



Annual Report for the Year 2010

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Annual Report of the Securities Market Agency for the Year 2010

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I. REPORT ON THE WORK

INTRODUCTION

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

The annual report consists of the Report on the Work of the Agency in the business year 2010, auditor's report and annual statements of accounts. The Report on the Work covers entire operations of the Agency in the previous year: information on issued approvals for public offering of securities and takeover bids, data on authorisations granted to management companies, investment funds, investment firms and mutual pension funds, as well as other authorisations and acts adopted by the Agency. It describes the work carried out by the Agency in connection with the supervision of financial instrument market participants, the regulatory work of the Agency, and the Agency's cooperation with other domestic and foreign regulatory authorities, international organisations and institutions. The annual statements of accounts include the Agency's financial statements and explanatory notes to the financial statements.

The figures contained in this report generally refer to work carried out by the Agency in 2010, except in specific cases where they refer to a period before or after 2010 if that provides a more comprehensive account of particular facts or matters connected with the work of the Agency.

1. LEGAL STATUS, TASKS AND BODIES OF THE AGENCY

Establishment and legal status

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

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

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

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

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

Main tasks of the Agency

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

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

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

More specific tasks of the Agency include:

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

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

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

BODIES OF THE AGENCY

Pursuant to the provisions of the ZTFI, the bodies of the Agency are the Council of the Agency (hereinafter: the Council) and the Director of the Agency.

The Council

The Council consists of five members. The Director of the Agency is also the president of the Council. The members of the Council have been appointed by the Government of the Republic of Slovenia for five years at the proposal of the Minister of Finance. Pursuant to the latest amendment of the ZTFI-C, the Director and Council of the Agency shall be appointed and dismissed at the

proposal of the Government of the Republic of Slovenia by the National Assembly of the Republic of Slovenia for six years, and may be reappointed.

In 2010, the Agency's Council consisted of the following members: Mr. Damjan Žugelj, Mr. Primož Pinoza, Ms. Anka Čadež, Ms. Edina Ključanin and Mr. Ivan Kukar.

The Council held 61 regular meetings in 2010. The Council is competent for adopting the Rules of Procedure of the Agency and the implementing regulations, issued by the Agency, deciding on licences and approvals, and other individual matters. It is also in charge of adopting the annual report on the work of the Agency and the report on the situation on the market in financial instruments, the annual plan and the budget of the Agency. The Council adopts the Agency's annual statements of accounts, which are audited by a certified auditor. The Council also performs other tasks within the Agency's scope of responsibilities, unless it is stipulated by law that another body of the Agency is responsible for performing those tasks.

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

Director

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

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

The Government of the Republic of Slovenia reappointed Mr. Damjan Žugelj Director of the Agency on 12 March 2010 for five years.

2. LEGISLATION

On the legislative field, the Agency continued to be active in relation to the systematic regulation of the capital market of the Republic of Slovenia in 2010, particularly with the view of its harmonization with the European Law, and the related urgent interventions in certain acts of key importance for the Agency's operations.

The majority of the Agency's activities were related to the amendments to the Banking Act (hereinafter: the ZBan-1) and the ZTFI. The following two acts were published in the Official Journal of the RS:

- Act amending the Banking Act (ZBan-1E), Official Journal of the RS, No. 79/10;
- Act amending the Market in Financial Instruments Act (ZTFI-C), Official Journal of the RS, No. 88/10.

Both amendments were followed already in 2010 by publications of official consolidated acts, namely ZBan-1 (Official consolidated text, ZBan-1-UPB-5) in the Official Journal of the RS, No. 99/10 and the ZTFI (Official consolidated text, ZTFI-UPB3) in the Official Journal of the RS, No. 108/10.

It should be pointed out that the amendments to the ZBan-1 are important for the work of the Agency, because the provisions of the ZTFI in many cases refer to the provisions of the ZBan-1 or their *mutatis mutandis* application.

