



Annual Report 2016

May 2016

Statement by the director

The fundamental mission of the Securities Market Agency (ATVP) - ensuring a safe, transparent and efficient market for financial instruments and the protection of investors, has in the past year considerably strengthened.

Publicly most notable was the preparation and implementation of the abolition of the registry accounts with KDD - Central Securities Clearing Corporation d. d. Due to this process, by the end of 2016, over 150 thousand holders transferred their securities from the registry to trading accounts in brokerage companies and banks or - in the case of small values – abandoned them. In this area the Agency focused a lot of attention on communication with stakeholders of the process and other relevant activities.

In terms of liquidity of the Slovenian capital market, the Agency has found that the situation in this area is slowly improving. In 2016, 333.68 million transactions were carried out on the Ljubljana Stock Exchange. Despite the reduced number of securities issued and the number of issuers, the market capitalization of the Ljubljana Stock Exchange increased to just over 26,117 million EUR, while the increase in the number of transactions was more than 70% (compared to 2015). With the establishment of the new trading platform (MTF) on the Ljubljana Stock Exchange in 2017, the Agency expects increased activity also in the segment of the stock market. Despite the encouraging short-term developments, relevant changes in the capital market will be necessary for the long term survival of the Slovenian stock market, such as the arrival of new issuers and financial instruments on the Ljubljana Stock Exchange, its corresponding regional location, strengthening of the primary market of financial instruments and the like.

The situation on the capital market in the area of public companies, whose securities are traded on the regulated market, is worrying, given the number of year-on-year decline. Despite the expectation of increased takeover activity, which was inspired mostly by the stable and more balanced economic growth, there were no major takeover activities in 2016.

The extensive regulation in the area of financial markets forces the subjects to rationalization and consolidation. Thus, in 2016 the Agency in the area of provision of investment services and activities perceived the reduction in the number of licensed participants (8 banks and 3 brokerage companies), which reflects the tight competitive situation.

In the area of investment funds, the Agency in 2016 issued a final set of general acts on the basis of ZISDU-3 and the ZUAIS, with which we concluded the systemic regulation of the investment funds area and thereby established the legal framework for the management and operation of a variety of forms of investment funds, including the property funds, private equity funds and the so called hedge funds. Since the implementation of the ZUAIS raised a number of questions relating to its implementation, our work in the past year strongly related to resolving specific operational challenges in the field of design and operation of alternative investment funds. With the emergence of new - alternative forms of investment, new possibilities and opportunities are opening up for a comprehensive renovation of the business and investment concept of market of all the participants in financial instruments. The Slovenian investment market is thus richer for three special investment funds, including a private fund and a real estate fund of bad loans.

In the field of international cooperation, most activities were devoted to the operation in the framework of ESMA, which in 2016 began the sixth year of its operation. Last year is marked by the gradual closure of

the intensive work of preparing proposals for technical standards and recommendations in many areas of expertise, as well as stressing of the importance of supervisory convergence in the practice of securities market regulators in EU Member States. Numerous and very precise regulations are intended for greater unification of the designed implementation of regulations and directives in our practices. The Agency thus in the past year devoted an extensive part of the resources to transposition of the relevant European legal acts into domestic law and daily practice, particularly in the area of illegal conduct on the market (MAD and MAR), MiFID II and MiFIR, EMIR, CSDR, T2S, legislation in the field of investment funds.

At this point I would like to point out the most important area for the next year, namely the new rules introduced by the Directive on Markets in Financial Instruments (2014/65 / EU - MiFID II) and the Regulation on markets in financial instruments (600/2014 - MiFIR). This new legal framework represents the biggest change in the rules of the European securities trading over the last decade, as the MiFID II and MiFIR regulation of 3.1.2018 introduce changes that will have a tremendous impact on EU financial markets.

I can conclude that the Agency has fulfilled all the tasks, and with its actions contributed to the strengthening of integrity, greater transparency and security of the Slovenian capital market. For all the achieved, the primary thanks goes to colleagues for their committed and good work.

Miloš Čas, MSc,

Director and President of the Council of the Agency

*‘The fundamental mission of ATVP is the provision of **secure, transparent and efficient** market in financial instruments. With the implementation of **supervisory and regulatory** functions, it creates conditions for effective functioning of the market in financial instruments.’*

List of frequently used abbreviations

AIMFD

Directive 2011/61 / EU of the European Parliament and the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41 / EC and 2009/65 / EC and Regulation (EC) No. 1060/2009 and (EU) No. 1095/2010

AJPES

Agency of the Republic of Slovenia for Public Legal Records and Related Services

ATVP

Securities market agency

AZN

Insurance Supervision Agency

CRD – Directive 2013/36/EU

Directive 2013/36 / EU of the European Parliament and of the Council of 26 June 2013 on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and amending of the Directive 2002/87/ EC and repealing of Directives 2006/48 / EC and 2006/49 / EC

CRR – Directive (EU) no. 575/2013

Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and on amending Regulation (EU) No. 648/2012

CSDR

Regulation (EU) No. 909/2014 of the European Parliament and the Council of 23 July 2014 on improving securities settlement arrangements in the European Union and on central securities depositories and on amendment to Directives 98/26 / EC and 2014/65 / EU and the Regulation (EU) No. 236/2012

CSI

The system for central storage of regulated information

NAV

Net Asset Value

Commission Delegated Regulation – (EU) 2016/438

Commission Delegated Regulation (EU) 2016/438 of 17 December 2015 on amending Directive 2009/65 / EC of the European Parliament and of the Council concerning the obligations of depositaries

Delegated Regulation 2013/522

Commission Delegated Regulation (EU) 2016/522 of 17 December 2015 on amending Regulation (EU) No. 596/2014 of the European Parliament and of the Council as regards the exemption of certain public authorities and central banks of third countries, indicators of market manipulation, the thresholds for disclosure to the competent authorities for information on suspensions, admitted to trading during a closed period and types of business executives, which need to be reported

DZU

Management Company

EBA

European Supervisory Authority - European Banking Authority, established by the Regulation (EU) No. 1093/2010 of the European Parliament and the Council of 24 November 2010 on establishing a European Supervisory Authority (European Banking Authority), amending Decision No.716/2009 / EC and repealing of Commission Decision 2009/78 / EC (OG of the RS no. 331 of 15 12th 2010, p. 12)

EIOPA

European Supervisory Authority - European Insurance and Occupational Pensions Committee, established by the Regulation (EU) No. 1094/2010 of the European Parliament

ELTIF

European long-term investment funds

EMIR

Regulation (EU) No. 648/2012 of the European Parliament and the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories

ESMA

European Supervisory Authority - European Securities and Markets Authority established by Regulation (EU) No. 1095/2010 of the European Parliament and the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority) and amending Decision No. 716/2009 / EC and repealing Commission Decision 2009/77 / EC (OG of the RS no. 331 dated 15. 12. 2010, p. 84; hereinafter: Regulation 1095/2010 / EU)

ESRB

European Systemic Risk Board established by Regulation (EU) No. 1092/2010 of the European Parliament and the Council of 24 November 2010 on the macro-prudential oversight of the financial system of the European Union and on establishing a European Systemic Risk Board (OG of the RS no. 331 dated 15. 12. 2010, p. 1)

EuSEF

European Social Entrepreneurship Funds

EuVECA

European Venture Capital Funds

FIRDS

System of reference data for financial instruments

FURS

Financial Administration of the Republic of Slovenia

INFO HRAMBA

The system for central storage of regulated information of issuers

IISA

Integral Information System of the Agency

IOSCO

International Organization of Securities Commissions

Commission Implementation Regulation (EU) 2016/347

Commission Implementation Regulation (EU) 2016/347 of 10 March 2016 laying down the implementing technical standards with regard to the exact form of lists of persons with access to inside information and to updating of the lists of persons with access to insider information in accordance with Regulation (EU) No. 596/2014 of the European Parliament and of the Council

KDD

KDD - Central Securities Clearing Corporation, Plc.

KNPVP

Undertakings for collective investment and transferable securities on insider dealing and market manipulation (market abuse)

MAD II

Directive 2014/57 / EU of the European Parliament and of Council of 16 April 2014 on criminal sanctions for market abuse (Directive on market abuse)

MAR

Regulation (EU) No. 596/2014 of the European Parliament and the Council of 16 April 2014 on abuse of market (Regulation on market abuse), and on repealing Directive 2003/6 / EC of the European Parliament and the Council and Commission Directives 2003/124 / EC, 2003/125 / EC and 2004/72 / EC

MiFID II

Directive 2014/65 / EU of the European Parliament and the Council of 15 May 2014 on markets in financial instruments and amendment Directive 2002/92 / EC and Directive 2011/61 / EU

MiFIR

Regulation (EU) No. 600/2014 of the European Parliament and the Council of 15 May 2014 on markets in financial instruments and amendment to the Regulation (EU) No. 648/2012

PRIP – Regulation (EU) no. 1286/2014

Regulation (EU) No. 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents on packaged retail investment products for retail investors and insurance investment products (PRIP)

NRS

National Reporting System

ODNI

Form for the notification of the suspension of the publication of inside information

OECD

Organisation for Economic Co-operation and Development

SAOP

Accounting financial program

SDH

Slovenian state holding, Plc.

SEOnet

Publicly available electronic services of the Ljubljana Stock Exchange, Plc., Ljubljana, which provides for everyone access to business information on companies of which securities are admitted to trading on the stock exchange, to stock exchange announcements and other capital market institutions

SODPZ

Fund of Compulsory Supplementary Pension Insurance

SONI - 1

Form for reporting on people who have access to insider information

ŠPICA

System for registration of employee attendance

TRACE

Access to data of the trade repository

UCITS Directive

Commission Directive 2009/65 / EC of the European Parliament and the Council of 13 July 2009 on coordination of laws, regulations and administrative provisions relating to undertakings for collective investment for investment in transferable securities (KNPVP)

UCTIS V – Regulation 2014/91/EU

Regulation 2014/91 / EU on amending Directive 2009/65 / EC on the coordination of laws and other regulations on collective investments for investing in transferable securities (UCITS)

Regulation (EU) No. 1095/2010

Regulation (EU) No. 1095/2010 of the European Parliament and of the Council of 24 November 2010 on establishing a European Supervisory Authority (European Securities and Markets Authority) and on amending Decision No. 716/2009 / EC and repealing of Commission Decision 2009/77 / EC

Regulation (EU) 2015/760

Regulation (EU) 2015/760 of the European Parliament and of the Council of 29 April 2015 on European long-term investment funds

ZBan – 2

Banking Act (ZBan - 2), (Official Gazette of RS, no. 25/15)

ZDIJZ

Law on Access to Public Information (Official Gazette of RS, no. 51/06 - consolidated text, 117/06 - ZDavP-2, 23/14, 50/14, 19/15 - odl. US and 102/15)

ZFK

Financial Conglomerates Act (Official Gazette of RS, Nos. 43/06, 87/11 and 56/13)

ZFPPIPP

The Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act (Official Gazette of RS, Nos. 13/14 - official consolidated text, 10/15 - corr., 27/16, 31/16 - par. US, 38/16 - par. US and 63/16 - ZD-C)

ZISDU - 2

Investment Funds and Management Companies Act (Official Gazette of RS, Nos. 77/11, 10/12 - ZPre-1C, 55/12, 96/12 - ZPIZ-2 31/15 - ZISDU-3)

ZISDU - 3

Investment Funds and Management Companies Act (Official Gazette of RS, Nos. 31/15 and 81/15)

ZJF

Public Finance Act (Official Gazette of RS, Nos. 11/11 - official consolidated text, 14/13 corr., 101/13, 55/15 - FISP and 96/15 - ZIPRS1617)

ZKDPZJU

Act on Collective Supplementary Pension Insurance for Civil Servants (Official Gazette of RS, no. 126/03)

ZMbNFS

Act on macro-prudential oversight of the financial system (Official Gazette of RS, no. 100/13)

ZNVP - 1

Act on Book Entry Securities (Official Gazette of RS, no. 75/15)

ZPSPID

First Pension Fund of the Republic of Slovenia and Transformation of Authorized Investment Companies Act (Official Gazette of RS, Nos. 26/05 - official consolidated text, 85/09 and 32/16)

ZP - 1

Minor Offences Act (Official Gazette of RS, Nos. 29/11 - official consolidated text, 21/13, 111/13, 74/14 - par. US and 92/14 - par. US)

ZPIZ - 2

Law on Pension and Disability Insurance (Official Gazette of RS, Nos. 96/12, 39/13, 99/13- ZSVarPre-C 101/13 - ZIPRS1415, 44/14 - ORZPIZ206, 85/14 - ZUJF-B, 95/14 -ZUJF-C 102/15)

ZPNPID

Law on legal successors of authorized investment companies (Official Gazette of RS, no. 68/07, 7/08, 121/08 - decision of the CC and 40/09)

ZPPDFT

Money Laundering Prevention and Terrorist Financing Act (Official Gazette of RS, no. 60/07, 19/10, 77/11, 108/12 - ZIS-E and 19/14)

ZPPDFT-1

Law on Prevention of Money Laundering and Terrorist Financing Act (Official Gazette of RS, no. 68/16)

ZPre - 1

Takeover Act (Official Gazette of RS, Nos. 79/06, 67/07 - ZTFI, 1/08, 68/08, 35/11 - ORZPre75, 55/11 - decision of the US, 105/11 - decision of the CC, 10/12, 38/12, 56/13, 63/13 - ZS-K, 25/14 and 75/15)

ZPSPID

Act on First Pension Fund of the Republic of Slovenia and Transformation of Authorized Investment Firms (Official Gazette of RS, no. 26/05 - ZPSPID UPB1 and 85/09)

ZPZPŠ - 1

Act on Bridging Insurance of professional athletes (Official Gazette of RS, no. 82/15)

ZSDH – 1

Law on Slovenian Sovereign Holding (Official Gazette of RS, no. 25/14)

ZTFI

Law on Market in Financial Instruments (Official Gazette of RS, no. 108/10 - ZTFI UPB3, 78/11, 55/12, 105/12 - Banking Act 1J and 63/13 - ZS-K)

ZTVP

Law on Securities Market (Official Gazette of RS, Nos. 6/94, 68/96 - par. US, 47/97 - Takeover Act and 56/99 - ZTVP-1)

ZTVP - 1

Law on Securities Market (Official Gazette of RS, no. 51/06 - consolidated text and 67/07 - ZTFI)

ZUAIS

Act on managers of alternative investment funds (Official Gazette of RS, no. 32/15)

ZUKSB

Act on Measures of the Republic of Slovenia for Strengthening of Bank Stability (Official Gazette of RS, no. 105/12, 63/13 - ZS-K, 23/14 - ZDIJZ-C 104/15)

ZUP

Law on General Administrative Procedure (Official Gazette of RS, no. 24/06 - GAPA-UPB2 105/06 - LAD-1, 126/07, 65/08, 08/10 and 82/13)

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ANNUAL REPORT 2015

Securities Market Agency Annual report 2015

The Agency reports on its work annually to the National Assembly of the Republic of Slovenia.

