prospectus for the admission of securities to trading on the regulated market, 1 decision on the approval of a simplified prospectus for the admission of securities to trading on the regulated market, 6 decisions on the approval of a prospectus for the public offering of securities, 2 decision on the approval of a simplified prospectus for the public offering of securities, and 6 decisions on the approval of an appendix for the public offering of securities.

Table 1: Granted authorisations – approval of the prospectus for the admission of securities to trading on the regulated market in 2012

Issuer of securities	Number of issued securities
Petrol, d.d., Ljubljana	Registered bonds, 33.000 at 10.000 EUR

Factor banka, d.d., Ljubljana	Registered bonds, 6.500 at 1.000 EUR
AG, d.d., Ljubljana	No-par value shares, 1.163.028 psc
INTEREUROPA, d.d., Ljubljana	No-par value shares, 8.928.425 psc

Source: the Agency.

Table 2: Granted authorisations – approval of the simplified prospectus for the admission of securities to trading on the regulated market in 2012

Issuer of securities	Number of issued securities
MELAMIN, kemična tovarna, d.d., Kočevje	No-par value shares, 99.959 psc

Source: the Agency.

Table 3: Granted authorisations – approval of the prospectus for the offering of securities to the public in 2012

Issuer of securities	Number of issued securities
S&G MEDIA, TV Produkcija, d.d., Ljubljana (Offerer: TOWRA S.A. – SPF, Luxembourg)	No-par value shares, 75.000 psc
ABANKA VIPA, d.d., Ljubljana	No-par value shares, 7.142.858 psc
VOC CELJE, vzdrževanje in obnova cest, d.d., Celje	No-par value shares, 448.605 psc
CIMOS, d.d., Avtomobilska industrija, Koper	No-par value shares, 5.272.080 psc
ILANA, d.d., Ljubljana	Registered bonds, 743 at 10.000 EUR
ABANKA VIPA, d.d., Ljubljana	No-par value shares, 21.428.572 psc

Source: the Agency.

Table 4: Granted authorisations – approval of the simplified prospectus for the offering of securities to the public in 2012

Issuer of securities	Number of issued securities
SEMENARNA Ljubljana, d.d., Ljubljana	No-par value shares, 335.665 psc
BETI Tekstilna industrija, d.d., Metlika	No-par value shares, 800.000 psc

Source: the Agency.

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

Table 5: Granted authorisations – approval of an appendix to the prospectus for the offering of securities to the public in 2012

Issuer of securities	Number of issued securities
MLINOTEST Živilska industrija, d.d., Ajdovščina	No-par value shares, 914.635 psc
S&G MEDIA, TV Produkcija, d.d., Ljubljana (Offerer: TOWRA S.A. – SPF, Luxembourg)	No-par value shares, 75.000 psc
ABANKA VIPA, d.d., Ljubljana	No-par value shares, 7.142.858 psc
CIMOS, d.d., Avtomobilska industrija, Koper	No-par value shares, 5.272.080 psc

Source: the Agency.

A so v slovenski verziji zatipkami 2 krat CIMOS in 2 krat ABanka?

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

In 2012, the Agency received 42 notifications from the issuers of securities on the application of the exemption from the publication of a prospectus. These are notifications in cases in which the issuers are not obliged to obtain the Agency's approval of the prospectus for offering securities to the public for individual types of offers of securities, and the prospectus for the admission of securities to trading on a regulated market. The issuers need not compile a prospectus, but they must inform the Agency of the application of exemption within three business days before the beginning of the public offer or the admission of securities to trading on a regulated market. This principle of informing also allows the Agency to supervise those types of securities offering that are not disclosed to the investors through the prescribed contents of the prospectuses for various legal reasons.

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

Granting authorisations for takeover bids

In 2012, the Agency granted 14 authorisations for takeover bids according to the ZPre-1. The Agency would have issued such authorisations after it has verified the compliance of individual elements of the takeover bid with the provisions of the takeover legislation. The Agency verifies in particular if the takeover price offered by the acquirer is in accordance with the law, and the adequacy of other disclosures regarding the acquirer and the target company, which the shareholders need for adopting the decision on the acceptance of a takeover bid. After the announcement of the takeover bid results, the Agency shall issue a decision establishing the takeover bid outcome. Thus the Agency issued fourteen decisions on successful takeover bids in 2012, whereas one bid was unsuccessful.

Table 6: Granted authorisations – authorisations for takeover bids in 2012

Acquirer	Offeree company	Date of issue
CASINO RIVIERA,	CASINO	22.12.20

d.d., Portorož, EUROTAS, d.d., Celje	PORTOROŽ, d.d., Portorož	11
FABRIKA ZA PRERADU VOČA I POVRČA NECTAR DOO BAČKA PALANKA, Bačka Palanka, Republika Srbska	FRUCTAL, Živilska industrija, d.d., Ajdovščina	18.1.201 2
CASINO BLED, d.d., prirejanja posebnih iger na srečo, Bled	CASINO PORTOROŽ, d.d., Portorož	23.1.201 2
FRUTAROM SCHWEIZ AG, Switzerland	ETOL, d.d., Celje	10.2.201 2
TRIGLAV NALOŽBE, finančna družba, d.d., Ljubljana	AVRIGO, družba za avtobusni promet in turizem, d.d, Nova Gorica	5.3.2012
PLATANUS, proizvodnja, trgovina in storitve, d.o.o., Maribor	TERME MARIBOR, turizem, zdravstvo, rekreacija, d.d., Maribor	26.4.201 2
MÍADOR ORMAN ÜRÜNLERI SANAYÍ YATIRIMLARI ANONÍM ŞİRKETÍ İstanbul, Republika Turčija	LESNA TIP, tovarna ivernih plošč Otiški vrh, d.d., Šentjanž pri Dravogradu	3.8.2012
GORENJSKI TISK, d.d., Kranj	CETIS-GRAF, podjetje za zaposlovanje invalidov, d.d., Celje	5.9.2012
MLEKODEL, d.o.o. Ljubljana Zadružna zveza Slovenije, z.o.o., Ljubljana, Deželna banka Slovenije d.d, Ljubljana, Kmetijska zadruga Agraria Koper, z.o.o., Koper – Capodistria, Gozd Bled, kmetijsko gozdarska zadruga, z.o.o., Bled, Kmečka	LJUBLJANSKE MLEKARNE, mlekarska industrija, d.d., Ljubljana	14.9.201 2

<p>zadruga Bohor, Koprivnica z.o.o., Koprivnica, Kmečka zadruga Brežice z.o.o., Brežice, Kmetijska zadruga Dolomiti – Dobrova z.o.o., Dobrova, Kmetijska zadruga Hoče z.o.o, Hoče, Kmetijska zadruga Izlake z omejeno odgovornostjo, Izlake, Gorenjska mlekarska zadruga Kranj z.o.o., Kranj, Koroška kmetijsko- gozdarska zadruga z.b.o., Slovenj Gradec, Kmetijska zadruga Križe, z.o.o., Križe, Kmetijska zadruga Krka kmetijstvo, trgovina, proizvodnja, storitve z.o.o., Novo mesto, KGZ Krpan kmetijsko gozdarska zadruga z.o.o., Cerknica, Kmečka zadruga Krško z.o.o., Krško, Kmetijska zadruga Lenart z.o.o., Lenart v Slovenskih Goricah, Sava, kmetijsko gozdarska zadruga z.o.o., Lesce, Kmetijsko gozdarska zadruga Litija z.o.o., Litija, Kmetijska zadruga Medvode z omejeno odgovornostjo, Medvode,</p>		
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<p> Kmetijska zadruga Metlika z.o.o., Metlika, Zgornjesavinjska kmetijska zadruga Mozirje z.o.o., Gornji grad, Kmetijsko gozdarska zadruga M Sora z.o.o., Žiri, Kmetijska zadruga Naklo z.o.o., Naklo, Mlekarska zadruga Ptuj z.o.o., Ptuj, Kmetijska zadruga Rače z.o.o., Rače, Kmetijsko gozdarska zadruga z.o.o., Ribnica, Kmetijska zadruga Selnica ob Dravi z.o.o., Selnica ob Dravi, Kmečka zadruga Sevnica, z.o.o., Sevnica, Kmetijsko gozdarska zadruga Sloga, z.o.o., Kranj, Kmetijsko gozdarska zadruga Slovenska Bistrica kmetijstvo, trgovina in storitve, z.o.o., Slovenska Bistrica, Kmetijska zadruga Stična, z.o.o., Ivančna gorica, Kmetijska zadruga Šaleška dolina, z.o.o., Šoštanj, Kmetijsko gozdarska zadruga, z.o.o., Škofja Loka, Škofja Loka, Kmetijska zadruga Trebnje, z.o.o., Trebnje in Kmetijska zadruga </p>		
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Vransko, z.o.o., Vransko		
ZAVAROVALNICA TRIGLAV, d.d., Ljubljana	SLOVENIJALES družba za trgovino in druge storitve, d.d., Ljubljana	19.10.20 12
BEALLIEU INTERNATIONAL GROUP NV, Waregem, Belgija	JUTEKS, proizvodnja talnih oblog, d.d., Žalec	8.11.201 2
SLOVENSKE ŽELEZNICE, d.o.o., Ljubljana	FERSPED, d.d., mednarodna špedicija, Ljubljana	15.11.20 12
KD GROUP, finančna družba, d.d., Ljubljana	GEA COLLEGE, d.d., poslovno izobraževanje, Ljubljana	29.10.20 12