The anticipated amendment of the ZTFI was realized with the enforcement of the amended Market in Financial Instruments Act (ZTFI-C). The amendment introduced some important changes for better regulation of the appointment of the Agency's Director and Council, as well as the adoption of its annual statements of accounts and budget, which is now comparable to other supervisory bodies, and a possibility to publish decisions on supervisory measures imposed by the Agency. However, it should be underlined that the amendment of the ZTFI did not fulfil the Agency's request for its independence.

As the amendments ZTFI-C and ZBan-1E were enforced towards the end or at the end of 2010, the ATPV started activities for preparation of changes and amendments of the implementing regulations required by the above stated amendments already in 2010. Furthermore, the major part of the Agency's activities on the field of implementing regulations were related to the amendment ZBan-1D, which entered into force in December 2009 (Official Journal of the RS, No. 98/09).

The Agency adopted numerous implementing regulations on the field of investment services and transactions:

- Decision determining the programme and way of testing of necessary expertise for the job of a broker;
- Decision on documentation to prove fulfilment of the conditions required for a member of the investment firm's Board or Executive Director of a investment firm, liquidator of a investment firm or Manager of a subsidiary of a investment firm from the third country;
- Decision regulating reporting on specific facts and circumstances of investment firms;
- Decision regulating capital requirement calculation for market risks for investment firms;
- Decision on documentation to prove fulfilment of the conditions required for a member of the stock exchange's board or its Executive Director;
- Decision on factors determining accepted market practice or recognized market attitudes and specific measures determining assumptions related to definition of inside information;
- Decision on documentation to prove fulfilment of the conditions required for a member of the Central Clearing and Depository Company or its Executive Director.

The above stated amendments and supplements to implementing regulations were published in the Official Journals of the RS, Nos. 21/10, 62/10, 64/10, 75/10 in 97/10. The Corrigendum to the Decision regulating capital requirement calculation for credit risk according to the standardised approach for investment firms was published in the Official Journal of the RS, No. 10/10.

In relation to the management of investment firms with risks according to the requirement of the ZTFI for application of regulations, issued by the Bank of Slovenia on this field, by analogy, and pursuant to the amendment ZBan-1D and changed and supplemented implementing regulations of the Bank of Slovenia, the Agency issued decisions on amendments and supplements to the Decision regulating reporting on specific facts and circumstances of investment firms, Decision regulating capital requirement calculation for market risks for investment firms, and the Corrigendum of the Decision regulating capital requirement calculation for credit risk according to the standardised approach for investment firms.

In 2010, the Agency corrected the deficiencies stated in relation to the required documentation to prove fulfilment of the conditions required for a member or Executive Director of the subjects of supervision, by introducing changes and supplements in questionnaires being the constituent part of the Decision on documentation to prove fulfilment of the conditions required for a member of the investment firm's Board or Executive Director of a investment firm, liquidator of a investment firm or Manager of a subsidiary of a investment firm from the third country, Decision on documentation to prove fulfilment of the conditions required for a member of the stock exchange's board or its Executive Director, and Decision on documentation to prove fulfilment of the conditions required for a member of the Central Clearing and Depository Company or its Executive Director.

Furthermore, the Agency also issued the amendments of the Decision determining the programme and way of testing the necessary expertise for the job of a broker, which enforced longer mandates of the Examining Board in 2010. The Decision on factors determining accepted market practices or specific criteria determining assumptions related to definition of inside information was also amended.

The Agency also adjusted the Tariff on charges and fees to the adopted amendments of the implementing regulations, by issuing the Amendments of the Tariff on charges and fees, which was published in the Official Journal of the RS, No. 59/10.

According to the new regulation, some former flat-rate compensations for costs of procedure, are now defined and charged in relation to the actual complexity of an individual case.

In addition, the Agency included all amendments and new elements in the new Rules on Supervision Procedures, which stipulate types of supervision procedures performed by the Agency within its competences, defining specific details for each type of supervision procedure and the adoption of measures in case of established irregularities and infringements.