The annual report of the Agency comprises the Report on Operations in Business in the financial year 2015, Auditor's Report and Annual statement of accounts. The report includes information on: prior approval for public offering of securities and takeover bids, data on authorisations granted to management companies, investment funds, brokerage companies, mutual pension funds, as well as other authorisations or acts adopted by the Agency. Also described is the work of the Agency regarding the implementation of supervision of financial instruments market participants and the measures taken, regulatory work of the Agency and the Agency's cooperation with other domestic and foreign regulatory authorities, international organizations and institutions. The Annual statement accounts include financial statements and explanatory notes to financial statements.

The data in this report generally relate to the financial year 2016, except in individual cases when they relate to the period before that year or after, if that provides a more complete account of individual facts or matters connected with the work of the Agency.

I. PRESENTATION OF SECURITIES MARKET AGENCY

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

IDENTITY CARD

Organization	Securities Market Agency
Abbreviation	ATVP
Headquarters	Poljanski nasip 6, 1000 Ljubljana, Slovenia
Establishment	13. 3. 1994 (with the introduction of the Law on Securities Market)
Director	Milos Čas, MSc
The composition of the Council of the Agency	Miloš Čas, MSc, President; Primož Damjanovič, member; Primož Pinoza, MSc, member; Mojca Majic, MSc, member and Vesna Stanković Juričić, member
Number of employees	43
Phone	01 28 00 400
Web address	www.atvp.si
E-mail	info@atvp.si
Registration number	5833566
Tax ID Number	43586350

LEGAL STATUS, TASKS AND BODIES OF THE AGENCY

Establishment and legal status

The Agency was established on 13.4.1994 based on the Securities Market Act (ZTVP) as an independent authority. The Agency is a public legal entity, independent in implementing its tasks and responsibilities. For its work it is responsible to the National Assembly of the Republic of Slovenia, to whom it annually

reports on its work and on the situation on the market in financial instruments. Its business and internal organization are defined by the Rules of the Agency.

Agency's powers and tasks

The Agency grants authorisations and approvals, and supervises and implements other tasks and powers set out mainly by the Financial instruments market Act (ZTFI), the Investment Funds and Management Companies Act (ZISDU-3), the Alternative investment fund manager Act (ZUAIS) and ZPre-1. The Agency conducts the supervision by supervising 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 also by:

- Act on the Prevention of Money Laundering and Financing of Terrorism (ZPPDFT-1)
- Act on the Book Entry Securities (ZNVP - 1)
- Pension and Disability Insurance Act (ZPIZ-2)
- Macroprudential Supervision of the Financial System Act (ZMbNFS)
- Banking Act (ZBan-2)
- Law on legal successors of authorized investment companies (ZPNPID)
- Collective Supplementary Pension Insurance for Public Employees Act (ZKDPZJU)
- Financial Conglomerates Act (ZFK)
- Act on changes and amendments of the Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act (ZFPPIPP – E)
- Act on Slovenian state holding (ZSDH - 1)
- Bridging Insurance of Professional Athletes Act (ZPZPŠ – 1)
- Act on the settlement and forced termination of banks (ZRPPB)
- Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing of Directive 2003/6 / EC of the European Parliament and of the Council and Commission Directives 2003/124 / EC, 2003/125 / EC and 2004 / 72 / EC,
- Regulation on the implementation of Regulation (EU) on market abuse,
- Regulation (EU) No. 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps,
- Regulation (EU) no. 236/2012 of the European Parliament and Council of 14.3.2012 on the implementation of the Regulation (EU) on short selling and certain aspects of credit default swaps
- Commission Regulation (EC) No. 809/2004 of 29 April 2004 on implementing Directive 2003/71 / EC of the European Parliament and of the Council as regards to information contained in prospectuses and on the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements,
- Commission Regulation (EU) No 583/2010 on implementing Directive 2009/65 / EC of the European Parliament and of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium, other than paper or on the website,

- Commission Regulation (EU) No. 584/2010 on implementing Directive 2009/65 / EC of the European Parliament and of the Council as regards the form and content of standard notification letter and KNPVP attestation, the use of electronic communication between competent authorities for the purpose of notification, and procedures for on-spot verification or investigation and the exchange of information between the competent authorities,
- Commission Regulation (EU) No. 1031/2010 of 12 November 2010 on the timing, management and other aspects of auctioning of greenhouse gas emissions rights pursuant to Directive 2003/87 / EC of the European Parliament and of the Council on establishing a system for allowance of trading greenhouse gas emissions rights in the Community
- Regulation (EU) No. 1227/2011 of the European Parliament and of the Council of 25 October 2011 on the integrity and transparency of wholesale energy market,
- Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories,
- Regulation on the implementation of Regulation (EU) on OTC derivatives, central counterparties and trade repositories,
- Regulation (EU) No. 345/2013 of the European Parliament and of the Council of 17 April 2013 on European venture capital funds,
- Regulation (EU) No. 346/2013 of the European Parliament and of the Council of 17 April 2013 on European Social Entrepreneurship Funds,
- Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and on amending of Regulation (EU) No. 648/2012,
- Regulation (EU) No. 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement arrangements in the European Union and on central securities depositories and amending Directives 98/26 / EC and 2014/65 / EU and Regulation (EU) No. 236/2012,
- Regulation on the implementation of Regulation (EU) on improving securities settlement in the European Union and on central securities depositories,
- Regulation (EU) 2015/760 of the European Parliament and of the Council of 29 April 2015 on European long-term investment funds,

and other regulations.

CONCRETE TASKS OF THE AGENCY

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

- Brokerage companies,
- Management companies,
- Managers of alternative investment funds,

- Mutual funds,
- Alternative Investment Funds
- Mutual funds,
- Stock exchange and
- Central securities depository.

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

- Brokerage company,
- Management Company,
- Stock exchange and
- Central securities depository.

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

4. Issuing of licenses for takeover bid.

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

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

7. Issuing of consent to the rules of the central securities depository.

8. Supervision of:

- Management companies,
- Managers of alternative investment funds,
- Investment funds,
- Mutual pension funds,
- Stock exchange,

- Central securities depository.
- Brokerage firms and banks engaged in the (auxiliary) investment services and activities,
- Offers of securities to the public,
- Reporting by public companies and
- Supervision of the proceedings of ZPre – 1.

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

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

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

11. Preparation of general acts on the basis of ZTFI, ZISDU – 3, ZPre – 1, ZPIZ - 2 and ZPZPŠ – 1.

12. Register keeping:

- Authorizations to provide investment services and activities,
- authorizations to provide investment fund management services,
- Tied agents,
- Managers of alternative investment funds.

13. Conducting procedures for violations of ZTFI, ZISDU – 3, ZUAIS, ZPIZ – 2, ZPre -1, ZNVP – 1, ZBan - 2 and other regulations.

BODIES OF THE AGENCY

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

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

The Council of the Agency

The Council consists of five members. The Director of the Agency Mr Miloš Čas, MA, is also the president of the Council. The members of the Council have been appointed by the National Assembly of the Republic of Slovenia for six years at the proposal of the Government.

In 2016 the Council of the Agency had the following composition:

- Director Miloš Čas, MA, President,
- Primož Damjanovič, member,
- Primož Pinoza, MA, member,
- Mojca Majič, MA, member and
- Vesna Stankovič Juričić, member.

In 2016 the Council of the Agency held 37 sessions.

Council's tasks

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

Decision making process of the Agency

The Council of the Agency has two procedural bodies, namely, the Senate and the President of the Senate.

The Senate decides on all individual matters to be resolved by a decision, unless the law stipulates the competence of the President of the Senate for an individual case, and on appeals against the orders of the President of the Senate.

The Senate consists of all the members of the Council (of whom one is the President of the Senate), except in a procedure for deciding on individual matters pursuant to the ZPre-1, when, as a rule, it consists of three members of the Council.

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

Director

The director represents the Agency, manages its business and organizes its work.

In 2016 the function of the Director was held by Miloš Čas, MA.

INTERNAL ORGANISATION AND FINANCING OF THE AGENCY

Organizational structure of the Agency

In accordance with the Rules on internal organization and systematization of jobs, the tasks of the Agency were in 2016 carried out in the following sectors.

The Capital Market department

Performed all tasks in the following areas:

- primary securities market: tasks were mainly related to licensing in proceedings of securities offerings to public (e.g. issuing of approvals for sale of securities to the public and consents for admission of securities to trading on the regulated market, which practically means confirmation of related prospectuses); or the monitoring of offers where the issuers, tenderers or applicants for the admission of securities to trading on the regulated market use any of the statutory exceptions, according to which the prospectus need not be issued or proper authorisation from the Agency not required to be obtained;
- takeovers: issuing of licenses for takeover offers and exercising control over compliance of takeover legislation;
- reporting of public companies: monitoring of the adequacy of reporting by public companies and pronouncing of control measures in cases of irregularities or defects;
- lists managing: e.g. the list of public companies, the list of target companies under ZPre - 1, the list of permits issued for public offerings and organized trading, the list of permits issued for the takeover bid, etc.;
- performing other tasks relating to the operation of securities market.

Surveillance Enforcement Department

Has performed all tasks related to the issue of licenses and approvals, in accordance with the provisions of ZTFI, ZISDU - 3 and other laws for business of financial organizations and individuals for performance of certain transactions and functions related to the financial services market. It implemented the control of the operations of entities that are controlled by the Agency, and to this end reviewing and analysing of business books and reports and collecting more information on the operations of controlled entity, identifying any irregularities in the operations of the controlled entity and implementing measures in respect of findings of the supervision. The control sector has been in charge of the management of other public lists and registers, conducted by the Agency, and has been exercising powers of the Agency in the field of prevention of money laundering and terrorist financing in the financial conglomerates.

Funds Department

Performed all tasks relating to regulation in the field of investment and mutual pension funds, including the preparation of general acts on the basis of the ZISDU – 3, the ZUAIS and the ZPIS-2. Monitoring and analysing of periodic reports from asset management companies, investment funds and mutual funds; in charge of the fulfilment of international obligations of the Agency in the field of investment and mutual pension funds. In addition, the Fund Industry Sector co-ordinated and managed projects in the field of investment and mutual funds.

Lgela Department

Performed legal and expert tasks relating to the preparation and review of proposals of general acts issued by the Agency, decisions of the Agency, legal opinions and positions, applications in respect to judicial or other procedures, the outcome of legal issues in other sectors and execution of the Agency's competence as a minor offence authority and carried out all other legal work and tasks relating to the execution of tasks and authorities of the Agency.

International Cooperation Department

Performed tasks relating to cooperation with supervisory institutions in the European Union within the framework of regular membership in the European Authority for Securities and Markets (ESMA), at which point it represented the focal point of communication between the Agency and the Board and coordinated the participation of the Agency in individual expert working groups (Standing Committees) operating within the body. It also collaborated with supervisory institutions in other countries, particularly in the context of the International Association IOSCO, with authorities and the EU institutions, with other international institutions such as the World Bank and the IMF, OECD and others. The sector also performed all other works and tasks related to international cooperation of the Agency.

Financial-administrative Department

Performed tasks and duties of labour legislation, including health and safety at work, in the field of public procurement, accounting or financial performance of the Agency, prepared general (internal) Agency acts, performed mailroom management tasks and other work and tasks relating to the organizational, technical and other general matters, necessary for the functioning of the Agency.

IT Department

Performed all tasks and duties relating to establishment, upgrading and maintenance of the entire information system and security system of the Agency, organized the recovery, computer management and the processing and analysis of Agency data, was in charge of computer support for the Agency's presentation on the web and performed other tasks and duties related to the use of information technology.

SMA has set up an *Information security management system in accordance with the requirements of ISO / IEC 27001: 2013* for the regulation and supervision of market of financial instruments in the Republic of Slovenia. In 2016, the Agency successfully updated and regulated information security management system (SUVI) and in December 2016 successfully passed the regular audit of ISO / IEC 27001: 2013.

Since 2014, the Agency carries the basic Family Friendly Enterprise certificate.

Employees of the Agency

Educational structure of employees in the Agency has been on 31 December 2015 as follows: 2 masters of law, 11 masters of economics, 4 masters of economic or business science (Bologna program), 9 university degrees in law, 6 university degrees in economics, one university degree in communication, 1 university degree in journalism, 1 university graduate of mathematics, 1 professor of Mathematics, 2 graduates of administrative organizers, 2 graduates of economics, 1 graduate of business informatics, 2 business secretaries and one person with secondary education.

AGENCY FINANCING

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

The consent to the annual accounts and financial plan of the Agency is given by the Slovenian Government. The annual accounts and the financial plan of the Agency are also given to the National Assembly of the Republic of Slovenia.

Lawfulness, purpose, economical and efficient use of resources of the Agency are supervised by the Court of Auditors of the Republic of Slovenia.