Source: the Agency

In 2012, the number of takeovers has not increased compared to year 2011 and still remains low. This could be attributed to unfavorable economic conditions and, according to the Agency, to the fact that acquirers have difficulties to obtain the funds for takeovers. Despite record low prices of the shares of the offeree companies (which should be attractive for acquirers), the number of realized takeovers was therefore lower than expected. In the past, takeovers in Slovenia used to be financed from bank credits, and as this source considerably decreased in 2011, the number of takeovers did not rise despite of low prices of shares.

3.2. Provision of investment services and deals

Granting of authorisations and approvals to brokerage companies and banks

At the end of 2012, there were 22 companies that held an authorisation from the Agency or the Bank of Slovenia to provide investment services and financial instrument services, of which 6 were brokerage companies and 16 were banks. As at 31 December 2012, the authorised participants of the market in financial instruments included 11 banks and 6 brokerage companies that were also members of Ljubljanska borza d.d., Ljubljana (hereinafter: the Ljubljana Stock Exchange).

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

In 2012, the Agency issued 8 decisions on expiry of the authorization/limitation of the authorization to brokerage companies.

Issue of authorisations to the Ljubljana Stock Exchange

In 2012, the Agency issued one approval of a change of general regulations of the Ljubljana Stock Exchange.

Issue of authorization to the Central Securities Clearing Corporation (KDD)

In 2012, the Agency issued one approval of a change of general regulations of the KDD and refused to issue authorization to acquire a qualifying holding of KDD.

Issue of decisions for entry in the register of tied agents

In 2012, the Agency considered 13 applications for the entry and/or deletion of tied agents (hereinafter: OBPZ) into/from the register of agents. According to this the Agency issued 5 decisions on entry of OBPZ into the register and 7 decisions on deletion from the OBPZ.

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

In 2012, the Agency granted 4 authorisations to hold the office of a member of the management board/executive director of a brokerage company, which is higher than expected. 8 decisions on the expiry of authorisation to hold the office of a member of the management board/executive director of a brokerage company was issued by the Agency in the same period. In the same period, the Agency rejected two decisions to hold the office of a member of the management board of a brokerage company.

In 2012, the Agency issued 32 decisions on authorisation to operate as a broker, which is significantly more than planned, since the Agency anticipated 21 such decisions.

3.3. Investment funds and management companies

The number of management companies and investment funds continued to decrease in 2012, also the number of feeder funds.

Issue of authorisations and approvals to the management companies

In 2012, the Agency granted the following authorisations and approvals related to the operations of management companies and investment funds:

- 1 authorisation to establish management company with a suspense condition,
- 3 authorisations to manage a feeder fund under master fund,
- 4 authorisations to transform an existing mutual fund in a master's fund feeder fund
- 64 approvals of changed management rules of a mutual or master fund, in two cases the Agency stopped the process,
- 12 authorisations for publication of a prospectus and an extract of the prospectus of a mutual fund, master fund and a feeder fund, in two cases the Agency stopped the process,
- 3 approvals for acquisition of a qualifying holding in a management company with a suspense condition ,
- 10 authorisations for conclusion or amendment of the agreement on depositary services, in one case the Agency stopped the process,
- 1 declaratory decision on expiry of the authorisation to provide asset management services for well-informed investors,
- 1 declaratory decision on recognition that the index does not qualify conditions under the provisions of Article 250 of the ZISDU-2,
- 6 approvals for inclusion of master's fund feeder fund into another master fund and
- 13 approvals for acquisition of mutual fund/feeder fund with other mutual fund/feeder fund.

In 2012, the Agency processed the following applications submitted by natural persons related to the operations of management companies and marketing of investment funds, and the sales of units:

- 8 applications for holding the function of a member of a management board and executive director of management company, 5 applicants were granted an authorisation by the Agency, in two cases the Agency issued an authorisation with a suspensive condition, in one case the Agency rejected the issuance of the authorisation. In the same periods the Agency issued 7 decisions on termination of the function of a member of a management board.
- 52 applications for granting authorisation for marketing investment funds and selling their units, which is 48 less than planned.

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

Based on the requests received from supervisory institutions of other EU Member States, in 2012, the Agency received the notification on the provision of services of 195 investment companies from the EU Member States, which requested to provide investment services and transactions in relation to financial instruments in the Republic of Slovenia directly, based on the provisions of the Markets in Financial Instruments Directive (MiFID). Investors can obtain information which investment companies from the Member States fulfill the conditions for providing their services directly in the Republic of Slovenia at the Agency's websites.

In 2012, the Agency processed 3 notifications for marketing and sale of investment fund units of EU Member States in the Republic of Slovenia. For the purpose of information and protection of investors, the Agency publishes on its website the list of funds from the Member States with authorisation for marketing in the Republic of Slovenia, indicating all amendments.

Short selling

Notifications of the Member States and third countries with regards to Regulation (EU) No 236/2012 on short selling and certain aspect of credit default swaps

On November 1, 2012 (EU) No 236/2012 on short selling and certain aspect of credit default swaps entered into force (hereinafter: the Regulation). Article 17 of the Regulation provides an exemption for market making activities and primary market operations. The Regulation determines that the notification of the use of exemption shall be reported to the competent authority in writing. Entities which want to use the exemption as determined in the Regulation must notify it on notification form and the Agency's documents. Notification forms and documents are determined in the document called ESMA Guidelines: Exemption for market making activities and primary market operations under Regulation (EU) on short selling and certain aspect of credit default swaps from 17.9.2012.

Since the implementation of the Regulation, from November 1 to December 31, 2012, the Agency received 11 notifications on exemptions for primary market dealers, with all supporting documents. These entities are mainly banks from the Member States: UniCredit Bank AG, J.P.Morgan, Barclays Bank Plc, Jefferies International Limited, HSBC France, Credit Agricole

Corporate/Investment Bank, BNP Paribas S.A., ING Bank N.V., Societe Generale, Goldman Sachs International Bank, Deutsche Bank Aktiengesellschaft incl. Branches.

In the same period the Agency did not receive notification on exemption for market making activities.

4. KEEPING REGISTERS AND PUBLIC LISTS

Pursuant to the provisions of the ZTFI, the Agency keeps a register of authorisations to perform investment services and transactions, and a register of tied agents. Both registers are publicly available. Furthermore, the Agency also kept a register of qualified investors until the Act on amendments and supplements of Market in Financial Instruments Act (ZTFI-E) entered into force on July 26, 2012.

Register of authorisations to provide investment services and transactions

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

Register of tied agents

According to the ZTFI, a brokerage company may authorize 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.