The expansion of the Agency's competences was a result of the EU Regulation on Credit Rating Agencies, adopted by the European Commission in 2009 and amended in 2010. This Regulation is directly applied in the legislation of the EU Member States. On the basis of the above stated Regulation, the Government of the Republic of Slovenia adopted the Regulation on Application of the EU Regulation on Credit Rating Agencies (Official Journal, No. 45/10), which appoints the Agency as the competent authority for the application of the European Commission's Regulation in the Republic of Slovenia.

Minor changes of the Agency's work were also introduced with the amendment of the Act on Legal Successors of Authorized Investment Companies (the ZPNPID).

The amendments to the Act amending the Prevention of Money Laundering and Terrorist Financing Act (the ZPPDFT-A) were also adopted in 2010 (Official Journal of the RS, No. 19/10), therefore

the Agency prepared and published the amended Guidelines for Prevention of Money Laundering and Terrorist Financing on its website.

The following two implementing regulations from the field of operations of investment funds and management companies were updated in 2010:

- Decision on supplements to the Decision on precise rules for calculation of capital adequacy of a management company, terms, manner and precise contents to be reported by a management company to the Agency in relation to capital adequacy and precise rules on risk management for a management company (Official Journal of the RS, No. 67/10) and
- Decision amending the Decision on documentation to prove fulfilment of the conditions required for a member of the management body of a management company (Official Journal of the RS, No. 21/10).

The Decision on supplements to the Decision on precise rules for calculation of capital adequacy of a management company, terms, manner and precise contents to be reported by a management company to the Agency in relation to capital adequacy and precise rules on risk management for a management company had to be supplemented, due to the instruction that management companies are obliged to deliver their reports on capital adequacy in the electronic form through the National Reporting System, and in compliance with the functional specification published on the Agency's website. The adoption of the Decision amending the Decision on documentation to prove fulfilment of the conditions required for a member of the management body of a management company was necessary due to minor substantive amendments.

On the field of funds, the Agency closely cooperated with the Ministry of Finance to prepare the text of the new Investment Funds and Management Companies Act, proposing numerous additional solutions, which will take the flexibility and competitiveness of the system to a new level. Comprehensive and quality upgrade of legislation is our final goal.

The adoption of the new UCITS IV Directive had a significant impact on the Agency's work on the legislative field in 2010. This Directive provides for new regulation of Undertakings for Collective Investments in securities in the national legislation of the Republic of Slovenia. The introduction of all new elements, as stipulated by this Directive, required an extensive amendment of the ZISDU-1, or a replacement of the existing act with a new one, which should be adopted by 30 June 2011. According to its plan, the Agency proactively cooperated with the Ministry of Finance in 2010 when preparing the amendments of the ZISDU-1 resulting from the European directives, and proposed some additional improvements for better competitiveness of the domestic undertakings for collective investments. The final goal of such act is a comprehensive and quality upgrade of the existing legislation, including the introduction of a possibility to operate the so-called non-UCITS funds. The UCITS IV Directive respects the principles of the Lamfalussy's Commission, namely that numerous implementing second-level directives are adopted simultaneously with the Directive. Such implementing directives are adopted by the European Commission, and they are in general included in the Agency's implementing regulations. The Agency started to prepare them already in 2010, and in the first half of 2011 it will be obliged to issue several new implementing regulations or adjust other existing implementing regulations to the new act.

In 2010, the Agency followed its plan and also cooperated with the Ministry of Finance to prepare the Alternative Investment Fund Managers Directive (AIFM Directive), and within the CESR it actively participated in preparation of the third-level implementing directives and guidelines.

In 2010, the Ministry of Labour, Family and Social Affairs renovated the pension insurance legislation, also in the part referring to voluntary pension insurance. The Agency participated in the procedure and presented several proposals for elimination of the existing discrepancies and confusions in the legislation, as well as proposals for improved operational conditions and more attractive voluntary pension insurance. If the ZPIZ-2, which has already been adopted, is also

enforced, the field under the Agency's competence will experience major substantive amendments. The enforcement of the new ZPIZ-2 would mean that the Agency will amend in 2011 all 11 implementing regulations issued on the basis of the ZPIZ-1. In case of introduction of new forms of saving for old age, we will probably have to prepare and publish completely new implementing regulations.