II. PRIMARY MARKET

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

Public offer of securities and listing of securities trading on regulated markets in Slovenia

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

In 2016, 2 issuers decided on public offering of securities, which is less than a year before and 1 issuer admitted to trading on the Ljubljana Stock Exchange.

In 2016, the Agency issued 1 decision on the approval of a prospectus for the admission of securities to trading on the regulated market, 2 decisions on the approval of a prospectus for the public offering of securities.

Table 1: Issued authorizations - approvals of the prospectus for admission of securities to trading on a regulated market in 2016

The issuer of securities	Number of securities issued
TELEKOM SLOVENIJE, d. d., Ljubljana	Registered bonds 100.000 at 1.000 EUR

Table 2: Issued authorizations - approvals of the prospectus for the sale of securities in 2016

The issuer of securities	Number of securities issued
ILANA, d. d., Ljubljana	Unit shares up to 350 shares
HRANILNICA LON, d. d., Kranj	Ordinary registered share to 25.245 shares at 162 EUR

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

In 2016, the Agency received 32 notifications from the issuers of securities on the application of the exemption from the publication of a prospectus. These are notifications in cases in which the issuers are not obliged to obtain the Agency's approval of the prospectus for offering securities to the public for individual types of offers of securities, and the prospectus for the admission of securities to trading on a regulated market.

This means, that the issuers 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. In relation to this the Agency in particular monitors whether the issuers used the exemption in accordance with the purpose of the statutory provisions.

The Agency also regularly monitors the increase in the share capital of public limited companies by granting new shares through publications in the Official Gazette of the Republic of Slovenia, the notifications of the clearing and depository company and public announcements (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 Articles 49, 50, 51 of the ZTFI apply. They must notify the exemption to the Agency in accordance with Article 52 of the ZTFI.

SUPERVISION OF REPORTING AND DECLARED SUPERVISORY MEASURES

REPORTING OF PUBLIC COMPANIES

Public companies are required to report to the Agency on their financial and legal status and operations with the submission and publication of the audited annual report, semi-annual report, and by submitting regular reports on all regulated issues. Such information also includes the inside information that might significantly impact the price of securities.

ZTFI - F, which came into force on 14. 5. 2016, repealed the obligation to publish an interim management report of public companies that have shares listed in organized trading to reduce the pressure on issuers to achieve short-term results and because of major incentives of investors to adopt a longer term vision.

Public companies

A public company is an issuer whose securities are admitted to trading on a regulated market in the Republic of Slovenia or another Member State. At the end of 2016, 48 companies had the status of a public issuing company.

Companies, whose home Member State in regards with reporting is the Republic of Slovenia for the home Member State

ZTFI anticipates that certain public companies in relation to certain securities consider the Republic Slovenia as the home Member State according to the law (e.g. the Republic of Slovenia is in the case of a public company in regards with the issue of shares a home Member State on the basis of the fact that the Public company is registered in Slovenia). When a public company can choose freely the home member state (i.e. the Republic of Slovenia), the Agency must be informed. As at 31.12.2016, it was considered that the Republic of Slovenia represented the home Member State for 48 public companies. 43 of those companies had a registered office in the Republic of Slovenia, and 5 of them informed the Agency about the selection of the Republic of Slovenia for the home Member State (2 have securities listed only on a regulated market in another EU Member State, and 3 have securities listed in both the Republic of Slovenia as well as in other EU member state).

SUPERVISION OF REPORTING BY PUBLIC COMPANIES

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 2016, the Agency addressed many requests for explanations regarding their ad-hoc reporting to the public companies. In case of violations, the Agency takes action against individual public company. Supervisory measures may be, for instance, order on rectification of violations, termination of trading on a regulated market with a certain security.

- as group supervision, i.e., by carrying out an inspection of reporting by all public companies for one type of reporting (i.e. disclosures in annual statements). In the framework of such group inspection, the Agency takes measures against the public companies, in which violations are found. Supervisory measures may be, for instance, order on rectification of violations, termination of trading on a regulated market with a certain security.

Annual and semi-annual management reports

Each year, the Agency supervises the reporting by all public companies obliged to publish annual reports. The provision of 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 ten years after their publication (due to ZTFI - F the deadline of the public availability of the annual report to be provided by the public company was extended from five years to at least ten years after its publication).

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

in the contents prepared by the management of the company, within 15 days of its adoption by the competent body.

A public company is obliged to submit the annual report to the Agency and inform it on the method of publication. In 2016, the Agency received through 'INFO HRAMBA' 50 audited annual reports by public companies for the period from January 1 to December 31, 2015. The number of public companies may change during the year (securities are admitted and delisted from organized trading), which is why the number of received reports is not necessarily the same as the number of public companies that had the status in question at the end of the year.

During the supervision procedure of the reporting of annual operating results, violations were identified in 13 public companies, namely:

- 9 companies published an incomplete annual report for 2015, so the Agency ordered a complement to the publication of the annual report and against the company made minor offenses notice of the suspected violation to the minor offence authority;
- 1 company was late publishing its annual report for 2015, so the Agency made a minor offenses notice of a suspected violation against the company to the minor offences authority;
- 3 companies announced incomplete annual report for 2015, but these violations in their nature and extent had no significant effects, so the Agency issued these companies a warning, which alerted the companies of these violations.
- to 8 companies the Agency issued recommendations to improve their operations, when it determined in the control procedure the underperformance and inconsistency in the reporting of listed public companies in their annual reports for 2015, which have the characteristics of infringements of the provisions ZTFI.

The Agency annually supervises the reporting by public companies on semi-annual business results. Public companies are obliged to publish their semi-annual report covering the first six months of the financial year as soon as possible and not later than in three months after the end of this period. In addition, they must ensure that their semi-annual report is publicly available for at least ten years after its publication. With ZTFI - F the deadline of publication of semi-annual reports was extended by two to three months and the availability of semi-annual report to be provided by the public company, from five to at least ten years after its publication. ZTFI also stipulates that the issuer shall submit to the Agency the content of this announcement and inform it of the mode of publication.

The Agency in 2016 received 47 semi-annual reports of public companies for the period from 1 January to 30 June 2016.

In the process of control over the semi-annual reporting of operating results, the Agency found violations in three public companies (incomplete release of the semi-annual report for the year 2016). The Agency issued the companies an order to eliminate violations and made a minor offenses notice of the suspected violation to the minor offence authority.

Announcements of qualifying holdings

In 2016, the Agency received 168 notifications on reaching, exceeding and terminated exceeding of 5-, 10-, 15-, 20-, 25-percent, 1/3, 50- and 75-percent shares of voting rights and notifications on every acquisition or disposal of a share of voting rights by a member of the company's management or supervisory body.

In this segment, the Agency carries out supervision on a regular basis, mainly because it is a significant area of reporting, and often the first indication of a concentration of ownership rights and prediction of possible takeovers. On one side, supervision is performed in order to provide adequate transparency. In this part, the Agency issues many requests to the holders of qualifying holdings, warning them about their obligation to report to the Agency and the public, and also proposes introduction of offence proceedings in case of established violations. On the other side, changes in qualifying holdings are frequently also indications of suspected illegal takeovers, often through concerted actions of several subjects involved. 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.

In 2016, the Agency led 6 control procedures relating to reporting on changes in major shareholdings:

- in case of 4 control procedures there was, due to failure to notify regarding changes in major shareholdings, proposed an introduction of misdemeanor against 1 company and three individuals according to ZTFI;
- 2 control procedures (natural persons) were concluded with an official note, as infringements of the provisions ZTFI were not found.

Publishing of inside information

In 2016, public companies published 833 pieces of information that were identified as inside information. This is the type of information (publications) which ZTFI or the Regulation (EU) no. 596/2014, which has come into force in July 2016, defines in a way that provides the criteria that define it (internal information is 'price-sensitive' information for which it is considered that it would likely have significant impact on the prices of financial instruments), but is not specified by the law in such a way that each type of information that could be considered to be internal would also be specifically stated. That is due to the fact that public companies result from various activities, are different in size and in different stages of development, due to which for each of them there are specific situations and events that concretely represent inside information, whereby investors take their investment decisions. It should be added that ZTFI obliges public companies to publish all inside information by statutory provision, the suspension of which is allowed the issuers only in cases admissible by law (e.g. when it is unlikely that the postponement of the publication of inside information would mislead the public)

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

When monitoring the reporting of public companies in 2016 regarding the publication of inside information, the Agency conducted 9 control procedures:

- 6 control procedures have been completed with an official note, as infringements of the provisions ZTFI or Regulation (EU) No. 596/2014 were not found. The Agency submitted to the minor offenses authority a notice of a suspected violation for one company that did not publish or submit inside information;
- 2 Control procedures have not been completed yet.

REPORTING ON PERSONS PERFORMING MANAGEMENT FUNCTIONS, AS WELL AS PERSONS WHO ARE CLOSELY RELATED TO THEM (FORM IN-1)

As stated, on 3. 7. 2016 the Regulation (EU) No. 596/2014 began to apply, which repealed Section 10 of ZTFI, and which regulated the reporting of persons performing managerial responsibilities and persons who are closely associated with them. On 3.7.2016 came into force also the Delegated Regulation 2016/522, which is binding in its entirety and has from that date been used directly. The first novelty, which it provides, is that the issuer must ensure that the information which are required to be reported, are to be published as soon as possible and no later than three working days after the completion of the operation in a manner that provides quick access to such information on a non-discriminatory basis and be submitted to the system for central storage of regulated information. Another novelty is that the reporting obligation arises for any subsequent operations after their total value of EUR 5,000 in a calendar year is achieved. The threshold of 5000 EUR is calculated by adding and without netting of all transactions.

The Agency performs constant supervision of persons performing managerial responsibilities and persons who are closely associated with them. In the context of supervision of reporting of persons performing managerial responsibilities and persons who are closely associated with them, the Agency in 2016 led two control procedures. In both control procedures, orders to eliminate violations were issued and in both cases the Agency submitted to the minor offenses authority a notice of suspected violation.

FORMS SONI - 1 AND ODNI

The Agency has set up an electronic way of reporting on the list of persons who have access to inside information (i.e. SONI-1 form), as well as electronic reporting on postponing of the publication of inside information (i.e. ODNI). As mentioned, the Regulation (EU) No. 596/2014, which began to directly apply on 3.7.2016, repealed the section 10 of ZTFI, which prescribed the reporting of the list of persons who have access to inside information, and reporting on the postponement of the publication of inside information.

The SONI - 1 form is an important tool for the control of insider trading. On the basis of this form the Agency identifies a preponderant part of persons with access to inside information, while at the same time the form also reveals which specific inside information the individual has access to and during which time

period. On 3.7.2016 the Commission Implementing Regulation (EU) 2016/347 came into force, which is binding in its entirety and that has begun to be used directly since that day. The most important change is, that the issuers have to, as of 3.7.2016 use two forms, namely, one for persons who, because of the nature of their duties, have permanent access to inside information of a company, and a form for persons, who have occasional access to inside information, relating to a particular operation or event.

The ODNI form (the same in the field of control of illicit inside trading) serves the Agency for identifying the existence of inside information, where these have not been adequately publicly published (at a time when inside information exists, but has not yet been properly made public, the danger of illicit trading is larger). In conjunction with ODNI forms, the Agency also oversees the timeliness of publication of deferred regulated information. EU Regulation No. 596/2014 in the case when the issuer decides to postpone the publication of inside information, determines that the issuer is obliged to inform the competent authority immediately after the disclosure of inside information to the public, and must at the same time provide a written explanation of how the conditions for the suspension of the publication, provided for in this Regulation, were met.

REPORTING ON THE BASIS OF SLOVENIAN SOVEREIGN HOLDING ACT

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

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

III. TAKEOVERS

ISSUING AUTHORISATIONS FOR TAKEOVER BIDS

In 2015, the Agency issued 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 adequate (it must not exceed the highest price under which the acquirer obtained the securities in the period of last 12 months) 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.

Table 3: Issued permissions - permission for takeover bid in 2016

Acquirer	Offeree company	Date of issue
AA INTERNATIONAL AVIATION HOLDING GmbH, Munchen,	ADRIA AIRWAYS, d. d., Brnik	6. 4. 2016
IMO-REAL, d. o. o., Murska Sobota, IMO-RENT, d. o. o., Murska Sobota, Horvat Jožef, Murska Sobota	SGP POMGRAD, d. d., Murska Sobota	19. 4. 2016
EUROPEAN ARCHITECTURAL SYSTEMS S.a.r.l., Luxembourg	TRIMO inženiring in proizvodnja montažnih objektov, d. d., Trebnje	6. 5. 2016
GRADBENIŠTVO PRESTOR, d. o. o., Kranj	KR, d. d., Slovenska Bistrica	13. 7. 2016
EBS GROUP, d. o. o., Kranj	JELOVICA, d. d., Škofja Loka	30. 6. 2016
BISER BIDCO S.a.r.l., Luxembourg	KBS Banka, d. d. Maribor	18. 7. 2016
MLINO, d. o. o., Ajdovščina	VIPA HOLDING d. d., - v likvidaciji, Ajdovščina	18. 7. 2016
MLINO, d. o. o., Ajdovščina	MLINOTEST, d. d., Ajdovščina	1. 8. 2016
FMR HOLDING Družba pooblaščenka, d. d., Idrija, KOLEKTOR GROUP, d. o. o., Idrija, KOLEKTOR PROKOS, d. o. o., Idrija, KOLEKTOR SIKOM, d. o. o., Idrija	FMR, d. d., Idrija	28. 9. 2016

PERSPEKTIVA DZU, d. o. o., Ljubljana	HIDROTEHNIK, d. d., Ljubljana	5. 10. 2016
KOLEKTOR KOLING, d. o. o., Idrija	CESTNO PODJETJE NOVA GORICA, d. d., Kromberk	24. 11. 2016
SVILA IN, d. o. o., Ajdovščina	TEKSTINA, d. d., Ajdovščina	2. 12. 2016
FUSE C.V., Nizozemska	ETI ELEKTROELEMENT, d. d., Izlake	22. 12. 2016

The number of takeovers in 2016 (13) comparing to the year 2015 (14) has decreased, and remains much lower from the number that was common before the financial (economic) crisis. The economic growth in 2016 was stable and balanced, yet that did not reflect in the significantly higher takeover activity.