Register of qualified investors

The ZTFI stipulates that the Agency shall keep a register of qualified investors in the Republic of Slovenia. This register includes the name, permanent residence and tax number and company name, registered office and registration number, in the case of legal entities. Furthermore, the date of entry and potential deletion is entered in the register for each qualified investor. Upon their own request, entities are also entered in the register of qualified investors if they do not have the position of a qualified investor under the law but meet the legal conditions for such a position. The request for the entry in the register of qualified investors and for the deletion from this register shall be decided on by the Agency in the form of an official decision. Data on persons entered in the register shall only be accessible to the issuers. As stated above, with the implementation of ZFTI-E the Agency terminated keeping the register of qualified investors, since there was no legal basis.

Public lists

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

- list of public companies;
- list of issued authorisations for public offerings of securities with prospectuses;
- list of companies from Article 4 of the ZPre-1 (offeree companies to which the takeover legislation applies);
- list of all prospectuses and annexes confirmed by supervisory board of the home Member State of the issuer, if they informed the Agency,
- list of takeover bids,
- list of management companies, master funds with feeder funds, mutual funds and investment companies;

- list of granted authorisations for marketing investment funds, selling units or shares of investment funds;
- list of notified investment companies of the EU Member States;
- list of management companies and investment funds notified for marketing in the RS;
- list of management companies with authorisation to provide the services of managing the financial assets of qualified investors.

5. SUPERVISION AND SUPERVISORY MEASURES

The Agency shall perform supervision:

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

In 2012, the Agency performed intensive supervision of the market in financial instruments, which is illustrated by the number of performed supervision procedures related to supervision of business operations and verification of reports, where the Agency used new technology and know-how to introduce sophisticated and more rational reporting. In addition, numerous related tasks were performed with the goal to simplify internal procedures, increase the cost effectiveness of the Agency's operations and the efficiency of its supervision.

Pursuant to the ZTFI, the ZISDU-1 and the ZISDU-2, the ZPre-1, the ZNVP, the ZPIZ-1, the ZPNPID and the ZPPDFT, the Agency supervised the following activities in 2012:

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

In 2012, the Agency supervised, above all, the following groups of subjects:

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

- operators of mutual pension funds.

In addition, the Agency's supervision in 2012 also covered the subjects:

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

The Agency performs regular and extraordinary supervision. Regular controls are planned in advance in the annual work program; extraordinary controls are carried out on the ground of suspected violations. In 2012, the Agency carried out regular controls on the subjects that needed an authorisation of the Agency or the Bank of Slovenia for performing their activities. Extraordinary controls were carried out also on other subjects. In 2012, extraordinary controls were, as a rule, the result of findings, report analyses and notifications, received investor complaints and complaints by other subjects and received information or data from other sources.

In 2012 the Agency initiated 140 supervision procedures, including supervision procedures related to reporting by supervised subjects, supervision of operations and procedures initiated as a result of investors' complaints. The number of supervision procedures was higher than previous year, when the Agency initiated 102 supervision procedures.

5.1. Supervision of reporting

Reporting by public companies

Public companies

Public companies are issuers whose securities are admitted to trading on regulated market of the Republic of Slovenia or any other Member State. By the end of 2012 there were 74 companies that had the status of public companies including the ones that have chosen the Republic of Slovenia as a Home Member State.

Public company that is the entity of a third country and public company that decides to chose the Republic of Slovenia as a Home Member State are obliged to report on this decision to the Agency.. Agency received 6 such reports in 2012.

Public companies are obliged to report to the Agency on their financial and legal status and on operations with their audited financial statements, semi-annual report, annual report, interim management report and to inform on regular basis on any regulated information they issue.

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

- daily monitoring of reporting by public companies (e.g., in relation to announced changes in respect of significant holdings, convocation of general meetings, status changes, etc.) and, if necessary, taking actions in the situations of suspected violations of reporting rules prescribed by the ZTFI. In 2012, the Agency addressed to the public companies many requests for explanations regarding their ad-hoc reporting. The Agency issued no supervisory measures in 2012 (e.g., order on the elimination of violations, terminated trading on the regulated market in a specific security), since no major irregularities or violations were established;

- as group supervision, i.e., by carrying out an annual inspection of reporting by all public companies for one type of reporting (i.e., disclosures in annual statements). In the framework of such group inspection, the Agency takes measures against the public companies, in which violations are found.

Annual, semi-annual and interim management reports

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

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

A public company is obliged to submit its annual report to the Agency, informing the latter on the method of publication. In 2012, the Agency received through "INFO-HRAMBA" 72 audited annual reports by public companies for the period from January 1 to December 31, 2011. The number of public companies may change during the year (issuers admit and withdraw securities to and from organised trading), which is why the number of received reports is not necessarily the same as the number of public companies that had the status in question at the end of the year.

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

- 1 company published its annual reports for 2012 too late. In relation to the company, the Agency submitted to the minor offences body a notice of a suspected violation;
- 1 company failed to submit to the Agency or »INFO HRAMBA« its audited annual report for 2012, so the Agency ordered publication of the annual report and submitted to the minor offences body a notice of a suspected violation.

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

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

In 2012, the Agency received 73 semi-annual reports for the period from 1 January to 30 June 2012.

During the supervision procedure of the reporting on semi-annual operating results the Agency identified violations in two public companies:

- 1 company published its semi-annual reports for 2012 too late. In relation to the company, the Agency submitted to the minor offences body a notice of a suspected violation;
- 1 company failed to submit to the Agency or »INFO HRAMBA« its semi-annual report for 2012, so the Agency ordered publication of the semi-annual report and submitted to the minor offences body a notice of a suspected violation.

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

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

In the first six months of 2012, 64 public companies published and delivered (INFO HRAMBA) quarterly and interim management reports within the period starting upon the expiry of the ten weeks after the end of each six-month period. In the second half of 2012, quarterly and interim management reports were published and delivered (INFO HRAMBA) by 59 public companies.

- In the first six months 3 companies published their interim management reports with a delay, so the Agency submitted to the minor offences body a notice of a suspected violation;
- In the second six months 1 company didn't publish its interim management report, so the Agency submitted to the minor offences body a notice of a suspected violation. 2 companies published their interim management reports with a delay, so the Agency submitted to the minor offences body a notice of a suspected violation.

Notifications of qualifying holdings

In 2012, the Agency received 154 notifications on reaching, exceeding and terminated exceeding of 5-, 10-, 15-, 20-, 25-percent, 1/3, 50- and 75-percent shares of voting rights and notifications on every acquisition or disposal of a share of voting rights by a member of the company's management or supervisory body.

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

Notification of regulated information

In 2012, public companies made 2,504 notifications (either to the Agency or to the public) of regulated information. The number of announcements by public companies has been increasing in the last decade, regardless of the fact that their number dropped in that same period. This is mainly due to the fact that several convenient methods of reporting have been established to be used by public companies. A decade ago, for example, public companies mainly reported through publications in newspapers, which were more expensive and did not enable quick responses by public companies to significant business events. More recently, public companies mainly use less expensive channels via the Internet, which enable them to react more swiftly to certain price-sensitive information. The reason for the increased volume of announcements by public companies since the transposition of the Transparency Directive into the ZTFI in 2007 is also in the broader scope of reporting obligation by public companies.

Better transparency of published regulated information can also be attributed to the central storage of regulated information system (the CSI system) stipulated by Article 137 of the ZTFI, which was established in April 2010. The CSI system with the title "INFO HRAMBA" is being operated by the Ljubljana Stock Exchange on behalf of the Agency; all public companies from Chapter 3 of the ZTFI publish regulated information in this system. Delivery of required information to the CSI system is also considered as delivery to the Agency.

SONI and ODNI forms

In 2012 the Agency made transition to electronic reporting in the part of reporting which is required by Article 387 of ZTFI. This part refers to the list of persons with access to inside information – the information that the Agency receives in the framework of the SONI-1 form. The Agency passed to electronic reporting also with reference to reporting on the ODNI form. This reporting refers to the suspension of announcement of inside information, as required by Article 386 of the ZTFI.