In 2010, the Agency continued to remind the Ministry of the Economy of written proposals for amendments of the takeover legislation, already delivered in 2009, which were supplemented with newly discovered deficiencies and confusions in practice, however, the expected amendment of the ZPre-1 was not adopted.

The Ministry of Finance, which was preparing the amendments of the ZTFI, was sent some additional proposals and comments or concerns of the Agency. Such proposals dealt in particular with higher independence of the Agency, enforcement of the possibility to publish the Agency's orders on supervision measures, and guaranteed application of legislative provisions binding the Agency in relation to protection of confidential information. As stated above, some of them were already enforced by the amended ZTFI-C in November 2010, which will soon be followed by another amendment (ZTFI-D).

The Agency also actively responded to the proposals and initiatives of the same ministry, which initiated in 2010 the amendments of the Book Entry Securities Act (the ZNVP) and the anticipated amendment ZTFI-D, which are necessary due to the Central Securities Clearing Corporation's (KDD) entry into the Pan-European Target II Securities – T2S system. The amendments of the above stated acts will define the legal rules regulating operation of integrated settlement systems, in particular liability for damages and introduction of data pairs. The T2S settlement system will provide for a uniform and efficient settlement of transactions in securities in the central bank money all over the EU.

Even though the efforts of the Agency were primarily focused on the preparation of comprehensible legislation, its increased complexity gives rise to new questions and requirements for additional explanations and standpoints. In addition to issuing the opinions regarding the specific questions related to the regulation of the area of funds, the Agency, with the aim of further improving legal certainty, adopted several positions that represent the guidelines for the operation of management companies, investment funds and mutual pension funds. In 2010, the Council of the Agency adopted the following standpoints: the standpoint regarding the calculation of an investment fund's exposure, the standpoint regarding marketing of investment funds abroad, the standpoint regarding classification of mutual funds by category in relation to their investment structure, and the standpoint regarding the explanation of Paragraph 1, indent 1 of the tariff heading no. 78 of the Tariff on charges and fees for transformation of mutual funds. The standpoints of the Council are published on the Agency's website.

With the adoption and publication of its standpoints, the Agency increased predictability of the business environment, and facilitated the operations of financial organizations under its supervision.

3. GRANTING OF AUTHORISATIONS AND APPROVALS

The number of requests for authorisations and approvals was quite surprising despite less favourable conditions on financial markets in 2010, and was twice as high as planned and 30 % higher than the number of requests in 2009. In 2010, the Agency processed a total of 1,060 cases, 556 requests for the issue of authorisations and approvals and 504 notifications and other notifications on supervision, which was twice more than anticipated. A higher number of issued authorisations were recorded on all fields, except for the authorisations for public offering of securities and takeovers. The number of issued authorisations for public offering was slightly under the plans, while the number of takeovers was four times lower than planned. Most requests were solved positively, while 15 requests were rejected, refused or withdrawn by the applicants. A higher number of issued authorisations and approvals compared to the previous years and the plans, was a result of a gradual revival of activities on the market in financial instruments, and certain status changes and reorganisation of financial organisations, oriented towards rationalisation of their operations.

More requests were recorded above all on the following fields:

- requests by management companies for approvals of changed rules on management of mutual funds and/or umbrella funds, and for approval of publication of a prospectus and extract of a prospectus for a mutual fund, umbrella fund or sub-fund, almost 4-times higher than planned;
- 53 % more applications than planned for authorisations to operate as a stock broker;
- applications for approvals for sale of investment funds and investment coupons; the Agency examined 153 such applications in 2010, while only 50 had been planned;
- a higher number of filed requests for notification of investment companies of EU Member States' companies, in order to perform investment services and transactions in the RS - 32 % more than planned.