Even the fact that the banks carried out the restoration and had sufficient liquid assets for lending to the economy, 2016 did not reflect in increased takeover activities. For the loans of banks in 2016 it can be said that they were, due to the fall in interest rates, cheap, however, banks are more cautious in their authorisations, which means that potential acquirers find it more difficult to obtain means. In fact, the banks rate opportunities in a more structured way, projects are valued regardless of what the business plan and the presented takeover story are, and they set other restrictions, for example concerning the admissibility of the conditions in the sale contracts.

Exemptions from the obligation for takeover bid

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

In 2016 the Agency received 10 such notifications.

SUPERVISION

Based on the ZPre – 1, the Agency in 2016 implemented supervision of takeovers. The supervisory proceedings addressed the ownership in those target companies for which the ZPre – 1 is used. On 1.2.2016 there were 322 target companies in the Republic of Slovenia to which the takeover legislation refers.

The Agency in 2016 began to conduct 23 operations of supervision in relation to the target company to which ZPre – 1 refers:

- in case of 1 control procedure, the withdrawal of voting rights of illegal shareholders was proposed and at the same time minor offense proceedings under ZPre-1;
- In case 1 the supervisory procedure an order has been issued on the elimination of infringements on the basis of which the offeree company has issued shares in dematerialized form;

- 13 supervisory procedures were completed with an official note, as no violations of ZPre-1 were found;
- in case of 8 control procedures proposals for initiating criminal proceedings were proposed.

IV. SECONDARY MARKET

ISSUING OF AUTHORISATIONS AND APPROVALS IN THE FIELD OF INVESTMENT SERVICES AND OPERATIONS

Brokerage companies and banks

In 2016 the Agency received two applications from brokerage firms to terminate the license to provide investment services and operations due to changes in activity. In connection with these two applications, the Agency at the same time issued two brokerage companies a limiting decision. This year, the Agency also considered an application for authorization to acquire a qualifying holding in a brokerage company. Due to non-compliance with the legal requirements of the applicant, the Agency refused to grant authorization.

This year, the Agency issued a brokerage company a decision to close the case, due to its withdrawn of the application, which was submitted to the Agency in relation to a request for direct access to the auction platform.

Ljubljana Stock Exchange

In 2016, the Agency issued one approval for amendment of general acts of the Ljubljana Stock Exchange. In that year, the Agency also considered one application for authorization of performing the function of a member of the Management Board of the Ljubljana Stock Exchange. Since the applicant met the statutory conditions for the exercise of this function, the Agency issued a license to perform the function of a member of the Board of the Ljubljana Stock Exchange.

KDD

In 2016, the Agency dealt with one application for issuing of approval for amendment to KDD general acts and in this regard issued the approval.

Board members in a brokerage company

In 2016, the Agency issued two licenses to perform the function of a board member / executive director of a brokerage company. The Agency in this year also issued three decisions which found that the authorization to perform the function of Members of the Board / Executive Director in a brokerage company has terminated.

Brokers

In 2016, the Agency issued 40 licenses to operate as a broker.

Notifications to provide investment services and operations

Based on the requests received from supervisory institutions of other EU Member States, the Agency in 2016 received the notification on the provision of services of 138 investment companies from the EU Member States, which requested to provide investment services and transactions in relation to financial instruments directly in the Republic of Slovenia.

List of investment companies from EU Member States, which may provide investment services and activities in the Republic of Slovenia, is published on the website <http://www.a-tvp.si/Default.aspx?id=145>.

SUPERVISORY PROCEDURES AND IMPOSED MEASURES OF SUPERVISION

The Agency performs supervision:

- with monitoring, collecting and verifying reports and notifications of supervised entities and other persons who are required to report to the Agency or to inform it of individual facts and circumstances (supervision over reporting);
- with the carrying out of supervision of business entities' operations and
- by imposing supervisory measures.

In 2016, the Agency supervised the financial instruments market both in carrying out supervision of operations and supervision of reports. Special attention was also given to the brokerage company Moja delnica, brokerage company, d. d., which was in 2016 declared bankrupt. The consequence of the bankruptcy procedure was the activation of the guarantee scheme for investors' claims. In addition to the stated bankruptcy, was the field of investment services and activities in 2016 also marked by the abolition of the registry accounts with KDD. In relation to this withdrawal, the Agency began supervisory procedures of the price lists of all brokerage companies and banks that have enabled their customers the transfer of securities from the registry onto the trading account.

On the basis of ZTFI, ZNVP - 1, the Agency in 2016 supervised mainly the following activities:

- supervision over the reporting of brokerage companies and banks,
- supervision over risk management of brokerage companies (capital control, capital requirements, liquidity of brokerage firms)
- supervision over the prohibited acts of abuse of market
- supervision of compliance with the provisions of the fourth paragraph of Article 48 of ZNVP - 1 and
- supervision over the illegal provision of services, the implementation of which requires a permit from the Agency or the Bank of Slovenia.

In 2016, the Agency carried out supervision in particular over the following groups of subjects:

- brokerage companies,
- banks authorized by the Bank of Slovenia to provide investment services and activities,
- persons for whom it was suspected that they were implementing prohibited conduct of market abuse
- persons for whom it was suspected that they were providing investment services and activities without prior authorization.

In 2016, the Agency launched 71 control procedures relating to the provision of investment services and activities and illicit abuse of market of financial instruments. These include control procedures related to the reporting of the supervised entities, inspections of operations and procedures that have been initiated on the basis of suspected violations, which the Agency identified on the basis of information from other sources.

In 2016, the Agency initiated the following supervisory procedures of individual subject groups:

- 14 supervisions of brokerage companies;
- 16 inspections in banks;
- 8 supervisions over other subjects, where there was a suspicion of illegal providing of investment services and activities and
- 33 audits related to suspected illicit abuse of market of financial instruments.

REVIEW OF OPERATIONS AND IMPOSED MEASURES OF SUPERVISION

In 2016, the Agency conducted several reviews of business of financial organizations, where it identified potential violations and irregularities of the existing legislation. In 2016 the Agency thus carried out 5 reviews of operations, namely, in 5 brokerage companies in connection with the performance of investment services and activities.

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

In 2016, the Agency regularly collected, monitored and verified the numeric and non-numeric reports and notifications of brokerage companies, banks with the authorization from the Bank of Slovenia to provide investment services and transactions, the Ljubljana Stock Exchange and KDD that the subjects are obliged to submit to the Agency on the basis of existing legislation. The mentioned subjects report to the Agency through the National Reporting System (NRS). Thus the Agency in 2015, through NRS, received 181 numerical reports from brokerage companies that related to:

- capital and capital requirements of brokerage companies,
- liquidity of brokerage companies,
- exposure of brokerage companies,
- investment of brokerage companies and
- non-numeric annex to the report 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. In

regards to these reports, the Agency received 3,233 data files. Within the exchange of information on transactions with supervisory authorities of other Member States, the Agency exchanged 4,604 files. In 2016, the Agency also received 538 non-numeric reports of brokerage companies and banks through the reporting system.

In 2016, the Agency also received 133 non-numeric and 42 numerical reports from Ljubljana Stock Exchange and 36 non-numeric reports from KDD.

In 2016, the Agency received 186 notifications from persons obliged to report under the Regulation (EU)648/2012.

When verifying the reports and notifications 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.

In 2016, the Agency, on the basis of data from reports and other sources, initiated 66 supervisory procedures.

IMPOSED SUPERVISORY MEASURES

In 2016, the Agency, after the completed supervisory procedures, issued 44 supervisory measures.

- 6 decisions to rectify violations, with which it imposed on brokerage companies decisions on rectification of 11 violations of the applicable legislation, 5 warnings to brokerage companies about 14 detected minor violations of business and 6 recommendations, with which it recommended to brokerage companies 15 improvements in their operations,
- 1 decision to rectify violations, with which it imposed on a bank the decision on elimination of 1 violation of the applicable legislation,
- 1 decision to rectify violations of unlicensed entities.

In 2016, the Agency during the supervision of procedures over provision of investment services and activities also issued 3 decisions on the suspension of proceedings or decisions where it found that the entity that had the order to rectify violations rectified them in an appropriate manner.

V. FUNDS

ISSUING OF AUTHORISATIONS AND APPROVALS

Investment funds and management companies

In 2016, the Agency in the field of business investment funds and management companies issued the following authorisations and approvals:

- 2 decisions for recognition as SIS,
- 1 authorization to provide management services to AIF
- 1 license to operate a mutual fund,
- 8 licenses for the management of the sub-fund of an umbrella fund,
- 2 authorizations for mergers of investment funds,
- 1 authorization for the transfer of property transmission fund to takeover fund,
- 1 consent to the rules of mutual fund management,
- 1 consent to the change of rules of mutual fund management,
- 1 consent to the change rules of umbrella fund management in so far as it applies to all sub-funds,
- 9 consents to the amendment of rules of umbrella fund management in so far as it relates to the individual or a new sub-fund,
- 8 licenses for the publication of the prospectus of the mutual fund or umbrella fund,
- 4 authorization to acquire a qualifying holding in a management company,
- 6 permits to conclude a contract for the provision of custodial services,
- 3 authorization for the amendment to the contract on the provision of custody services and
- 2 authorizations for the takeover of umbrella fund management.

In addition, in 2016, the Agency issued the management company a decision to reject the request for the takeover of the umbrella fund management.

In 2016, the Agency, in the field of activity of management companies and investment funds marketing and selling of investment certificates issued to natural persons:

- 1 decision on the termination of the authorization to perform the function of a board member or executive director of the management company and
- 137 authorizations for marketing of investment funds and selling of investment certificates.

Mutual pension funds and operators of mutual pension funds

In 2016, the Agency processed 18 applications by operators of mutual pension funds and issued the following authorisations or approvals:

- 10 authorisations for the conclusion or amendment of a contract for the provision of safekeeping services,
- 5 approvals to amend the rules of mutual pension fund management;
- 1 authorisation for management of master pension fund,
- 1 authorisation for the transformation of a mutual pension fund into a sub fund of a master pension fund a6tnd
- 1 approval to amend the rules of mutual pension funds management.

Notifications

In 2016, the Agency received 2 notifications of marketing of 13 KNPVP units from other Member States in the Republic of Slovenia. Due to informing and protection of investors, the Agency publishes on its website a list of KNPVP from other Member States marketed in the Republic of Slovenia, from where all the changes are evident.

In 2016, the Agency received 1 notice of a Management Company about the intention to carry out direct investment fund management services in a Member State.

Over the same period the Agency also received 59 notifications of new funds for marketing of AIS units and AIS Member State in the Republic of Slovenia by the manager of the AIS Member State.

SUPERVISION OF REPORTING AND IMPOSED MEASURES OF SUPERVISION

Management companies, alternative investment funds operators, operators of mutual pension funds and trustees of property investment funds or pension funds regularly send the Agency periodic reports, whereby the Agency verifies their timeliness and accuracy and in particular determines whether the report indicates suspected breach of regulations. In the past years, the Agency continuously carried out an upgrade in electronic reporting within the NRS with the aim to increase transparency and usefulness of sent reports and data. All standard reports within the reporting framework for investment funds, mutual pension funds and custodian banks are thus sent exclusively in electronic form, where the formal correctness of the data is performed automatically.

Already at the end of 2015, the Agency, in accordance with the applicable legislation in the area of operators of alternative investment funds and in accordance with the work plan, prepared technical solutions for integration of reporting by operators of alternative investment funds into the NRS system, and first such reports were sent into the production environment at the beginning of 2016. The said reporting, similarly as reporting of management companies, operators of mutual funds and custodian banks, is based on the transmission of XML files within numeric reporting, and PDF files within non-numeric part of reporting.

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 investment fund unit as at the accounting day. The Agency received 28,295 such in 2016, the receipt of which is daily controlled and analysed for any above-average changes in the fund unit value.

Once per month, management companies report the data from their balance sheets on the last accounting day of the previous month (form MATRIKA/ISBS) and data on transactions in the period of the previous month (form MATRIKA/ISTR) for each managed investment fund. For 2016, the Agency received 1,348 MATRIKA/ISBS forms and 1,348 MATRIKA/ISTR forms, where the forms represent basis for on-going review of operations of investment funds, mainly to supervise compliance of the investment policy of investment fund with the provisions of the ZISDU-2, the prospectus or the rules of the investment fund.

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 (the Agency received 349 reports in 2016) 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 (115 notifications received in 2015).

A management company must report the income statement of each investment fund on a quarterly basis. The Agency received 440 such reports in 2016.

In 2016, the Agency timely received 21 (audited) annual reports relating to operations in 2015, namely from 9 management companies, 9 master funds comprising of 110 sub funds and 3 mutual funds. In the supervision process over those reports the Agency determined that the auditors gave a favourable opinion on all financial statements of management companies, financial statements of master funds and financial statements of mutual funds. The auditors also gave a favourable opinion on all master funds and mutual funds regarding compliance with the rules determined in the ZISDU- 3. In addition, the Agency in 2016 also received 12 semi-annual reports relating to operations in the period from 1 January to 30 June 2016 for 9 master funds and 3 mutual funds.

A management company is obliged to submit to the Agency also the internal audit report and report on fulfilment of capital adequacy requirements on the last day of the calendar year. Both reports must be submitted at the latest upon submission of the audited regular annual report. In 2016, the Agency received and reviewed 9 reports on internal audit and 9 reports on capital adequacy of a management company for the year 2015.