On 1.2.2012 entered into force the Decision on amendments and supplements of Decision on special rules for reporting on insider trading and on investment recommendation for the purposes of reporting on electronic forms SONI-1 and ODNI (Official Journal of the RS, No. 6/2012, hereinafter: the Decision), which in Article 5 requires that the issuer must maintain a list in the National Reporting System (Article 2 of the Decision, hereinafter: NRS), an information system for electronic submission of reports to the Agency.

By supervision of the reporting on SONI -1 electronic form the Agency discovered certain irregularities and deficiencies and noted public companies on this with a circular. One company did not provide the list in the NRS, thus the Agency by the order ordered its submission and submitted to the minor offences body a notice of a suspected violation.

Issue of confirmations of collection of proxies

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

In 2012, the Agency received 73 notifications on collecting of proxies, in order to vote at the general meeting of a public limited company.

Reporting by subjects performing investment services and activities

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

In 2012, the Agency regularly collected, monitored and verified the numeric and non-numeric reports and notifications of brokerage companies, banks (with authorisation of the Bank of Slovenia

to perform investment services and activities), the Ljubljana Stock Exchange and the KDD that the subjects are obliged to submit to the Agency based on legislation in force. Thus, the Agency received 2,019 numeric reports from brokerage companies through the system of reporting (of which 595 reports were revoked) in 2012, which referred to:

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

Persons obliged to report (brokerage companies and some banks with the authorisation for providing investment services and activities) daily sent to the Agency the reports on transactions executed in financial instruments admitted to trading in any of the regulated markets of the EU Member States (reporting on the basis of Article 275 of the ZTFI). The Agency received 5,149 data files and sent 2,311 data files in 2012, while approximately additional 1,605 data files with code tables and/or reference data were received. Within the exchange of information on transactions with supervisory authorities of other Member States, the Agency received further 2,558 reports. The Agency also received 408 non-numeric reports of brokerage companies through the reporting system in 2012.

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

Reporting on operations of investment funds and mutual pension funds

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

In recent years the upgrade of electronic reporting in context of NRS was completed in the way of enhancing the transparency and usefulness of the submitted reports and data. All standard reports in the reporting of investment funds are now transmitted in electronic form and the formal correctness of the data is performed automatically. In 2012 the Agency upgraded the NRS system in accordance with new general Act which governs the reporting of depositary. Combined reports of custodian banks have been introduced in the NRS which means that custodian banks send in the same report to the Agency numeric and non-numeric data. In 2012, the Agency started to upgrade the NRS system in part that governs new general act on reporting of management companies. In accordance with this the NRS system introduced new codebooks, which further contribute to the logical and substantive control in terms of respect of investment policies of investment funds.

In accordance with the work plan, in 2012 the Agency began to plan the modernization of the NRS system to such an extent that even the operation data on mutual pension funds exchanged within the system in the same way as data on operation of investment funds.

The above stated shall contribute mostly to lower quantity of administrative work and to earlier detection of eventual violations in the sense of alignment of the investment policy with the legal provisions and the official documents of investment and mutual pension funds.

Management companies

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

Daily reporting by management companies represents reporting on the value and change in the value of the mutual fund unit as at the accounting day (form VS/VEP). The Agency received 34,868 VS/VEP forms in 2012, the receipt of which is daily controlled and analyzed for any above-average changes in the asset unit value (AUV) and the number of units in circulation.

Once per month, management companies report the data from their balance sheets as at the last accounting day of the previous month (form MATRIKA/ISBS) and the data on transactions in the period of the previous month (form MATRIKA/ISTR) for each managed investment fund. For 2012, the Agency received 1,693 MATRIKA/ISBS forms and 1,693 MATRIKA/ISTR forms. The Agency performed controls of investment funds' operations on the basis of the data received in the above stated forms. The Agency used those data to prepare various internal reports, publications, and other ad-hoc analyses for other institutions (Ministry of Finance, Ministry of Labour, Family and Social Affairs, Bank of Slovenia, Association of Companies for Management of Investment Funds – GIZ, OECD, IOSCO, ESMA, and other).

The regular monthly review comprises a review of reports on the facts and events related to the operations of a management company and investment fund (126 DZU/NP/M forms received for 2012) and a review of reports on the transfer of the provision of an individual service or agreement to operate an investment fund to another person, and the potential amendment of contract or termination of authorisation (61 notifications on the transfer of the provision of an individual service or deal of operating an investment fund to another person and 50 notifications on the termination of authorisation for 2012).

A management company must report the income statement of each investment fund on a quarterly basis, on the IS/K-IPI form. The Agency received 554 forms for 2012. Quarterly reporting also includes the reporting on the number and type of qualified investors and the aggregate structure of their investments (form DPV/K). The Agency received 20 DPV/K forms for 2012.

In 2012, the Agency received 25 audited annual reports relating to operations in 2011, from 10 management companies, 12 master funds and 3 mutual funds. In addition, the Agency received 15 semi-annual reports for the period from 1 January to 30 June 2012, for 12 master funds and 3 mutual funds.

A management company is obliged to report to the Agency on fulfillment of capital adequacy requirements on the last day of the calendar year, which should be done at the latest upon submission of the audited annual report of the management company. In 2012, the Agency received and reviewed 10 such reports for 2011.

The management company must regularly report on the publications concerning legal and business events related to the operation of the management company and the investment funds. The Agency received and reviewed 88 such notifications for 2012.

Should the investments of an investment fund exceed the maximum or the minimum allowed shares of individual types of investments, the management company must immediately inform the Agency thereof. It must also enclose a description of the measures it shall take to harmonise the investments of the investment fund with the provisions of the said chapter, and the time limits within which it shall take these measures. The Agency received and reviewed 80 such notifications for

2012. In most cases, the cause for such reporting is a fall of the value of investments, which can be attributed to the situation on financial markets, or a decrease or an increase of the number of asset units in circulation as a result of higher subscriptions or redemptions from an investment fund.

The management company must inform the Agency of any problems with the payment or its inability to pay the units or dividends of the investment fund under management (the IS/L-1 form). The review and analysis of the IS/L-1 forms is carried out regularly and the Agency received 59 such forms in 2012. In most cases, the cause for such reporting is a fall in the net value of funds or a fall in fund units in circulation, which did not necessarily result in actual insolvency of an investment fund. All investment funds operating on the territory of the Republic of Slovenia in 2012, regularly serviced their investors with payments despite the financial crisis.

In the process of reviewing the received reports, the Agency found ten cases of violations and demanded explanations of data in the submitted reports, as well as the submission of adequate documentation needed for clarifying the established irregularities. Furthermore, the Agency issued 4 orders on elimination of violations established during the review of received annual reports, and submitted 4 notices to the minor offences body of a suspected violation.

Operators of mutual pension funds

An operator of mutual pension funds must report monthly about the mutual pension fund asset unit value (form VPS/VEP), the mutual pension fund value of assets, (forms VPS/M-1, VPS/M-2a, VPS/M-2b, VPS/M-2c, VPS/M-2d), and the composition of mutual pension funds' assets (form VPS/M-3). The Agency received and reviewed 588 such reports in 2012.

Reporting on the operating result of mutual funds is made on a quarterly basis with the VPS/IPI-4 form. The Agency received and reviewed 28 such reports in 2012.

An operator of a mutual pension fund must submit to the Agency the audited annual report of the mutual pension fund for the past business year, no later than on 30 May of the current year. In 2012, the Agency received on time eight audited annual reports from mutual pension funds for the 2011 financial year: six mutual pension funds, the First Pension Fund of the Republic of Slovenia, and the Compulsory Supplementary Pension Insurance Fund, to which the provisions of the ZPIZ-1 relating to mutual pension funds apply.

In the case of changed components defined in the ZPIZ-1, a prior approval of the Agency is required for a change to the Statement on investment policy. Any other changes, such as those regarding the operator, depositary, actuary and similar, must be verified and, if required, changed at least every three years; the Agency's approval is not required, but the change of the Statement has to be notified. In 2012, the Agency received and reviewed two notifications on the change to the Statement on investment policy.