3.1. Public offering of securities

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

The offer of securities to the public and their admission to trading on a regulated market in the Republic of Slovenia is possible on the basis of a prospectus that must be approved by the Agency. There are also some exemptions pursuant to the ZTFI, in which cases the prospectus need 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 all the offerings of securities to public in the framework of its competences.

In 2010, the Agency issued nine decisions on the approval of a prospectus for the admission of securities to trading on the regulated market, five decisions on the approval of a prospectus for the public offering of securities, and one decision on the approval of a simplified prospectus for the public offering of securities.

Table: Granted authorisations – approval of the prospectus for the admission of securities to trading on the regulated market in 2010

Issuer of securities (VP)	Number of issued securities
KB1909 Societa Finanziaria per Azioni – Finančna delniška družba, Gorica, Italija	registered bonds, 205 at EUR 50,000

NOVA KREDITNA BANKA MARIBOR, d. d., Maribor	registered bonds, 26,030 at EUR 1,000
NOVA LJUBLJANSKA BANKA, d. d., Ljubljana	registered bonds, 12,500 at EUR 1,000
FINETOL, finančna družba, d. d., Celje	no-par value shares, 63,279 pcs
ZAVAROVALNICA TRIGLAV, d. d., Ljubljana	registered bonds, 30,000 at EUR 1,000
BANKA CELJE, d. d., Celje	registered bonds, 40,000 at EUR 1,000
GORENJE, gospodinjiski aparati, d. d., Velenje	no-par value shares, 1,876,876 pcs
MAKSIMA INVEST, d. d., Ljubljana	no-par value shares, 1,822,813 pcs
BANKA CELJE, d. d., Celje	registered bonds, 20,000 at EUR 1,000

Source: ATVP

The Agency has established that the number of issuers, who decided for a public offering of securities in 2010, increased compared to 2009. Nevertheless, the number of issuers is still low. According to the Agency, such situation must be attributed above all to the financial crisis, which considerably shook the investors' trust in securities as had been anticipated by the issuers, who did not even attempt to accomplish new offers. Having this in mind 9 issuers decided to place their securities to trade at the Ljubljana Stock Exchange, whereas 6 issuers offered their shares to the public after their prospectus had been approved by the Agency.

Table: Granted authorisations – approval of the prospectus for the offering of securities to the public in 2010

Issuer of securities (VP)	Number of issued securities
AGROGORICA, d. d., Šempeter pri Gorici	no-par value shares, 80,745 pcs
SAVA, družba za upravljanje in financiranje, d. d., Kranj	registered bonds, 26,500 at EUR 1,000
NOVA LJUBLJANSKA BANKA, d. d., Ljubljana	registered bonds, 1,000,000 at EUR 100
GORENJE, gospodinjiski aparati, d. d., Velenje	no-par value shares, 1,876,876 pcs
ALTA Skupina, d. d., Ljubljana	no-par value shares, 3,722,204 pcs

Source: ATVP

Table: Granted authorisations – approval of a simplified prospectus for the offering of securities to the public in 2010

Issuer of securities (VP)	Number of issued securities
NOVOLES, d. d., Straža	no-par value shares, 281,440 pcs

Source: ATVP

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

In 2010, the Agency also issued one decision on the approval of an appendix to the prospectus for the public offering of shares to the issuer AGROGORICA, d. d., Šempeter pri Gorici, who issued 80,745 new no-par value shares, and one decision on the approval of an appendix to the simplified prospectus for the public offering of shares to the issuer NOVOLES, d. d., Straža for 281,440 no-par value shares.

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

In 2010, the Agency received 39 notifications from the issuers of securities on the application of an exemption from publication of a prospectus. These are notifications in cases in which the issuers are not obliged to obtain the Agency's approval of the prospectus for offering securities to the public for individual types of offers of securities, and the prospectus for the admission of securities to trading on a regulated market. The issuers do not need to compile a prospectus, but they must inform the Agency on the application of an exemption within three business days before the beginning of the public offer or the admission of securities to trading on a regulated market. This principle of informing also allows the Agency to supervise those types of securities offering that are not disclosed to the investors through the prescribed contents of the prospectuses for various legal reasons.