A management company must submit to the Agency all changes of document with key information for investors for each mutual fund that it operates, not later than with its submission to the public. The Agency timely received 162 such documents in 2016.

A 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 76 such notifications.

Should the investments of an investment fund exceed the limit allowed of individual types of investments, the management company must immediately inform the Agency thereof. The notification must include the description and proportion of deviations, reasons for deviation, description of actions for elimination of deviations and indication of the deadline by which the derogation will be eliminated. The Agency received and reviewed 73 such notifications. In most cases, the cause for such reporting is a fall of the value of investments of the investment fund, which can be attributed to the situation on financial markets, or a decrease or an increase of the number of asset units in 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 review and analysis of the reports is carried out regularly and the Agency received 10 such forms in 2016. 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 does not necessarily result in actual insolvency of an investment fund. All investment funds operating on the territory of the Republic of Slovenia in 2016, regularly serviced their investors with payments. In 2016, the liquidation procedure of 2 mutual funds was started and completed. The investors concerned have, in accordance with the proposal of payment to holders of share certificates received payments from the cash liquidation.

Management companies must inform the Agency also about the error in the calculation of net asset value of a mutual fund. Review and analysis of such reports are carried out regularly. In 2016, the Agency received 1 such report.

Management companies providing management services in financial instruments and ancillary services must additionally send these reports to the Agency. In 2016, the Agency received 36 such reports.

In 2016, the Agency continuously reviewed all these reports through the Agency's integrated information system (IISA), which allows automatic control of regularity and timeliness of the arrival of reports. In addition to the above stated review of reports, the Agency, with the help of IISA, throughout 2016 also conducted substantive review of reports of mutual funds in terms of compliance of investments with legal provisions and fund rules. At least once in 2016, the Agency also examined the compliance of 113 mutual investments funds with fund rules. Findings, collected on the basis of reviews of those reports and notices, were also the reason for further introduction of supervisory procedures.

In 2016, the Agency thus began to lead 17 supervisory procedures in relation to the reporting of management companies. In 12 cases, it requested clarification of the data in the submitted reports. Furthermore, the Agency in respect of infringements, identified in the process of supervision, issued 5 orders to eliminate violations, 1 warning and submitted 3 notices of suspected violation to the minor offenses body. In 2016, the Agency also issued two decisions, which found that the management companies, who have been served with the order of correction of violations, resolved these in an appropriate manner, while 8 control procedures were concluded with an official note as violations of legal provisions have not been identified.

In the context of financial stability and macro-prudential policy, the Agency in 2015 monitored and measured the risk in stability of the branches of mutual funds. The risk has been shown by measuring of the weighted total net inflow in mutual funds and net payments by individual types of mutual funds, where the weights represented the value of total net asset value (NAV) or NAV of individual type of mutual funds.

ALTERNATIVE INVESTMENT FUND MANAGERS

The Agency, in accordance with the applicable legislation on managers of alternative investment funds (AIF) and technical specification drawn up by ESMA, implemented technical solutions to integrate the reporting of managers into the AIS in NRS system. As mentioned, were the first reports from AIS management received by the Agency in early 2016.

All managers of AIS, who operated in 2016, are committed to report annually to the Agency, whereby the AIS operator must submit one report, the content of which refers to each individual AIS operator, and one report that materially relates to individual AIS that is managed by the manager.

In 2016, the Agency thus received and reviewed 5 reports on the performance of AIS managers and 6 reports on AIF activities. The Agency is obliged to submit these reports to ESMA.

MANAGERS OF MUTUAL PENSION FUNDS

Managers of mutual pension funds must report monthly about the mutual pension fund asset unit value, the type and composition of mutual pension funds' investments, operator's capital, provisions for the failure to achieve guaranteed value of mutual pension fund and structure of investments from these provisions. The Agency received and reviewed 533 such reports in 2016.

Reporting on the operating result of mutual funds is made on a quarterly basis. The Agency received and reviewed 40 such reports in 2016.

Managers of mutual pension funds must submit to the Agency the (audited) annual report of the mutual pension fund for the past business year, no later than by June 30 of the current year. In 2016, the Agency received on time 8 audited annual reports from mutual pension funds for the 2015 financial year, namely for 5 mutual pension funds, comprising of 3 sub funds, the First Pension Fund of the Republic of Slovenia, and the Compulsory Supplementary Pension Insurance Fund. In supervisory procedures over these reports, the Agency determined that auditors gave positive opinions on financial statements of all mutual pension funds and determined compliance with rules determined by the ZPIZ -2, general acts on management of mutual pension funds, accuracy and completeness of notifications and reports by ATVP, and public publications on mutual pension fund operations.

In the case when managers of mutual pension funds change the statement of investment policy, must no later than in 3 working days of changes submit to the Agency the text of amended statement and explanation of the reasons for the change. In 2016, the Agency received 1 such notification.

In 2016, the Agency continuously reviewed all the above mentioned reports with the help of IISA. In addition, the Agency, with the help of IISA, also conducted substantive review of reports of mutual funds

in terms of compliance of investments of all mutual pension funds. Findings collected on the basis of reviews of those reports and notices were also the reason for further introduction of supervisory procedures.

In 2016, the Agency thus began to lead 3 supervisory procedures relating to reporting of mutual pension fund managers. In supervisory procedure of reporting of managers of mutual pension funds in 2016, the Agency required further clarification of 2 sent reports. Furthermore, relating to violations, detected in supervisory procedures over the reporting by managers of mutual pension funds, the Agency issued 1 recommendation for the improvement of mutual pension fund operation.

CUSTODIANS OF INVESTMENT FUNDS AND PENSION FUNDS

Custodians must report to the Agency the data on supposed irregularities in operations of investment funds or pension funds, established while performing the custodian services for an individual investment or pension fund. In 2016, the Agency received and reviewed 40 reports, related to the area of investment funds and 4 reports 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.

Every half a year the custodians must report on operations involving the assets of an investment fund or a mutual pension fund. In 2016, the Agency received and reviewed 83 such reports (57 for investment funds and 26 for mutual pension funds).

EU MEMBER STATE MANAGEMENT COMPANIES

An EU Member State management company that offers KNPVP funds in the Republic of Slovenia shall regularly inform the Agency on changes of prospectus, changes in management rules, annual and semi-annual report, and changes in documents with key information for investors.

In 2015, the Agency received 85 such reports.

REVIEWS OF OPERATIONS AND IMPOSED MEASURES OF SUPERVISION

In 2016, the Agency conducted 2 inspections in the field of provision of management services of investment funds in 2 management companies.

In 2016, the Agency issued the following supervisory measurements:

- 3 orders to eliminate violations, with which the management company was ordered the elimination of 14 violations of applicable laws;
- 2 warning with which it identified 17 minor infringements in a management company and
- 2 recommendations, with which it recommended the management company 23 improvements in their operations.

In 2016, the Agency also issued 2 decisions to management companies decisions, which found that the infringements were eliminated.

In 2016, the Agency undertook a review of the AIS business manager on suspicion of illegal marketing of these funds. In the same year it started supervision in connection with the holding of a qualifying holding in the management company, which did not have proper authorization from the Agency.

VI. NORMATIVE FIELD

PREPARATION OF GENERAL ACTS

Most of the activities of the Agency in the normative field in 2016 were related to the preparation of general acts in the field of ZTFI, ZISDU-3 and ZUAIS.

Based on the ZTFI - F amendment (more on changes ZTFI - F is indicated in section *Participation in the preparation of laws*), the Agency in 2016 adopted several general acts, which govern inter alia the field of provision of investment services and activities, annual reports of brokerage firms, reporting, compliance with the conditions for the members of the management body of brokerage companies and other areas relating to the organization and functioning of the capital market.

In 2016, the Agency issued 31 general acts on the basis of ZTFI, namely:

- Decision on the implementation of options and discretions provided for in Regulation 575/2013 / EU (Official Gazette of RS, no. 72/16);
- Decision on the application of the guidelines and recommendations of the European Banking Authority (Official Gazette of RS, no. 72/16);
- Decision on documentation to permit the inclusion of an equity instrument in the calculation of equity brokerage companies (Official Gazette of RS, no. 72/16);
- Decision on minimum requirements for ensuring adequate liquidity position of brokerage companies (Official Gazette of RS, no. 72/16);
- Decision on registers, annual and semi-annual reports of brokerage companies (Official Gazette 72/16)
- Decision on organization of internal management, the management body and the process of assessing internal capital adequacy for brokerage companies (Official Gazette of RS, no. 72/16);
- Decision on reporting of individual facts and circumstances of brokerage companies (Official Gazette of RS, no. 72/16)
- Decision on the criteria for determining significant brokerage companies (Official Gazette of RS, no. 72/16);
- Decision on minimum scope and content of the additional audit and an additional auditor's report on compliance with the rules on risk management in brokerage companies (Official Gazette of RS, no. 72/16)
- Decision on the compliance with obligations to disclose regulated information (Official Gazette of RS, no. 72/16);
- Decision on information on major holdings (Official Gazette of RS, no. 72/16)
- Decision on documentation to prove fulfillment of the conditions for the appointment for a member of the management body of stock exchange (Official Gazette of RS, no. 72/16);

- Decision on the holders of qualifying holdings of stock exchange (Official Gazette of RS, no. 72/16);
- Decision on the holders of qualifying holdings of brokerage companies (Official Gazette of RS, no. 72/16);
- Decision on documentation to prove fulfillment of the conditions for the appointment of a member of the management body of a brokerage company, a liquidator of a brokerage company or an executive of a third country investment company subsidiary (Official Gazette of RS, 72/16);
- Decision on detailed organizational requirements for the management of the stock market (Official Gazette of RS, no. 72/16);
- Decision on reporting by investment firms in connection with the group (Official Gazette of RS, no. 72/16);
- Decision on the conditions for taking over the position of central counterparty and performance of other transactions, with the assumption of the credit risk of the counterparty (Official Gazette of RS, no. 72/16)
- Decision on submission and access to regulated information (Official Gazette of RS, no. 72/16);
- Decision on detailed rules of the stock market (Official Gazette of RS, no. 72/16);
- Decision on amending the Decision on detailed contents of the simplified prospectus and the detailed rules for the implementation of the public offering procedure (Official Gazette of RS, no. 72/16);
- Decision on amending the Decision on the specific rules to comply with the obligation to disclose regulated information for persons in third countries (Official Gazette of RS, no. 72/16);
- Decision on amending the Decision on the exercise of the rights of holders of securities that are admitted to trading on a regulated market (Official Gazette of RS, no. 72/16);
- Decision on amending the Decision on information on major holdings (Official Gazette of RS, no. 80/16);
- Regulations on amending the Regulations relating to a request for passing on of information to the Agency for the Securities Market Act (Official Gazette of RS, no. 85/16);
- Decision on documentation for authorization to establish a subsidiary of the investment company of a third country (Official Gazette of RS, no. 85/16);
- Decision on the documentation for the issue of licenses for the provision of investment and ancillary services and other permits (Official Gazette of RS, no. 85/16);
- Decision on conditions for the provision of investment services and other services for brokerage companies (Official Gazette of RS, no. 85/16);
- Decision on the rules relating to the transparency and integrity of the market for investment companies, multilateral trading systems (MTFs) and systematic internalisers (Official Gazette of RS, no. 85/16);
- Decision on the register of tied agents (Official Gazette of RS, no. 85/16) and
- Decision on the definition of the provision of ancillary activities to the regular activities at the Group level and the definition of when an activity is carried out periodically in the framework of other regular activities (Official Gazette of RS, no. 85/16).

ZUAIS introduced into Slovenian legislation the Directive 2011/61/ EU (AIFM directive) and in doing so, systemically regulated the field of management of alternative investment funds (AIS), intended for professional investors. ZUAIS inter alia, stated in detail: terms and conditions of managing of alternative investment funds, conditions for the establishment and operation of alternative private investment funds with the status of a special investment fund (SIS), conditions for the marketing of alternative investment units funds in the Republic of Slovenia, conditions for the marketing of alternative investment unit funds established in the Republic of Slovenia, in another EU Member State or a third country, supervision of management of alternative investment funds and SIS operating, and cooperation between the competent supervisory authorities.

In addition, the legislator took advantage of the opportunity offered by the AIFM Directive, and regulated the conditions for the AIS marketing also for non-professional investors. The latter is regulated by the ZISDU - 3, but the field of unit marketing, its notification to the competent authority and the specific requirements, when the operator comes from another Member State, or AIS from another Member States is inextricably intertwined with the provisions of the ZUAIS.

Following the entry into force of ZISDU - 3 and the ZUAIS, the Agency began preparing general acts, which had to be adopted on the basis of the two new laws. With the aim of early elimination of legal uncertainty, the Agency in 2015 adopted 24 general acts, and in early 2016 the remaining 21 acts on the basis of ZISDU - 3 and the ZUAIS.

In 2016, the Agency thus issued 14 general acts on the basis of ZISDU - 3, as follows:

- Decision on the documentation for issuing permits and approvals to management company and the management company of a Member State (Official Gazette of RS, no. 11/16);
- Decision on the financial statements and the analytical chart of accounts of a management companies (Official Gazette of RS, no. 11/16);
- Decision on the audit of the annual report of the management company (Official Gazette of RS, no. 11/16);
- Decision on the audit of the annual report of the investment fund report (Official Gazette of RS, no. 11/16);
- Decision on the calculation of the net asset value and the value of a mutual fund (Official Gazette of RS, no. 11/16);
- Decision on management techniques of investment fund assets (Official Gazette of RS, no. 11/16);
- Decision on risk management of investment funds (Official Gazette of RS, no. 11/16);
- Decision on the reporting of the management company and the management company of a Member State (Official Gazette of RS, no. 11/16);

- Decision on investments of investment funds (Official Gazette of RS, no. 11/16);
- Decision on the reporting by the manager (Official Gazette of RS, no. 11/16);
- Decision on the diligence of members of the Management Board and Supervisory Board for the management and documentation of eligibility to hold office as a member of the management board of the management company (Official Gazette of RS, no. 11/16);
- Decision on the master and the feeder fund (Official Gazette of RS, no. 11/16);
- Decision on trading of investment certificates of a mutual fund on a regulated market (Official Gazette of RS, no. 11/16) and
- Decision on criteria for selection of the extraordinary manager (Official Gazette of RS, no. 11/16).