Custodian banks

A custodian must report to the Agency the data on violations or irregularities in operations of a management company, an operator of a mutual pension fund, investment fund or mutual pension fund, established while performing the custodian services for an individual investment or mutual pension fund. In 2012, the Agency received and reviewed 102 forms related to the area of investment funds and 3 forms related to the area of mutual pension funds or guarantee fund of supplementary pension insurance and underlying assets of pension companies. The most frequent reasons for reporting are non-aligned investment policy and exceeding of the threshold of maximum allowed exposure of the fund's investments. In two cases, the Agency continued with the procedures of carrying out supervision and in the rest, the violations have been eliminated within the specified time.

A custodian must quarterly report on its operations involving the assets of an investment fund or a mutual pension fund. In 2012, the Agency received and reviewed 150 reports (115 for investment funds and 35 forms for mutual pension funds and guarantee funds of supplementary pension insurance or guarantee funds of pension companies).

In verification process, the Agency in four cases determined that the custodian has not properly reported on irregularities and violations. Within the required period of time the custodians have sent adequate explanations or removed the irregularities.

EU Member State Management Companies

An EU Member State management company must report on the facts and events related to the operations of a management company and investment funds, operating in the Republic of Slovenia either directly or through a branch. All facts and events, which are significant for investors' investment decisions on the territory of the Republic of Slovenia, must be reported. Agency received 198 such reports in 2012.

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

Considering fierce economic conditions, the Agency performs regular and extraordinary reviews of operations of financial organisations very actively in order to establish eventual violations and irregularities. The Agency introduced 140 new supervision procedures, issuing 33 orders on elimination of the established violations. In 2012, the Agency initiated the following procedures by monitoring, collecting and verifying reports and notifications by subject groups:

- 47 supervision procedures referring to public companies and takeover cases;
- 23 supervisions over brokerage companies;
- 9 supervisions over banks;
- 1 supervision over KDD;
- 13 supervisions over management companies;
- 3 supervisions over other subjects suspected of illegally providing investment services and activities;
- 41 supervisions as a result of suspected activities related to prohibited market abuses;
- 2 supervisions over the operator of a mutual pension fund;
- 1 supervision over the holders of qualifying holdings in management company or brokerage company.

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

- 16 orders to terminate violations and 2 warnings to brokerage companies and a bank;
- 5 orders to terminate violations to management companies;
- 2 orders to terminate violations to operators of mutual pension funds;
- 2 orders to terminate violations to non-licensed entities;
- 5 orders as a result of activities related to prohibited market abuses;
- 3 orders to a public company.

In 2012, the Agency issued in supervision procedures 13 decisions, with which it was established that the subject, who had been ordered termination of violations, adequately eliminated them.

Table: Number of initiated supervision procedures, issued orders on elimination of violations and warnings in 2012

Supervised entity or content	Initiated procedures	Issued orders	Declaratory decisions
Brokerage companies	23	11	10
Banks	9	5	3
Management companies	13	5	4
Mutual pension funds	2	2	
Public offering of securities		2	
Public companies	18	3	1
Takeovers	29		18
Non-licensed entities	3	2	
Trading in specific securities	41	3	
KDD	1		
Holder of qualifying holdings	1		
Total	140	33	36

Source: The Agency.

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

In 2012, the Agency issued 36 decisions on minor offences related to violations of provisions, as a minor offences authority under the Minor Offences Act (hereinafter: the ZP-1):

- 28 decisions to violators in relation to the violations of the ZPre-1, whereby 2 penalties have been imposed, 25 warnings, 5 procedures were suspended with an order, as the acts did not represent a minor offence, were just insignificant offences ,
- 7 decisions to violators in relation to the violations of Chapters 2 and 3 of ZTFI by imposing to violators 2 penalties due to violations of the provisions of public offering of securities and 17 warnings for violations relating to the reporting of public companies,
- 1 decision to violators in relation to the violations of brokerage companies of the ZTFI by imposing 4 warnings to violators.

In addition to this, the Agency imposed 11 warnings in relation to the violations of the ZPre-1 and 2 warnings in relation to the violations of the ZTFI.

In all the above-described cases, the Agency thus imposed 4 fines on the violators and issued 46 reprimands and 13 warnings and suspended 5 procedures.

For the (alleged) violations of the provisions of ZPre-1 in 2012, The Agency issued 20 official notes, as the acts did not represent a minor offence or they were just insignificant offences. The Agency

issued also 5 official notes for the (alleged) violations of the provisions of ZTFI, and for (alleged) violations of the provisions of ZISDU-2 the Agency issued 1 official note.

In 2012, the Agency as the offences authority ex officio initiated 15 procedures on which has not yet decided in this year. In 2 cases for violations of the provisions of ZTFI, in all other cases for violations of the provisions of ZPre-1.

In 2012, 13 proceedings referring to requests for judicial protection that had been filed against the Agency's decisions were concluded before local courts having jurisdiction, whereas 2 proceedings referring to appeals by violators were also concluded by the competent courts.

In 2012, 2 requests for judicial protection were filed at local courts against the Agency's decisions, and 1 procedure was initiated at higher courts on the basis of the appeals by violators. By filing constitutional complaint by offenders it was initiated one procedure before Constitutional Court of the Republic of Slovenia, which was completed by December 31, 2012.

As at 31 December 2012, 5 minor offence proceedings were still pending before competent local courts with reference to requests for judicial protection, two proceedings were in course before competent higher courts in relation to appeals against decisions of local courts. On that day there was no proceeding referring to a petition for protection of legality.

Warnings by the Agency and foreign supervisors

In 2012, the Agency continued publishing its own warnings and the warnings of other supervisors on its websites. In 2012 the Agency published:

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

6. COURT PROCEEDINGS

Proceedings before the Supreme Court of the Republic of Slovenia

As at 1 January 2012, there were 15 ongoing judicial protection proceedings before the Supreme Court of the Republic of Slovenia against the Agency's decisions.

In 2012, the Agency received 19 lawsuits contesting its decisions and submitted answers to them. Nine lawsuits were filed against the Agency's decisions, in which it established the achievement of the takeover threshold and prohibited the exercising of voting rights in the offeree company. Two lawsuits were filed against the decision with which the Agency rejected request for withdrawal of voting rights in the offeree company. One lawsuit was filed against the Agency's order and decision with which the Agency required the convening of the meeting of the Board of Brokerage Company for dismissal of the president of the management board of the brokerage company, rejected appeal against the order, dismissed request to participate in supervision and to access the files. Against these decisions of the Agency with which it rejected to appeal against the Agency's orders, two lawsuits were filed, also two lawsuits were filed against the decisions of the Agency, with which the Agency rejected appeal against Agency's orders, with one of these lawsuits the applicant challenged the decision against which the appeal was filed. One lawsuit was filed against the Agency's decision on which the Agency imposed fine for not representing necessary data in supervisory procedure, one lawsuit against the Agency's decision on the Agency rejected request to transmit the data on the basis of Chapter 10 of Attorneys Act, one lawsuit against the Agency's decision on which the Agency imposed measure of conditional removal from the register of tied agents.

In the same period the Agency received 29 decisions of the Supreme Court of the Republic of Slovenia. In 8 cases the Supreme Court dismissed lawsuit, in one case Supreme Court joined 3 cases into one. In 13 cases the Supreme Court rejected the lawsuit of the plaintiffs against the Agency and by this two cases joined into one, one time in case of 2 and one time in case of 3 lawsuits. The Supreme Court of the Republic of Slovenia accepted 3 lawsuits filed by the plaintiffs, annulling the Agency's decisions and returning the cases to the Agency for renewed decision; in two cases the Supreme Court of the Republic of Slovenia joined two cases into one single case. In one case the Supreme Court accepted lawsuit filed by the plaintiffs and recognized unlawfulness of the Agency's decision, while in one case, granting the application by plaintiffs annulled the Agency's decision. In one case the Supreme Court dismissed lawsuit on the decision of an appeal against the Agency's order, appeal against the decision on order of the Agency, and an appeal of the first plaintiff against the decision of the Agency. Also in one case the Supreme Court rejected lawsuit against the decision of the Agency against which was filed an appeal and accepted lawsuit against the decision on appeal, challenged decision of the Agency on appeal rejected and returned the case to the Agency for reconsideration procedure. In one case the Supreme Court with the decision halted the procedure. In 4 cases the Supreme Court with refused court's decision decided on rejection of an application for issuing interim order.