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

Granting authorisations for takeover bids

In 2010, the Agency granted 6 authorisations for takeover bids according to the ZPre-1. The Agency will issue such authorisations after it has verified the compliance of individual elements of the takeover bid with the provisions of the takeover legislation. The Agency verifies in particular if the takeover price offered by the acquirer is in accordance with the law, and the adequacy of other disclosures regarding the acquirer and the target company, which the shareholders need for adopting a decision on the acceptance of a takeover bid.

The year 2010 continued the trends from 2009, and there were fewer takeovers, considering their number and value, due to unfavourable economic conditions and more stringent legislation in relation to takeover financing. In 2010, the number of takeovers decreased by one half, compared to the previous year.

3.2. Provision of investment services and activities

Granting of authorisations and approvals to investment firms and banks

At the end of 2010 there were 25 companies that held an authorisation from the Agency or the Bank of Slovenia to provide investment services and financial instrument services, of which 9 were investment firms and 16 were banks. As at 31 December 2010, there were 14 banks and 8 investment firms that were also members of Ljubljanska borza d.d., Ljubljana (hereinafter: the Ljubljana Stock Exchange). In 2010, the company KBC Securities with its registered office in Brussels became a new member of the Ljubljana Stock Exchange with remote access.

Except for two investment firms and one bank, that were granted approvals according to the new regulations (ZTFI, the Banking Act), the remaining investment firms and banks were granted their approvals for investment services and activities on the basis of the former regulations (ZTVP or ZTVP-1). Pursuant to the provisions of Article 582, Paragraph 1, of the ZTFI, all the approvals granted according to the former regulations, are valid approvals under the ZTFI.

In 2010, three investment firms merged into a new investment firm. As a result, the Agency granted in 2010 to investment firms and their holders more approvals than in 2009 when no such approvals were granted.

In 2010, the Agency issued the following documents:

- 1 authorisation to an investment firm for performance of investment services and activities, 1 application for such authorisation was rejected;
- 3 decisions to investment firms on division of a company;
- 3 decisions on the expiry of authorisation for performance of investment services and activities, and
- 4 decisions on authorisation for acquisition of a qualifying holding in an investment firm.

Thus the Agency exceeded its plan for 2010, which anticipated the examination of 8 applications of this sort, while 12 such applications were examined.

Similar as in 2009, the Agency presented to the Bank of Slovenia its opinion within the procedure ran by the Bank of Slovenia in relation to an authorisation for performance of investment consultancy services.

Issue of authorisations to the Ljubljana Stock Exchange

In 2010, the Agency received an application from the Ljubljana Stock Exchange to obtain an approval to the change of the rates of the Ljubljana Stock Exchange for electronic services and to obtain an approval for new rules of the Ljubljana Stock Exchange due to the introduction of the Xetra trading system in 2010. In the process of deciding on the applications, the Agency found no legal objections to the issue of an approval and issued its approval to the change of rates and the amendment of rules to the Ljubljana Stock Exchange.

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

At the end of 2009, the Agency received an application from KDD for an approval to the amendment of KDD's rules. In the process of deciding on the application, the Agency found no legal objections to the issue of such approval and issued its approval to the amendment of KDD's rules in 2010.

Furthermore, the Agency also received an application for authorisation of the acquisition of a qualifying holding in KDD in 2010. In the process of deciding on the application, the Agency found no legal objections to the issue of such authorisation, and as no objections were presented by other competent bodies involved in the procedure, the applicant was granted an authorisation of the acquisition of a qualifying holding in KDD.

Issue of decisions for entry in the register of tied agents

In 2010, the Agency issued nine decisions for entry in the register of tied agents (hereinafter: the OBPZ), which exceeded the plans, anticipating only three decisions. Additionally, it issued three decisions on the deletion from the OBPZ register and one decision on rejection of entry in the OBPZ. The number of examined requests for entry/deletion in/from the OBPZ practically remained on the level from 2009 when eight subjects were entered.