On the basis of the ZUAIS, the Agency in 2016 issued 7 general acts, namely:

- Decision on the valuation of assets of alternative investment fund that has no legal personality and the calculation of the net asset value and unit value of alternative investment funds (Official Gazette of RS, no. 11/16);
- Decision on equity of the manager of alternative investment funds (Official Gazette of RS, no. 11/16);
- Decision on the rules of the operation of the manager of a special investment fund (Official Gazette of RS, no. 11/16);
- Decision on the manager of a special investment fund and the special investment fund whose investment strategy is to finance the development of micro, small and medium-sized companies (Official Gazette of RS, no. 11/16);
- Decision on the rules of procedure and reporting of the administrator of alternative investment funds (Official Gazette of RS, no. 11/16);
- Decision on conditions to be met by the manager of alternative investment funds, who provides services of financial instruments and ancillary services (Official Gazette of RS, no. 11/16) and
- Decision on remuneration policies of the manager of alternative investment funds (Official Gazette of RS, no. 11/16).

PARTICIPATION IN PREPARATION OF LAWS

In the legislative area, the Agency in 2016 also worked closely with the relevant competent ministries and other participants in the systemic regulation of the capital market of the Republic of Slovenia. As ever was the main purpose of the cooperation a consistent harmonization of domestic legal framework with the European and the ratification of in the practice detected flaws and inconsistencies.

With regards to the prudential regulation of investment firms, the amendment ZTFI – F was adopted in April 2016, which brought into the Slovenian legal order the provisions of Directive 2013/36 / EU, and

identified the Agency as the competent supervisory authority for the implementation of the provisions of this Directive, the provisions of Regulation (EU) No. 575/2013 and on their basis adopted implementing EU Regulations and Guidelines, as well as the recommendations of the European Banking Authority, related to the business of investment firms and brokerage firms. As stated in the chapter on Preparation of general acts, the Agency, pursuant to the provisions of Directive 2013/36 / EU and Regulation (EU) No. 575/2013, in 2016 adopted a number of general acts, which regulate in more detail the scope of prudential oversight of brokerage firms. The Directive 2013/36 / EU, together with the Regulation (EU) 575/2013, European Commission Regulations, General acts of the Agency and documents, relating to the prudential supervision published by the European Banking Authority, specifically governs the rules for the risk management of investment companies, imposes additional obligations on investment companies and extends the scope of the supervision by the Agency pursuant to the ZTFI.

The year 2016 saw the adoption of the authentic interpretation of the provisions of the fourth paragraph of Article 48 of ZNVP - 1, which explains the importance of these legal provisions on the annual costs of maintaining an account and compensation for maintenance of account balance at KDD member and limitations in this regard.

As already mentioned, the end of 2016, due to the transposition of Directive 2014/91 / EU (UCITS V), the Slovenian legislation adopted ZISDU - 3B. In 2016 the Agency actively cooperated with the Ministry of Finance in the preparation of the said amendment. The amendment to the Act on investment funds establishes uniform rules on the provision of custodial services, regulates the system of remuneration of employees in management companies and redefines the fines that the Agency, as a minor offenses body, can impose on the company management or custodian. The amendment also introduces some additional safeguards for the protection of the property of investors and with greater flexibility improves the situation of the domestic management companies on the markets of other Member States.

In September 2016, the ZPZPŠ - 1, replacing ZPZPŠ, came into force. ZPZPŠ - 1 is largely inspired by the institutes of ZPIZ - 2, while the Agency's competence, arising from the new law, with regard to ZPZPŠ, has not changed.

The Agency in 2016 also:

- participated in the drafting of the new ZPPDFT - 1;
- participated in the preparation of the Regulation of the RS about implementation of Regulation (EU) No. 909/2014;
- proposed the amendment of the Regulation on implementation of the Regulation (EU) No. 648/2012;
- made proposals for amendments and supplements to the draft to the Law amendments and supplements of the Law on Public Agencies;
- made proposals for amendments and supplements to the draft of the Law on physical assets of the state and self-governing local communities and
- proposed amendments and supplements to the draft of the Law on public finances.

The Agency has been actively involved in the preparation of amendments and supplements in the field of minor offenses law, which was established in 2016 with the amendment of ZP - 1J. The mentioned amendment already provides the legal basis for the creation of a completely new arrangement for so called regulatory violations, as it contains a provision that excludes the provisions of ZP - 1 for cases where a special law (i.e. a regulation that obliges the Agency) imposes administrative sanctions for legal persons.

In accordance with the provisions of the ZUAIS, the Agency in 2016 prepared and on its website published a Manual for marketing AIS of units and AIS Member States by the manager of the AIS of Member States to non-professional investors in the Republic of Slovenia.

Following the introduction of new laws, pursuant to which the Agency supervises and implements other tasks and powers (amendments ZTFI – F, ZISDU - 3B, the new ZNVP - 1 ZPZPŠ and Regulation (EU) no. 909/2014) and the determination of fees and refunds in conjunction with those provisions, the Agency in 2016 began preparing the necessary amendments and supplements to the Tariff on fees and compensations.

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

Through the membership in ESMA, the Agency monitors the adoption of implementing regulations of the European Parliament and of the Council and the European Commission, concerning the scope of work of the Agency and the ESMA guidelines. The list of important directives and implementing EU regulations is published on the website <http://www.a-tvp.si/Default.aspx?id=26>.

As stated, the Regulation (EU) No. 596/2014 came into force on 3.7.2016. For this reason, most of the provisions from ZTFI, concerning prohibited acts of market abuse, were withdrawn, as the Regulation (EU) No. 596/2014 directly applies. Thus the integrity of European financial markets should be ensured, since it should be easier to provide a high degree of harmonization of the implementation of legislation throughout Europe. For the same reason, an even greater number of delegated and implementing regulations were issued, which in detail and equally directly encroach on the area under consideration. Alongside the above rules, the guidelines for the implementation of the Market Abuse Regulation (regarding the suspension of the disclosure of inside information and market soundings on the recipients) should also be mentioned, prescribed by ESMA, and which apply in the Republic of Slovenia from 20.12.2016.

The Agency is, pursuant to the Regulation on implementation of the Regulation (EU) on market abuse, the authority responsible for the implementation of the Regulation (EU) No. 596/2014. In addition, on the basis of ZTFI, the Agency is still the authority for minor offenses in connection with the minor offenses procedures in the area of market abuse. The Regulation (EU) No. 596/2014 has brought about some changes on the regulation of insider trading and market manipulation. Some of them can be understood as an upgrade to the rules in force on the basis of the previous European regulation, some have in the praxis showed to require a slightly modified arrangement, but what they all have in common is that they mostly follow the trend and development of the European securities market. The Regulation (EU) No. 596/2014 thus, for example, expands the scope of the regulation, as, in addition to financial instruments that are admitted to trading on a regulated market, it applies also to the financial instruments that are traded on multilateral trading facilities (MTFs) and organized trading facilities (OTFs). Furthermore, the Regulation (EU) No. 596/2014, for example, again introduces the 'probing of the market' (contacts between sellers of financial instruments and potential investors before the announcement of the transaction for the purpose of obtaining interest from potential investors), it changes the reporting obligation to the supervisory institution regarding the suspension of the publication of inside information (the reporting requirement therefore does not occur before the deferment of the publication, but rather after the publication is carried out), it partly changes individual types of reports that the persons are obliged to provide to the Agency for the purposes of monitoring, etc.

In the field of provision of investment services and activities, the Agency, within the framework of working groups and various committees within ESMA, participated in the preparation of the regulatory and implementing technical standards and ESMA guidelines, which specifically complement the provisions of individual Articles of the Directive 2014/65/ EU and the Regulation (EU) No. 600/2014. Agency has constantly been monitoring the status of individual Acts of the European Commission and ESMA in the field of market in financial instruments, linked to the mentioned directive and regulation. The operational activities related to the implementation of the requirements, arising from Directive 2014/65/EU and the Regulation (EU) No. 600/2014, are expected to be launched in early 2017 by participating in the preparation of amendments ZTFI, the preparation of statutory instruments, reporting systems and collaboration with stakeholders in the capital market.

In the field of securities settlement arrangements, the year 2016 adopted the Regulation on the implementation of the Regulation (EU) on improvement of securities settlement in the European Union and on central securities depositories (Regulation 909/2014).

In the field of investment funds, the Agency in 2016 to closely monitored the developments in the adoption of the regulations of the European Parliament and of the Council and the European Commission and ESMA guidelines, relating to the field of investment funds.

Due to the transposition of the UCITS Directive (Directive 2014/91 / EU) into the Slovenian law, the end of 2016 saw the adoption of ZISDU - 3B. The amendment to the Act on investment funds establishes uniform rules regarding the provision of custodial services, regulates the system of remuneration of

employees in management companies and redefines the fines imposed which the Agency, as a minor offenses body, can impose on a management company or a custodian. In addition, in 2016 entered into force the Commission Delegated Regulation (EU) 2016/438, which is directly applicable in the legal order of the Member States. The new, detailed regulation will in 2017, in particular from custodian banks and partly also from the management companies, require the adjustment of operations, and of the Agency the supervision and assistance in the implementation of solutions.

The Regulation (EU) No. 1286/2014 defines uniform rules on the format and content of the key information document, which must be prepared by the providers of packaged investment products for retail investors and insurance investment products, and uniform rules on the provision of the key information document to retail investors. In accordance with the named regulation, a transitional period of five years has been established for management companies, and thus for them this Regulation begins to apply as of 1.1.2020. At the end of 2015 came into force the Regulation (EU) 2015/760, which defines uniform rules on licensing, investment policies and conditions for the functioning of the European alternative investment funds, which are in Member States marketed as a European long-term investment funds (ELTIF). ELTIF, in accordance with the conditions laid down in the said Regulation, may be marketed both to non-professional and professional investors. The Agency will thus, in its work, have to further take into account these two regulations and implement the tasks arising from them.

Also adopted in 2016 were ESMA guidelines on the sound remuneration policies under the Directive on collective investment undertakings for investment in transferable securities (KNPVP) and the Amendment of ESMA guidelines on sound remuneration policies based on the Directive on alternative investment fund managers (UAIS). These guidelines became applicable on 1 January 2017 and shall apply to remuneration policies and practices for the management company or the managers of alternative investment fund managers and their employees with the specific nature of work.

VII. MINOR OFFENCE PROCEEDING

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

In 2016, the Agency as minor offenses authority under ZP -1 issued 5 minor offense decisions, namely:

- 2 decisions in respect of violation of ZPre - 1, where in connection with the alleged violations 3 fines and 2 warnings were imposed on offenders, while 1 minor offence proceeding of ZPre – 1, was, on the grounds that the collected facts and evidence showed that the act was not an offence, suspended;
- 3 decisions relating to violations of Chapter 3 of the ZTFI on obligations to disclose regulated information, where 9 fines were imposed, while 1 procedure was, due to infringement of Chapter 3 of the ZTFI, stopped on the grounds that the act was not an offense (the use of a more lenient regulation).

In all the above decisions on minor offences, the Agency altogether imposed a total of 12 fines and 2 warnings and with a decision suspended the process of 2 offenses.

In addition, the Agency has imposed a total of 30 warnings, of which 11 for breaches of the ZPre - 1, 6 for violations of the ZTFI and 4 warnings for violations ZISDU – 3.

For (alleged) violations of the ZTFI Regulations, the Agency in 2016 issued 4 official notes, because either acts were not offenses or they were petty, or the procedure fell under the statute of limitation. On the grounds that the act is not an offense or that it is a petty offence or that the procedure fell under the statute of limitation, the Agency also issued 3 official notes due to (alleged) violation of the ZPre -1.

At the same time, the Agency as a minor offense authority initiated in 2016 ex officio another 6 procedures, regarding which the decision has not yet been made. Two cases involve procedures relating to the violations of the regulations of the ZISDU – 2/ ZISDU- 3 and 4 of them relate to the violation of the ZTFI regulations. One procedure which the Agency launched in 2016 was this year already suspended with the decision on the grounds that the act was not an offense (use of a more lenient regulation).

As at January 1, 2016 there were in progress 4 more minor offenses proceedings before the competent courts in order to decide on requests for court action and no proceedings before the competent higher courts for deciding on appeals against the judgment of the District Courts.

In 2016 there were, before the relevant District Courts, 2 completed proceedings with regard to the requirements for judicial protection filed against the Agency's decisions.

In 2016 the perpetrators of the legal and responsible persons did not file any new requests for judicial review before the competent district courts and appeals before the competent higher courts.

Thus on December 31, 2016, there were 2 minor offenses proceedings before the relevant District courts in order to decide on requests for judicial protection. On this day there were not any other open proceedings before the competent High Court by reason of an appeal against the judgment of the district courts or before the Supreme Court of the RS in order to decide on the request for protection of legality.

The Agency estimates that as a minor offence authority in relation to the conduct of proceedings of offenses for which it is responsible, it carried out the work in this field within the prescribed extent, namely both in terms of the number of guided and completed procedures on minor offenses, as well as on sanctions that were in those procedures imposed on violators.

VIII. COURT AND OTHER PROCEEDINGS

COURT PROCEEDINGS BEFORE THE ADMINISTRATIVE COURT OF THE RS AND THE SUPREME COURT OF THE RS

As at January 1, 2016, there were 9 actions of judicial protection against decisions of the Agency pending before the Administrative Court of the Republic of Slovenia and 1 procedure for the application of review before the Supreme Court of the Republic of Slovenia.