In 2012, the Supreme Court of the Republic of Slovenia accepted the proceeding concerning a request for judicial protection with which it accepted the request for judicial protection.

As at 31 December 2012, there were 5 ongoing judicial proceedings before the Supreme Court of the Republic of Slovenia related to the lawsuits against the Agency's decisions.

Proceedings before the Constitutional Court of the Republic of Slovenia

In 2012 the Constitutional Court of the Republic of Slovenia decided on request of the Supreme Court of the Republic of Slovenia for a constitutional review of the authentic interpretation of the ZPre-1 provisions and a request to decide on the dispute related to competences of courts and national authorities. Since this year the Agency has not addressed any new requirements or

constitutional complaints to the Constitutional Court of the Republic of Slovenia, as on day 31 December 2012 the Agency is not involved in any case before this court.

In 2012 the Constitutional Court of the Republic of Slovenia decided on request of the Supreme Court of the Republic of Slovenia for a constitutional review of Article 75 of ZPre-1. It decided that the provisions of Article 75 of ZPre-1 are not inconsistent with the Constitution and thus upheld the position of the Agency.

In 2012 the Constitutional Court of the Republic of Slovenia decided on jurisdictional dispute, filed by the Agency. It decided that it is in the Agency's jurisdiction to decide on request with which is determined if the acquirer reached takeover threshold, and/or prohibits the acquirer to exercise its voting rights and to offeree company the realization of the voting rights before legal facts on basis of which the sanction, specified in Article 63 of ZPre-1, ceases.

As at 31 December 2012, the Agency was not involved in proceedings before the Constitutional Court of the Republic of Slovenia.

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

5 processes were initiated before district courts in the period from January 1 to December 31, 2012 related to repealed decisions, issued on the basis of the Agency's proposals for enforcement in accordance with the authentic document, one of these procedures has been terminated due to insolvency proceedings, other 4 processes are at December 31, 2012 still in progress.

Other proceedings before the higher courts

In 2012, the Agency appealed against the decision of the district court before the high court regarding the enforcement case. District court rejected the proposal for enforcement on the basis of final decision of the Agency. In this case the high court allowed the appeal.

On 31 December 2012 the Agency was not involved in any other proceedings before high courts.

Notification of a suspected criminal offence prosecutable *ex officio*

In 2012, the Agency lodged one criminal charge with the competent state prosecutor's office for suspected criminal offense of fraud.

Proposal for liquidation of a legal subject

In March 2011, the Agency received the final decision of the district court on the start of compulsory liquidation of a legal subject that was proposed by the Agency in December 2010. By the end of 2012 this person has been removed from the business register of the Republic of Slovenia.

Proceeding before the Labour and Social Court

In 2012 it was finally decided on two lawsuits of an extraordinary termination of the employment contract, which were filed against the Agency in June 2011. The plaintiffs, former employees, sued for a declaration of illegality of regular termination of employment contract, to pay all wages due including contributions and taxes and achieve reintegration into work before the Labour and Social Court. The plaintiffs succeeded before the court in first level, but the Higher Labour and Social Court allowed the Agency's appeal and the claims of plaintiffs were rejected entirely. In January and February 2013 they filed reviews against the judgment of the Higher Labour and Social Court in Ljubljana.

7. COOPERATION WITH OTHER SUPERVISORY AUTHORITIES AND INSTITUTIONS

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

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

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

In 2012, the Agency requested the Bank of Slovenia for the information needed in its supervisory proceedings or required by foreign supervisory bodies on the basis of different mutual cooperation contracts or legal provisions. It also co-operated with the Bank of Slovenia in the supervision proceedings involving a bank as the subject of supervision, with the authorisation of the Bank of Slovenia for performing investment services and activities.

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

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

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

The Agency also cooperates with the Association of the Securities Exchange Members (the GIZ). Also in 2012, the Agency continued with the practice of organising a regular annual meeting with the representatives of the industry. In the first half of the year a meeting with managements of brokerage companies and banks holding authorisations of the Bank of Slovenia for performing investment services and activities, and who are members of the Association, was organised. During this time was organized a meeting with a management of the management companies. In autumn the Agency organized meeting for the representatives of brokerage companies, banks and management companies on the ESMA's guidelines on which as invited lecturer participated also representatives of Ljubljana Stock Exchange, d.d..

The representatives of the Agency participated in various seminars, organized by the Association of the Securities Exchange Members, the Association of the management companies and the Bank

Association. In the process of preparing the legislation and implementing it, the Agency closely cooperates with the Association of Securities Exchange Members (the GIZ) and the Section of Custodian Banks within the Bank Association of Slovenia.

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

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

7.2. EU and international cooperation

The most significant part of the Agency's international cooperation in 2012 was still directed toward EU.

2012 was the second full year of operation of ESMA (European Securities and Markets Authority), which is important both from organizational point of view, because organization has increased in staff, strengthen technically and organizationally, as well as in working point of view as it has in this year conducted a number of tasks and activities. Its operations are coordinated and implemented by required rules, particularly those applicable in the EU (such as public procurement, accounting, recruitment).

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

In 2012, the most exposed areas in operations of ESMA were the following:

- Post trading; from 2011 to 2012 ESMA drafted, adopted and submitted 40 draft regulatory technical standards in the field of EMIR Regulation (European Market Infrastructure Regulation), namely in the following areas: OTC derivatives, CCPs (Central Counter Parties) and Trade Repositories. In September 2012 ESMA sent to European Commission (EC) draft technical standards, and in December 2012 EC adopted all proposed technical standards, except one. In the same time ESMA has worked intensively with supervisors outside Europe, mainly with US SEC and CFTC regarding the implementation of EMIR and other provisions of US Dodd Frank Act where it relates to the above mentioned areas.
- CRA (Credit Rating Agencies); based on the review of CRA Regulation No. 1060/2009 ESMA had to prepare drafts of some regulatory technical standards and submit them to EC, which EC in 2012 adopted. In addition to this, ESMA carried out its competences in supervision of CRAs (including specific reviews of the institutions) and carried out the registrations of new ones that have applied for a license to operate in EU. Alongside with these activities, the experts of Technical Committee worked on preparation of conditions for the recognition of equivalence of ratings, issued by third countries for use in the EU. For the preparation of the content of agreements of understanding (MoU), ESMA closely examined the compatibility of legislation of the third countries with EU, in the content of Regulation and its supplements. In 2012 ESMA implemented CEREP (Central Rating Depository).