The granting of authorisations to the members of the management board/executive directors of investment firms and agents

In 2010, the Agency granted four authorisations to hold the office of a member of the management board/executive director of a investment firm, one authorisation above the plan or above the number from 2009. Three decisions on the expiry of authorisation to hold the office of a member of the management board/executive director of an investment firm were issued by the Agency in the same period. The Agency had not issued any decision of this sort in 2009, so it was included in the plan for 2010.

In 2010, the Agency issued 46 decisions on authorisation to operate as a broker, whereas one such request was refused. In 2010, the Agency processed 53.33 % more requests than planned and one request above the number from 2009.

3.3. Investment funds and management companies

The division of two management companies (MCs) resulted in a new MC in 2010. The existing number of investment companies (ICs) also decreased, since two ICs were transformed into mutual funds (MFs).

Issue of authorisations and approvals to the management companies

In 2010, the Agency granted the following authorisations and approvals related to the operations of management companies and investment funds:

- 1 authorisation for establishment of a management company, which was not planned by the Agency;
- 2 authorisations for management of a mutual fund, while the Agency planned only one authorisation;
- 8 authorisations for the operation of an umbrella fund sub-fund, 2 authorisations below the plans and 7 more than in 2009;
- 1 authorisation for the establishment of an umbrella fund from the existing mutual funds, which was consistent with the plan and slightly lower than in 2009 when the Agency issued 4 authorisations;
- 10 authorisations for transformation of the existing mutual fund into a sub-fund (the Agency had not issued any authorisation of that type in 2009, so they were not planned for 2010);
- 1 approval for amendments to the articles of association of an investment firm (two such approvals were planned, as three of them were issued in 2009);
- 1 authorisation to publish a prospectus and an extract of the prospectus of an investment company;
- 2 approvals of the rules for a mutual fund or umbrella fund management (4 approvals were planned);
- 115 approvals for amendments to the fund rules of a mutual fund and/or umbrella fund, 4-times higher than planned and realised in 2009 when only 25 such approvals were issued;
- 116 authorisations to publish a prospectus and an extract of the prospectus of a mutual fund and sub-fund, 4-times higher than planned and realised in 2009 when only 25 such approvals were issued;
- 2 authorisations for transformation of an investment company into a mutual fund, which was 50 % above the plan (the Agency did not grant any such authorisation in 2009);
- 2 approvals of adjustment of a mutual fund with the provisions of the ZISDU-1, which was 50 % above the plan (the Agency did not grant any such authorisation in 2009);
- 3 authorisations for acquisition of a qualifying holding in a management company, one authorisation more than planned (the Agency did not grant any such authorisation in 2009);
- 9 authorisations to conclude contracts on the provision of custodian services for mutual funds or umbrella fund sub-funds, which remained at the level achieved in 2009;
- 1 authorisation for exclusion of index-based investments from the calculation of investment shares, which was not planned by the Agency;
- 1 authorisation for the transfer of the transferring mutual fund/sub-fund's equity to the acquiring mutual fund/sub-fund, and
- 2 authorisations to divide a management company, one more than in 2009.

In 2010, the Agency processed the following applications submitted by natural persons related to the operations of management companies and marketing of investment funds, and the sales of investment coupons:

- 7 applications for holding the function of a member of a management board, of which all applicants were granted the authorisation for holding this function; in 2010, the Agency processed 5 applications above the plan and realisation in 2009, and
- 153 applications for granting authorisation for marketing investment funds and selling investment coupons, which was 80 applications less than in 2009 and 103 more than

planned. 142 marketing authorisations were granted and 7 applications were withdrawn, while 3 applicants were refused and 1 application was rejected.

3.4. Supplementary pension insurance

On the field of operators of mutual pension funds and other providers of supplementary pension insurance, the Agency processed 7 applications for an approval of amendments of the management rules of a pension fund, and issued 4 approvals for conclusion or amendment of the contract on provision of custodian services, and 3 approvals of amendments of the statement on mutual pension fund's investment policy in 2010.