In 2016, the Agency received 7 lawsuits, disputing its decision and gave them an answer. 3 lawsuits were filed against the Agency's decisions, with which it established the achievement of the takeover threshold and prohibited the exercising of voting rights in the target company. 1 action was brought against the decision of the Agency to reject the request for access to the takeover file and the Agency's decision, which allowed the publication of the takeover bid. Along with that action, the Agency received in response also a request for interim measures to suspend implementation and effect of that decision and the provision until the final decision, to which it has made an appropriate response. Another 2 actions were brought against the Agency's decision on rejecting and refusing the requests for access to the supervisory file and side participation in this process, or rather the decision to reject the request for access to the supervisory file. 1 action was brought against the expense part of the decision of the Agency, which decided on the request for participation in the process.

In the same period, the Agency received 9 decision of the Administrative Court of the Republic of Slovenia in relation to the charges brought and in regards with two lawsuits, decisions of rejection were issued, 1 action was dismissed, while of the six lawsuits that have been filed against the decision of the Agency, the court upheld in one procedure, the Agency's was decision annulled and the case returned for a new procedure in which the Agency stopped the procedure. In two of those cases, the applicant appealed to the Supreme Court of the Republic of Slovenia. The Agency responded on time to the audit.

In 2016, the Supreme Court of the Republic of Slovenia also decided on the audit, lodged in 2016, and dismissed it.

As at December 31, 2016, there were 7 open procedures of judicial protection before the Administrative Court of the Republic of Slovenia and 2 open procedures before the Supreme Court of the Republic of Slovenia due to audit.

COURT PROCEEDINGS BEFORE THE CONSTITUTIONAL COURT OF THE RS

On December 31, 2016, there were no procedures before the Constitutional Court of the Republic of Slovenia which would involve the Agency.

LITIGATION PROCEDURE BEFORE THE DISTRICT COURT OR HIGHER COURTS

As at December 31, 2016, the Agency thus participated in 1 litigation procedure before the competent higher court.

In the period from 1 January 2016 to 31 December 2016 no new proceedings were initiated before the competent courts. During this period, the high court ruled and rejected the appeal of the Agency and upheld the judgment of the competent district court, but at the same time also ordered the issuance of a supplementary judgment, which will be held on all the notified costs of the Agency.

As at December 31, 2016, the Agency thus participated in 1 litigation procedure before the competent district court.

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

In 2016, the Agency submitted to the state prosecutor's office 5 criminal charges, namely 4 against 5 natural persons and 1 legal entity in relation to suspicion of criminal offense of abuse insider information and 1 against 3 natural persons and 1 legal entity in regards with suspicion of criminal offense of abuse of power or trust in the economic activity.

MOTION FOR LEGAL ENTITIES LIQUIDATION

As at 1.1.2016, the competent district court was in the process of forced liquidation of a legal entity, as proposed by the Agency.

In 2016 this legal entity was removed from the register of the Republic of Slovenia.

PROCEEDINGS BEFORE THE LABOUR AND SOCIAL COURT AND THE SUPREME COURT OF THE RS

As at 1 January 2016, the Agency was involved in 1 procedure before the Supreme Court of the Republic of Slovenia for the audit.

In the period from 1 January to 31 December 2016, another revision of the labour law dispute which involved the Agency was submitted the Supreme Court of the Republic of Slovenia.

At the same time, the Supreme Court of the Republic of Slovenia on both of those audits held and both were dismissed.

As at 31 December 2016, the Agency is no longer participating in the proceedings before labour and social courts.

REQUEST FOR ACCESS TO PUBLIC INFORMATION

In 2016, the Agency received 1 request from a legal person for access to public information under the Law on Access to Public Information (ZDIJZ), which was partially rejected. The applicant appealed against the decision of the Agency to the Information Commissioner responsible for decision-making, but in 2016 the appeal has not yet been decided.

As at 31 December 2016, the Agency thus also participated in 1 procedure relating to the request for access to information under ZDIJZ.

IX. COOPERATION WITH DOMESTIC AND FOREIGN SUPERVISORY AUTHORITIES

COOPERATION WITH SUPERVISORY AUTHORITIES AND INSTITUTIONS IN THE RS

In carrying out the supervision, the Agency is also working with other authorities and institutions, in so far as this is necessary for the performance of its functions and powers and in particular:

- With the Bank of Slovenia and Insurance Supervision Agency (AZN);
- With the Financial Administration of RS (FURS) and the police;
- With the Office for Money Laundering Prevention;
- With the Agency for Public Oversight of Auditing;
- In relation to the violations identified by the Ljubljana Stock Exchange and KDD while supervising within the framework of their powers;
- With supervisory authorities within the framework of the Working Group for supervision of the implementation of the Cooperation of the Prosecutor General's Office, the Police and other competent authorities and institutions in detection and prosecution of perpetrators of minor offenses and the functioning of specialized and joint investigation groups (i.e. FURS, Commission for the Prevention of Corruption, Police, National Investigation Office, Agency for Protection of Competition);
- With the supervisory authorities of the Member States and;
- With foreign supervisory authorities on the basis of concluded agreements on mutual cooperation.

In 2016, the Agency and the Bank of Slovenia cooperated in the event of triggering the guarantee scheme for investors' claims, in various working groups and in other cases specified by law. Cooperation between the two institutions was also conducted in other professional fields.

In 2016, the Agency cooperated with the AZN, the Bank of Slovenia and the Ministry of Finance also during the operations in the Commission for the mutual cooperation of authorities.

In 2016, the Agency, together with the Bank of Slovenia and AZN, also participated in the Financial Stability Board. The meetings of the Committee are attended also by the representatives of the Ministry of Finance.

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

The Agency cooperated with AZN mostly in the field of supervision of functioning of pension funds. On a regular basis and at a special request, the Agency sent to the Bank of Slovenia and AZN aggregated data and statistics on the operations of investment funds and mutual pension funds.

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

Representatives of the Agency participated in different working groups, such as the national T2S user group.

The Agency also cooperates with the Association of Members of Securities Stock Exchange - GIZ, the Association of companies for management of investment funds – GIZ and the section of custodian banks at the Bank Association of Slovenia. It thus, in 2016, continued with the practice of regular annual meeting with the management of supervised entities and with the representatives of the industry organized a few joint meetings.

EU AND INTERNATIONAL COOPERATION

European Authority for Securities and Markets – ESMA

As until now, the major activities of the Agency have been related to the area of the EU, especially with the field of legislation and its implementation. In this context, we mention the priorities of ESMA, which were also in 2016 still intensely related to the following European regulations: the Directive 2014/65 / EU (MiFID II) and Regulation (EU) No. 600/2014 (MiFIR), the Regulation (EU) No. 596/2014 (MAR) and the Directive 2014/57 / EU (MAD II) and others.

The basic tasks of ESMA are:

- preparation of a unified set of rules ('single rule book'),
- supervisory convergence in the implementation of legislation in financial markets,
- licensing and supervision of credit rating agencies,
- licensing and supervision of trade repositories of concluded business
- protection of investors and
- financial stability in the EU.

Already in the work plan ESMA clearly pointed out that from 2016 onwards, the focus will be increasingly more on the actual implementation of numerous and complex rules, and not so much on the preparation of a uniform rules book (single rule book). In recent years, the ESMA has prepared and forwarded the vast majority of proposals for technical standards and advice under the above and in other regulations (EMIR, CRAR, Benchmark Regulation, PRIIPS, AIFMD, UCITS and others). In the future this will still remain one of the ESMA activities, but to a lesser extent than in the past; less on the basis of new regulations and more from changes or additions to existing or applicable regulations.

The first five years of operation (2011-2016) were thus primarily intended for the preparation of uniform rules book of many professional fields, while from 2016 onwards, there is a significantly more emphasis on the so called supervisory convergence (in the implementation, supervision and measures) and, as already mentioned, the actual implementation of the regulations in practice. To this end, among other activities, ESMA (partly) transformed the purpose and functioning of the permanent Review Panel group, which is now the Supervisory Convergence Standing Committee. Additionally, in the normal course, that is regular, the work plan for 2016 also produced the work first plan specifically in the area of supervisory convergence of ESMA members.

Among the specific activities of ESMA and the members, there are, for example, numerous guidelines which are addressed and apply to supervisors and the various members of the financial markets, depending on the area. In addition to the guidelines, an important tool for supervisory convergence is also the document of questions and answers (Q & A). Both documents are very important in clarifying the implementation of regulations, particularly in the areas of MiFID, EMIR, MAR, AIFMD and UCITS.

In 2015, the Commission prepared a Green Paper with proposals on the establishment of equity Union modelled on the banking union. The new regulation should contribute to reducing or eliminating of restrictions on funding and offer new, innovative funding opportunities, particularly for new, mostly small, modern companies. In September last year the Commission drew up an interim report on progress in the development of Union and proposals for faster development of the project. These include securitization, more flexible rules for prospectuses for certain offerings of securities, different types of investment funds as investment opportunities, measures to increase the scope of equity financing compared with debt, strengthening of retirement savings, etc. In 2016, ESMA prepared a response to the Commission's consultation document, which specifically deals with the so called retail investors, and the answer falls into a broader set of collaboration of ESMA in the creation of equity Union. These are areas that are interconnected, and therefore must ESMA (and its members) cooperate with the other two competent institutions, EBA and EIOPA; financial instruments and services are interrelated and interwoven between sectors. This is another reason, why the Agency is working with the Bank of Slovenia and the Insurance Supervision Agency.

The major part of activities of both ESMA and the Members was directed to the preparation for the implementation of MiFID II / MiIFR. Specifically, in the form of the above-mentioned guidelines and answers to frequently asked questions. Due to the exceptional extent of regulations and connection of their implementation with intensive IT support, was on 30.6.2016 published the Regulation of the Council and Parliament to extend the deadline for both the transfer of MiFID II into the national law (from July 2016 to July 2017) and the date the beginning of the application of MiFID II and MiFIR (January 2018 instead of January 2017). The Agency is involved in a delegated information project within ESMA for the collection, processing and publishing data on the financial instruments under MiFID II (i.e. FIRDS project). In addition to the two major, i.e. delegated projects (FIRDS and TRACE), ESMA establishes and in 2016 successfully launched other demanding IT projects; information on credit ratings (CEREP), a number of registers and databases in the field of EMIR, various types of investment funds, prospectuses, reporting

by public companies (the project of connecting the national reporting systems by the end of 2016 has not been completed and is continuing) and others.

The Agency has, in accordance with the Regulation (EU) No. 1095/2010, in 2016 decided and declared about consideration of ESMA guidelines and gradually introduced them in its practice. These activities will continue in the coming years, especially since ESMA plans to adopt a large number of new ones, as already mentioned for reasons of supervisory convergence. In 2016, we have not been selected for specific examination yet (i.e. 'On site visit') in the context of peer review, and we expect to be in one that will take place in 2017.

ESMA has regularly published reports on the situation in the financial markets, vulnerabilities, opportunities (i.e. Trends, Risks and vulnerabilities - TRV report twice a year), and quarterly reviews, 'Risk Dashboards'. Part of the analysis certainly also referred to the decision of Great Britain to leave the EU (i.e. Brexit), which will definitely be more relevant and concrete in the coming years.

The colleagues of the Agency also in 2016 participated especially in ESMA SC (Standing Committees) that address current areas of law (for example, the Supervisory Convergence SC, working group collection and processing of data on financial markets - Market Data, Information Technology - IT, investment funds, MISC (Market Integrity SC) and others). Due to staffing of the Agency, the costs associated with the business travels, and in conjunction with other work responsibilities, is the participation in groups also possible via telephone conferences. The work of specific groups or ESMA areas of operation, even though the rules and regulations apply to all EU Member States, is monitored through review of group documents and decision-making and analysis on ESMA's Board of Supervisors.

In 2016, the Agency actively participated in the expert group on asset management (IMSC - Investment Management Standing Committee), which operates within the framework of ESMA. In 2016, IMSC, inter alia, in addition to preparing a wide range of opinions and suggestions in connection with the preparation of guidelines, relating to the area of investment funds, also prepared a wide range of opinions and recommendations in the form of questions and answers (Q & A) in relation to uniform implementation of the Directive 2011/61 / EU (AIFMD).

In the previous year the Agency, on a regular basis, exchanged supervisory information with ESMA members, as well as with third-country supervisors, in accordance with the received information requirements and provisions of the agreements and the law, which regulate the provisions of these activities. It also submitted to ESMA the required information and data.

International Organization of Securities Commission - IOSCO

In the area of operation of IOSCO, the Agency exposes mainly cooperation in three main committees of this international organization, namely the Presidential Committee, which brings together all members of IOSCO, the GEM Board (Growth and Emerging Markets Committee), which involves developing countries and emerging economies and in European Regional Committee. The work of the organization is focused on deeper cooperation with Member States and stakeholders, in particular in determining the IOSCO standards, information sharing and education and protection of investors. Precisely in the field of information exchange IOSCO approaches the upgrading of the current Memorandum, on the basis of

which members of the organization exchange information from supervisory procedures - EMMoU (Enhanced MMoU). In order for these improvements to be intentional and feasible, accessible and immediately useful for those members whose arrangement allows the immediate use of these, the new EMMoU was built on the foundations of the current MMoU. EMMoU introduces new powers for the Parties, that could in supervisory procedures for the exchange of information be acquired or at the request forwarded, namely: obtaining of statements, audit records, freezing of assets, obtaining records from Internet service providers and retrieving of records of telephone conversations. SG named the new powers with the acronym ACFIT (Audit papers, Compelled statements, Freezing Assets, Internet service provider records, Telephone records). The new EMMoU new is the same and is based on the MMoU. It will not annul or eliminate the current MMoU, but will be built on its good practices. However, since the new EMMoU will be a big leap for many members, party to the current MMoU, a long transition period for the adoption on the new EMMoU is confirmed. According to the last proposal of the working group for MMoU, this will be a period of minimum 10 years. In the meantime (and also later), both agreements shall apply.