- Short Selling; Regulation 236/2012 on short selling and certain aspect of credit default swaps entered into force on November 1, 2012. In 2012 ESMA prepared 9 drafts of technical standards and submitted them to EC for adoption. In September 2012 ESMA prepared first document on Q&A on the implementation of the Regulation 236/2012, with aim to strength single supervisory practices between the EU Member States in the implementation of the Regulation in practice. In 2012, some member states adopted restrictions and prohibitions of certain types of short selling in accordance with the provisions of the Regulation.
- In addition of proposals of technical standards on the basis of new regulations, ESMA also prepared new proposals on prospectuses and alternative investment funds.
- One of the main ESMA's competences is issuing Guidelines and recommendations in accordance with the provisions of Article 16 of the Regulation 1095/2010 (ESMA Regulation) namely on trading, alternative investment funds, UCITS, traded on regulated markets, on suitability of providing investment services and on compliance of operations of brokerage companies (both MiFID). Preparation of Guidelines was important activity of ESMA in 2012 and will continue in the future. In the process ESMA had consultations with relevant groups and individuals who had the opportunity to comment on the proposed guidelines, even in the public consultation process. For us, supervisors, member of ESMA, is also important then second phase, meaning their implementation in everyday supervisory practice. The Regulation clearly states that we supervisors and market participants shall make every effort to comply with the guidelines. After the adoption and translation of the guidelines into all official languages of the EU each supervisor has to express its views, whether they already implemented or are about to implement guidelines into its own practice. Later ESMA will also investigate practical implementation of the provisions of the guidelines in practice.
- Review Panel; in 2012 this committee completed peer review on best practices of prospectuses approval in accordance with the Prospectus Directive, and started to work on three major projects; specific supervisory practices in the implementation of MAD Directive and implementing regulations (mostly in the field of systems and controls to detect and prevent illegal practices by person with access to inside information, supervision over rumors on the market and other), supervision over market information by MiFID and the implementation of guidelines for money markets (CESR Money Market Funds Guidelines). Most of the tasks in all three areas were completed by the end of 2012, so-called mapping exercises, self assessments and peer reviews. Based on the responses of members working groups on individual areas identified some potential good practices that will be the subject of further discussion in the relevant ESMA Committees.
- ESMA has visibly intensified its activities in the area of assessing financial stability and crisis management, to this end prepares a variety of analyses, both short weekly checks as well as complex report on trends, risks and vulnerabilities.
- Supervisory convergence is also promoted in the fields of investors (Investor Protection and Intermediaries Standing Committees) and in the field of supervision over the reporting issuers in the EECS (European Enforcers Coordination Session). In 2012 operated new group on financial innovations (Financial Innovation Standing Committee), which has developed series of methods and reporting of supervisors and acquired the data on consumer trends, financial activities, customer complaints and others.
- Until the beginning of 2012 ESMA reviewed all former MiFID pre-trade transparency waivers and most of them reaffirmed. In the beginning of 2012 ESMA published a list of permitted practices in the area of MiFID waivers.
- In cooperation with EBA in second half of 2012 ESMA has engaged in activities related to the reference values as a result of so-called LIBOR scandal in the middle of 2012.
- During 2012 ESMA , together with some of the participating supervisors, regularly educated employees in Member's specific professional working areas and published warnings for investors (ESMA investor warnings).

Representatives of the Agency attended and actively participated in those ESMA Working Groups where we have sufficient knowledge, information and experience, including regular participation in every Board of Supervisors meeting.

In relation to investment funds and investment management, the Agency participated at all the meetings of investment management experts in 2012 – the Investment Management Standing Committee (IMSC), acting within the ESMA. The IMSC actively cooperated with the European Commission in relation to all the tasks performed on the field of investment funds. Following the requests of the European Commission addressed to the ESMA and the IMSC, the Committee drafted several opinions and proposals in relation to the guidelines for the ETF and structured UCITS, changes of the definition of money market funds and implementing measures (standards) under the AIFM Directive (cooperation with supervisory authorities, risk management, depositary services, classes and types of alternative investment funds, ...). At the end of 2012 IMSC established working group to report alternative funds, the Agency is also an active member of the group.

IOSCO

At its annual conference in May 2012, IOSCO constituted a new Board that absorbed the functions of the Executive Committee, the Technical Committee and the Emerging Markets Committee Advisory Board. The Emerging Market Committee will continue as a separate body for the present. By commissioning single integrated body to take on the governance, standard-setting and development functions of the organization, IOSCO is seeking to be more effective and efficient in achieving its objectives and conveying its messages. IOSCO Board is composed of 3 members who will serve a 2-year term.

As stated above the Emerging Market Committee (EMC) will continue as a separate body for the present (Slovenia is also member of EMC). IOSCO formed EMC Task Force to define the role of the future EMC within the new IOSCO structure.

New IOSCO strategy provides the establishment of new IOSCO Foundation regarding the need to raise and apply additional funds to certain key IOSCO activities: the Foundation is designed to provide a “margin of excellence” and strengthen considerably IOSCO’s Technical Assistance (TA), Education and Training (E&T) and Research activities. Specifically, the Foundation will financially support the creation of new capacity and additional TA, E&T and Research activities for the benefit of IOSCO’s members, especially in emerging market economies, and the development of sound and secure global securities markets more generally. The aim of Foundation is to strengthen the global role of IOSCO in protecting the investors/consumers, strengthening the capacity of markets and addressing systemic risks. Funds for Foundation will be provided mainly from private sector and (if possible) from membership of the organization, it is also expected that the funds for Foundation will come from other international organizations. The total estimated budget for Foundation on yearly basis is from 5,7 to 7 million EUR.

In May 2012 the Agency attended IOSCO Annual Conference in Beijing and participated in discussion on the following committees: IOSCO MMoU Monitoring Group, Emerging Markets Committee, Presidents Committee and European Regional Committee.

Representatives of the Agency also participated at EMC Annual Conference in Chile in November 2012, where they mostly discussed on future role of EMC and IOSCO Foundation.

In the framework of international cooperation, the Agency’s employees participated in training programs, mostly organised by IOSCO and ESMA and the training program organised by the US SEC.

Cooperation with other supervisory authorities

Representatives of the Agency visited regulators of the capital market in the region in accordance with signed statement of cooperation from November 2011.

In 2012 the Agency organized trainings for representatives of the Serbian and Macedonian Commissions.

8. OTHER ACTIVITIES OF THE AGENCY

8.1. Public relations

In 2012, the Agency followed its manner of public relations activities, that has been developed in the previous four years; which is labeled as highly current, responsive and professional in communication with all interested publics. The stated principles dictated the contents and the manner of communication with all segments of publics (employees, media, supervised entities, investors and others) also in the previous year.

Considering that ever since the establishment of Public Relations Department in 2008, the Agency has dedicated a lot of attention to all the interested publics, there were no greater deviations within the field of public relations in 2012. The visibility of the Agency among general public has undisputedly improved in the past years. That was attained by the appropriate manner of communication with public, with establishment of highly informative, clear and up-to-date contents of its web portal and the special websites designed for the employees (intranet) and finally with the new corporate design, introduced at the beginning of 2010.

The increase of recognition enjoyed by the Agency in the business public have also been noted. The asset, that has been most approved by the visitors of Agency's web portal, is it's highly informative value. That has long ago outgrown the concept, established at the renewal of website in 2009, and have since developed in informative rich, clear and up-to-date web portal, that responses the needs and requests of its users. The main rule followed while creating and publishing the contents on the Agency's web pages is to assure the user friendly website.

The Agency presents to publics all its decisions, estimated as important for the public, meanwhile carefully and prudentially forms press releases and specific communication plans for their optimal public launching. It has been noticed, that this kind of »considered« communication has contributed to the increased knowledge of the contents and the competences of the Agency among the representatives of media that usually cover the work of the Agency. It has also been noticed, that the journalists covering the economic fields of central Slovenian media have become more acquainted by legal basis of Agency's decisions (e.g. Takeover Act, Market in Financial Instruments Act and The Investment Funds and Management Companies Act).

The contents of the messages distributed to media are chosen by the Agency, whereas the specific attention is dedicated to the currency, integrity and comprehensiveness of the press releases for the general public. With considerate forming of the main emphasis and detailed explanation of individual Agency's decisions, with choosing the appropriate spokespersons, who represent Agency's decisions in public, together with the right frequency of public appearing, the public perception of the Agency as professional, efficient and independent authority is enhanced.

Nowadays the Agency can be approved with good and professional relationships with the representatives of media and with efficient manner of communication that has been proved as adequate. The rule followed by the Agency on the field of media relationship is to be current (to reply within the time appointed by the journalists) and professional (to reply to all journalists equally, regardless of the media they work for) and to provide comprehensive and integral answers. It communicates it's decisions that are important for the public, using its established communications channels, like publishing it on its web page »Current news« and distributing information to all media by e-mail addresses as well as responding to any inaccurate media notes. It has been noticed that Agency's press releases have been good and adequately summarized.

In 2012 the Agency has published 68 current news on its web portal, of which 32 were press releases. The later have been almost entirely summarized by all Slovene media, to whom the press releases were distributed to. The Agency has denied 6 media notes, which is less than in 2011, when it replied or denied media notes 9 times. On one hand the lower number of answers or denials means that the messages distributed to public, were clear and comprehensive, and on the other hand, that the Agency's decisions were adequately and professionally presented.

The stated proves, that the established policy in the area of public relations is appropriate and that the energy that the Agency invests into all parts of its publics, has not been wasted. But of course that doesn't mean that there is no room for improving the established practices. In the area of public relations, as well as on its other areas of work, the Agency is always oriented towards growth and development.

8.2. General, human resources and other matters

In 2012, the Agency employed on average 41.92 employees, considering the number of hours actually worked. At the end of 2012 the Agency had 49 employees. In 2012 two people were newly recruited (for fixed term), due to retirement to one person employment terminated, so that at the end of 2012 the Agency had 50 employees, out of these two were part-time employed (work disability), one is partly retired. In 2012, seven persons were absent due to maternity leave and childcare leave.

The Agency focuses in particular on additional education and training of the employees, which is required by fast development of financial markets and new services. Thus the Agency allowed to its employees off-the-job studies and other forms of external education and internal training. The qualifications held by the Agency's employees were as follows, as of 31 December 2012: one doctor of science, eight masters of economics, three masters of science in economics (Bologna course), 13 bachelor's degrees in law, 11 bachelor's degrees in economics, one bachelor's degree in physics, one bachelor's degree in engineering mathematics, one bachelor's degree in journalism, one bachelor's degree in communication sciences, one bachelor's degree in administrative organisation, one bachelor's degree in organisation-management, four graduates in economics, one business secretary and three graduates from secondary school.

In 2012, the Agency amended or supplemented the following general acts:

- Rules of Procedure of the Securities Market Agency's Council (24 January 2012);
- Regulations on Internal Organisation and Job Classification (30 July 2012 and 4 September 2012);
- Regulations on composition and functioning of international college (29 May 2012);
- Regulations on Protection of Confidential Information of the Securities Market Agency (26 November 2012);
- Instructions for procurement (29 May 2012);
- Rules on accounting (30 August 2012).

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

The new Health and Safety at Work Act was enforced on 3 December 2011, introducing certain new regulations for companies and employees. The Agency has therefore made minor amendments to the Statement of safety and risk assessment and fire safety order. The Agency regularly provides necessary preliminary and periodical medical examinations and training from the field concerned. Pursuant to the Fire Protection Act, the Agency provided training for the person in charge of extinguishing minor fires and evacuation of persons from the building.

The Agency has in accordance with the Integrity and Prevention of Corruption Act constantly monitored the implementation of the Agency's integrity plan.

By the end of February 2012, the Agency compiled and sent to AJPES the annual statements of accounts for 2011, including the business report, as prescribed by the Accounting Act and Public Finance Act. By the prescribed deadline on 31 March 2012, the Council adopted the Agency's annual statements of accounts for 2011 and the budget for 2012, including the plan of work of professional services, which the Government of the Republic of Slovenia approved on 19 April 2012.

In accordance with Articles 472 and 473 of the ZTFI, The Agency prepared for the National Assembly the Annual Report of the Work of the Agency in 2011 and the Report on the Situation on the Market in Financial Instruments in 2011, which were examined by the Committee on Finance and Monetary Policy.

At the beginning of September 2012, the Agency drafted a proposal of the budget for 2013 and 2014 required for indirect state budget users by Article 13 of the public Finance Act and the Regulation on Development Planning Documents and Procedures related to Drafting of the State Budget Proposal. In the framework of drafting the state budget, indirect budget users shall receive an invitation and guidelines of the Ministry of Finance related to preparation of the budget for the next year or two years.

In addition, the Agency promptly and timely prepared other various compulsory reports and data (the Agency's balance sheet for 2011, corporation tax for 2011, reports in relation to salaries, statistics of financial accounts, etc.), and prepared different internal reports and accounting statements.

The Agency has its own accounting department, which performs all accounting functions of book-keeping, invoicing, control and analysis, managing the books of account and various accounting records; in 2012, it recorded nearly 24,000 entries in its books of accounts (data kept on the accounts used for recording changes arising from business events in individual asset parts of the Agency). The figure is slightly lower than in the previous years, as the number of supervised subjects started to decrease, which has been described in the chapter on supervision. A part of entries were made in order to monitor the movement in general government revenue and expenditure (the cash-flow accounting principle applies to recognition of revenue and expenditure in books of accounts). In this scope, the Agency recorded 1,818 invoices issued under the tariff, of which 1,317 for monthly supervision fee and 492 for annual supervision fee and 9 invoices under other grounds. Furthermore, the Agency issued several other documents, such as IOP forms, debit notes, accrued interest. The Agency received 954 invoices from its suppliers in 2012. All invoices were paid by the set due dates.

As a rule, the Agency independently handles its own debt collection, using reminders, and then lodging motions for enforcement at local courts or Custom Administration of the Republic of Slovenia (CURS). The Agency lodges its claims if the process on the basis of Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act (ZFPPIPP) starts against the debtor. In 2012 the Agency submitted applications for enforcement at local courts and 7 at CURS, 14 claims

in bankruptcy proceedings at local courts, 1 claim in liquidation and 1 claim in procedure of compulsory settlement.

The Agency had outstanding receivables of EUR 296,905 as of 31 December 2012 for accrued interest, taxes and fees under the Tariff, lump-sum court fees from minor offences procedures, refunding of compensation for sickness and disability of its employees and other, of which EUR 179,230 were bad and doubtful debts, for which the enforcement motions were lodged by the Agency, and applied in proceedings under ZFPPIPP.

Pursuant to the Occupational Rehabilitation and Employment of Disabled Persons Act and the Regulation on Quota for Employment of Disabled Workers, the Agency has been, in accordance with the decision of the Republic of Slovenia Fund for Promotion of Employment for Disabled Persons, exempt from the payment of contributions for pension and disability insurance since 1 January 2006 for each disabled person employed above the prescribed quota of 2 %, as it employs two disabled workers. The Republic of Slovenia Fund for Promotion of Employment for Disabled Persons re-issued a decision to the Agency in 2012 that the reward for exceeding the quota be paid for the further 12 consecutive months.

External provider of internal audit for the year 2012 made annual internal audit of the Agency's operations, which consisted of checking procedures of financial planning, assessment of risk monitoring in determining of surplus or deficit, verification of the identification of revenue and verification of the accounting system for recording suits.

8.3. Information technology

In the first half of 2012 the Agency proceeded with upgrades and adjustments of the system for electronic capture and delivery of data (the National Reporting System – NRS); all necessary technical preparations to the implementation of electronic reporting by public companies were completed (SONI and ODNI reports), also changes and adjustments of the NRS system to the required reporting by brokerage companies were implemented in accordance with bylaws that govern this reporting. In the second half of 2012, the Agency proceeded with changes and adjustments of the NRS system to the required reporting by management companies; this shall be completed in February 2013. In the second half of 2012 there were also implemented further changes and adjustments to the reporting of brokerage companies.

In 2012, the Agency was intensively working on the Agency's integrated information system project (the IISA) that will provide more efficient information support to the Agency's business processes. The first phase was successfully completed, the other will also be completed in February 2013.

In 2012, the Agency successfully completed the project of an information protection management system (the SUVI). In 2012 the system has been fully implemented and successfully passed the certification audit according to ISO/IEC 27001:2005. In 2012 the Agency hired and technically equipped the backup location, which from August 2012 ensures continuous operations of the Agency and additional safety of its data from destruction.

The Agency implemented the upgrade and optimization of the server and network infrastructure in the second half of 2012 by purchasing additional memory capacities for the server farm and upgrade of the disk array. The software platform for virtualization to secure more reliable functioning was also upgraded. The Agency set up approximately 10 virtualized working stations for end users in 2012.

In 2012, the Agency carried out a project to develop an application for searching non-numeric reports, daily received electronically through the reporting system (NRS) from persons obliged to report.

In 2012, the Agency also implemented several upgrades of the system (mail server, data base servers, operational systems, data basis) and application software (document system, website, application system e-sessions).

In 2012 the Agency accomplished most of the goals and tasks, while there was less ESMA IT activity than planned, but it is expected increased volume of those projects in 2013. The Agency has not established a secondary connection to internet since the establishment of the backup location ensures adequate conditions for continued operations of the Agency.