Last year, IOSCO issued a number of reports on the state of the market in financial instruments. IOSCO analyses and prepares the recommendations to members in regards to changes on the markets, especially in the field of organizational goals; mutual cooperation to consolidate high standards of regulation in order to achieve fair, efficient and lawful securities markets, exchange of information on the experience of individual supervisors, with the intent of promoting the development of domestic markets and the unification of the members' operations in order to enforce standards and effective supervision.

In March 2016 IOSCO got a new Secretary General for the period of 3 years, the Vice President of the US Agency for supervision of the financial industry (FINRA), Paul P. Andrews.

The representatives of the Agency have over the past year participated in training programs IOSCO and ESMA in the field of supervision and the new European legislation.

In October 2016 the headquarters of the Agency held a ceremony for the signing of the Declaration of cooperation with regulators of the capital market in the region. The Declaration was approached by all regulators in the region, besides Slovenia also Serbia, Montenegro, Croatia, Macedonia, Serb Republic, Federation of BiH and Brčko District of BiH. The purpose of the Declaration on cooperation is to establish and maintain fair, efficient and regulated capital markets and increased investor protection. The signatories to the declaration committed themselves to cooperation and efficient exchange of data and information necessary for the implementation of our supervisory activities.

X. REPORT ON OTHER ACTIVITIES

ISSUING OF WARNINGS BY THE AGENCY AND FOREIGN SUPERVISORS

In 2016, the Agency continued publishing on its website the warnings of the Agency and the warnings of other supervisors. In 2016 it thus:

- In the Warnings section the Agency issued 2 warnings and
- In the section Warnings by other supervisors 327 warnings.

REGISTER KEEPING AND PUBLICLY AVAILABLE LISTS

On the basis of the regulations ZTFI, ZISDU - 3 and the ZUAIS, the Agency keeps:

- A register of licenses for the provision of investment services and activities,
- Register of tied agents,
- Register of licenses for the provision of investment fund management services and
- Register of alternative investment funds operators.

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

REGISTER OF AUTHORIZATIONS TO PERFORM INVESTMENT SERVICES AND OPERATIONS

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

In 2016, the Agency issued 1 license for the provision of investment services and operations, and erased two subjects from the register.

REGISTER OF TIED AGENTS

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

In 2016, there were no changes in the registry of tied agents.

REGISTER OF AUTHORIZATIONS TO PERFORM INVESTMENT FUND MANAGEMENT SERVICES

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

In 2016, the Agency did not issue any authorisation for the provision of investment fund management services.

REGISTER OF ALTERNATIVE INVESTMENT FUND MANAGERS

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

In 2016, the Agency discussed 4 requests for entry into the register of managers of alternative investment funds.

PUBLIC LISTS

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

- list of public companies,
- list of issued authorisations for public offerings of securities with prospectuses,
- list of companies referred to in Article 4 of the ZPre -1 (target companies that are subject to takeover legislation)
- list of prospectuses and any possible annexes to the prospectus confirmed by the Supervisory Board of the home Member State of the issuer, if the Agency has been informed,
- list of takeover bids,
- list of issued authorizations for marketing of investment funds and selling investment units or shares in investment funds,
- list of notified investment companies of Member States
- KNPVP list, developed in other Member States, which are marketed in the RS,
- list of alternative investment funds from other Member States, which are marketed to professional investors in RS,
- list of managers of alternative funds from other Member States who are directly engaged in alternative investment fund management services
- list of European venture capital funds (EuVECA) and the European Social Enterprise Fund (EuSEF) from other Member States of the EU, which are marketed in the Republic of Slovenia.

FINANCIAL, GENERAL, PERSONNEL AND OTHER MATTERS

In 2016, the Agency newly recruited 1 person for an indefinite period. At the end of 2016 the Agency had 44 employees; 43 of those were permanent employees, 1 person was employed for an indefinite period. In the quota of 43 employees employed for an indefinite period, are 3 employees part-time employees (disabled workers). In 2016, there were on the basis of hours worked on average 39.08 employees.

The Agency devotes a lot of attention to further education and training of employees, also due to the rapid development of financial markets and new services. Thus, the Agency allows for its employees external education and internal professional training.

In 2016, the Agency amended or supplemented in particular the following general acts:

- Rules of the Agency,
- Rules of operations of the Agency's Council,
- Rules on internal organization and systematization of jobs,
- Rules on the content and method of keeping public relations in the Agency,
- Guide to procurement
- Plan of health promotion in the workplace of the Agency,
- Instruction on the conditions and manner of computerized access to data in the computer program SOAP,
- Methodological framework for the cooperation of the national competent authorities in certain parts of the Transparency Directive,
- Guidelines for review of prospectuses,
- Instructions for dealing with matters in the area of acquisitions.

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

In line with the legislation on occupational health and safety and fire safety, the Agency in 2016 saw to it that its employees underwent the necessary medical examinations (preventive, periodical, target), and organized the training of security and health at work and fire protection.

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

Based on ZTFI, the Agency must, within ten days after the adoption, submit the annual accounts with the Auditor's Report and Financial Plan according to ZTFI to the competent Minister of Finance. It is considered that the annual accounts and the financial plan are approved, unless the Government of the Republic of Slovenia within 15 days of their receipt decides otherwise. Ministry of Finance sent the Agency of 12 May 2016 a letter stating that in accordance with Article 60 of the Law on the Implementation of the budgets of the Republic of Slovenia for the years 2016 and 2017 (ZIPRS1617) the approval of the Government of the Republic of Slovenia of the financial plan and the annual report on activity of indirect budget users, which include also the Agency, is not required. The issue of consent is a matter of the line ministry.

By the end of February 2016, the Agency prepared and sent to the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES) its annual report for the year 2015, together with

the company report, as prescribed by the Accounting Act and Public Finance Act. By the prescribed deadline, March 31, 2016, the Agency's Council adopted the Agency's annual statements of accounts for 2015 and the Financial plan for 2015, together with the Work plan of professional services for 2016. The Government of the Republic of Slovenia did not confirm the Agency's annual accounts for 2015 and the Financial Plan for 2016, thus the Agency prepared a new text for the Financial Plan for the year 2016. The Ministry of Finance gave its approval to the Agency's annual accounts for 2015 and the financial plan of the Agency for the year 2016 on 3 May 2016.

In accordance with Articles 472 and 473, the Agency prepared for the National Assembly the Annual Report of the Work of the Agency for 2015 and the Report on the Situation on the Market in Financial Instruments in 2015, which were examined by the Committee on Finance and Monetary Policy.

In early September 2016, the Agency also prepared Proposal of the financial plan for the years 2017 and 2018, as required by the Article 13 of ZJF and Decree on Development Planning Documents and Procedures for the preparation of the state budget. Indirect budget users in the context of the preparation of the National Budget receive a call and instructions from the Ministry of Finance for the preparation of the financial plan for the next two years.

In addition, the Agency promptly and timely prepared various other compulsory reports and data from the financial accounting fields for external users (the Agency's balance sheet for 2015, corporation tax for 2015, reports in relation to salaries, quarterly reports for statistics of financial accounts and on government revenue, semi-annual report for 2016, etc.) and internal users.

The Agency has its own accounting, but has transposed a part of the accounting tasks, especially in the field of salaries, to an external contractor. In the context of accounting, which keeps books and other accounting records and performs the tasks of budgeting, control and analysing, 2016 recorded 18.991 entries (on the basis of accounting documents carried out entry from business events onto the appropriate account or the account book, where they are recorded). Certain entries were made in order to monitor the movement of general government revenue and expenditure (the cash-flow accounting principle applies to recognition of revenue and expenditure in books of accounts). In 2016, the Agency received 956 invoices from the suppliers, which were paid by the set due dates. The Agency recorded 475 notifications on the obligation to pay costs, of that 468 for carrying out of supervision for the year 2016 under the Tariff for taxes and compensation (Tariff) and 7 notices of payment obligations under other bases, charged by the Agency in accordance with the tariff. In addition, the Agency prepared several other documents, such as IOP forms, warnings, interest calculations.

As a rule, the Agency independently handles its own debt collection, using reminders and then lodging of motions for enforcement at local courts or FURS. Insofar as proceedings are initiated against the debtor based on ZFPPIPP, the Agency lodges its claims. In 2016 the Agency lodged 14 proposals for enforcement at FURS and 7 lodgements of claims in bankruptcy proceedings of legal entities at the district courts.

As of 31.12.2016, the Agency had outstanding receivables 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 in total amount of 419,717 EUR, of which were 266,803 EUR doubtful and questionable receivables (i.e. insolvency proceedings, actions, enforcement).

Agency is, as a minor offenses authority under the Act in relation to fiscal revenues (fines) responsible for their collection, keeping records of claims, coordination, reporting and debt collection. On 31 December 2016, there were outstanding claims in the amount of 675,359 euros, taking into account also the lodged claims in the insolvency proceedings.

The outsourcer of the internal audit of the Agency's operation performed a regular audit for 2016, which included evaluation of internal controls in charging the fees from individual cases, annual compensations and fines, as well as a review of recovery procedures.

Before the preparation of the financial statements for 2016, the Agency carried out an inventory of assets and liabilities, which ascertained the value differences between the census status and the status of the items disclosed in the business. The inventory report was considered the Director of the Agency, who adopted the decision on the liquidation of inventoried differences. On its basis the value of the items, disclosed in the accounts, was adjusted to the actual.

INFORMATION TECHNOLOGY

In the field of information technology, the Agency in 2016 prepared a development strategy for the period 2016-2021.

NRS

In 2016, the Agency continued with modifications and adaptations of the electronic recording and transmission of data NRS, where it performed the following changes:

- prepared a new functional specification for electronic reporting of brokerage companies, which refers to the changes that have been introduced on the basis of the amended ZTFI – F, which in the legislation of the Republic of Slovenia dictates the provisions regarding the prudential regulation of brokerage companies and reporting requirements under the new capital adequacy rules regulated by the Directive 2013/36 / EU and Regulation (EU) No. 575/2013, and on their basis adopted and delegated acts and of the Commission and other regulations / documents of the European Supervisory Authorities;
- prepared a revised and updated functional specification for electronic reporting of brokerage companies to report suspicious orders and transactions (STOR form);
- prepared amendments to functional specification for reporting of management companies, in the part which refers to the code list of general reports;
- prepared the correction of functional specification for reporting of management companies in the part which relates to the XSD schema;
- established reporting in accordance with the Decision on the management company's reporting and management company of a Member State;
- prepared an amendment to functional specification for reporting of managers of alternative investment funds; the amendment refers to a set of general reports;

- prepared an amendment to functional specification for reporting the managers of the mutual pension funds and pension umbrella funds in so far as it relates to the reporting of numerical data;
- prepared the correction of the functional specification for the reporting of the administrator, referring to the XSD schema;
- prepared a revised functional specification for electronic reporting of public companies; the specification still includes information on reporting of information on persons who have access to inside information (SONI - 1) and informing of the Agency of the postponement of publication of inside information (ODNI).

TREM

In 2016, the Agency continued with modifications and adaptations of the system for the exchange of information between the Agency and the supervisory authorities of other EU Member States (TREM), where it established the receipt of reports of trade repository data (TRACE).

ESMA

In 2016, on the level of ESMA:

- the first phase was established of the delegated project TRACE (Access to the data of the trade repository), the second phase of the project is expected to be completed by October 2017;
- the system FIRDS (system of reference data for financial instruments) was established; a project, which started in September 2015, continued in 2016, completed which is expected in to be completed in December 2018;
- modernized system for the exchange of confidential documents with the supervisory authorities of other EU Member States;
- the system CRA3T was established; the project started in 2014 and continued in 2015. In 2016, the collection and publication of data was established; the project is expected to be completed in July 2017;
- renewed register of prospectuses and exchange of final terms of the prospectus;
- renewed reporting of managers of alternative investment funds.

APPLICATIONS

In the field of applications, the Agency in 2016:

- set up the exchange of information on the operations of mutual pension funds, which carry out investment policy of providing a minimum guaranteed rate of return on the net payment, and the sub-funds of the

umbrella pension fund, carrying out the investment policy of ensuring a minimum guaranteed rate of return on the net payment of AZN;

- established Jitbit application for support of staff and communication with suppliers in the field of information technology;
- successfully updated IISA, which enables more efficient IT support for business processes of the Agency; updated fields of reports, analyses, registers, lists, personnel, finance and search engines;
- technically and substantively updated the document management system with the intent to improve the performance of the document management system and a faster and better responsiveness to customers and established an electronic system for reporting of the list of documents issued;
- establish a system for carrying out the inventory of fixed assets using bar codes, set up file exchange with the Bank of Slovenia and set up signing of prospectuses;
- recorded and developed a plan of Microsoft licenses usage;
- conducted a lot of modernizations, adaptations and changes of system software (mail server, database servers, print server, operating systems, antivirus software, infrastructure) both on the primary and backup location and application software (websites, applications, e-sessions, SOAP , ISDMS, SharePoint, Špica) at the primary location.

SYSTEMS

In the field of system infrastructure, the Agency in 2016:

- renewed and consolidated objects in the active subscriber directory and group policies;
- upgraded the infrastructure of public keys and the infrastructure of certification authority;
- upgraded the control system of the operation of server infrastructure for the backup location;
- bought a new secondary DNS server;
- upgraded e-mail Exchange server to version of Exchange 2016;
- upgraded VMware vCenter, VMware View and ESXi environment and replaced the switches in the server room;
- implemented an additional virtual machine to increase online safety;
- conducted a safety review of the infrastructure and eliminated the identified irregularities;
- began with the transition of the environment and Agency's applications in the direction of high availability; the transition will be completed in 2017;
- successfully tested the continuity of operations at the backup location;
- transferred the local public DNS server to Arnes;

- switched to a new Internet service provider;
- updated the thin clients and virtual desktops for employees and
- carried out servicing air conditioning systems, UPS devices, alarm systems, printers, system for key security.