3.5. Notifications for providing investment services and activities and selling units of investment funds

Based on the requests received from supervisory institutions of other EU Member States in 2010, the Agency submitted the notification on the provision of services of 264 investment companies from the EU Member States, which requested to provide investment services and activities in relation to financial instruments in the Republic of Slovenia directly, based on the provisions of the Markets in Financial Instruments Directive (MiFID). The Agency received 64 notifications more than planned for 2010 and 55 more than in 2009. Investors can obtain information which investment companies from the Member States meet the conditions for providing their services directly in the Republic of Slovenia on the Agency's websites.

In 2010, the Agency processed 9 notifications for the marketing and sale of units of investment funds of EU Member States in the Republic of Slovenia, whereas 4 of them were planned, which demonstrates that the Slovenian market is interesting for the management companies from other Member States despite prudent investors. For the purpose of information and protection of investors, the Agency publishes on its website the list of funds from the Member States with authorisation for marketing in the Republic of Slovenia, indicating all amendments.

4. KEEPING REGISTERS AND PUBLIC LISTS

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

Register of qualified investors

The ZTFI stipulates that the Agency shall keep a register of qualified investors in the Republic of Slovenia. The register of qualified investors includes the name, permanent residence and tax number and company name, registered office and registration number, in the case of legal entities. Furthermore, the date of entry and potential deletion is entered in the register for each qualified investor. Upon their own request, the operators are also entered pursuant to Items 5 and 6 of Article 44 of the ZTFI if they do not have the position of a qualified investor under the law but meet the legal conditions for such a position. The request for the entry in the register of qualified investors and for the deletion from this register shall be decided on by the Agency in the form of an official decision. Data on persons entered in the register shall only be accessible to the issuers.

In addition to the above registers, the Agency also keeps other public lists with the aim of informing the investors and the public.

Register of authorisations to provide investment services and activities

Pursuant to the provisions of the ZTFI, the Agency must establish and regularly supplement the register of authorisations to provide investment services and activities in which the following are entered:

1. investment firms to which the agency issued the authorisation to provide investment services and activities, and
2. banks to which the Bank of Slovenia issued the authorisation to provide investment services and activities.

Register of tied agents

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

Public lists

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

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

5. SUPERVISION AND SUPERVISORY MEASURES

In line with the provisions of the valid legislation, the Agency performs supervision by:

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

In 2010, the Agency performed intensive supervision of the market in financial instruments, which is illustrated by the number of performed supervision procedures on the fields of supervision of business operations and verification of reports, where the Agency used new technology and know-how to introduce sophisticated and more rational reporting. In addition, numerous related tasks were performed with the goal to simplify internal procedures, increase the cost effectiveness of the Agency's operations and the efficiency of its supervision.

Pursuant to the ZTFI, the ZISDU-1, the ZPre-1, the ZNVP, the ZPIZ-1, the ZPNPID and the ZPPDFT, the Agency supervised the following activities in 2010:

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

In 2010, the Agency supervised, above all, the following groups of subjects:

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

In addition, the Agency's supervision in 2010 also covered the subjects:

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

The Agency performs regular and extraordinary controls. Regular controls are planned in advance in the annual work programme; extraordinary controls are carried out on the ground of suspected violations. In 2010, the Agency carried out regular controls only on the subjects that needed an authorisation of the Agency or the Bank of Slovenia for performing their activities. The subjects of supervision in extraordinary controls resulting from a suspected violation of the applicable legislation from the area of competence of the Agency were also other entities. In 2010, extraordinary controls were, as a rule, the result of:

- findings, report analyses and notifications;
- received investor complaints and complaints by other subjects;
- received information or data from other sources.

In 2010, the Agency initiated 160 supervision procedures, including supervision procedures related to reporting by supervised subjects, controls of operations and procedures initiated as a result of complaints by other subjects. The number of supervision procedures is slightly higher than in the previous year when the Agency initiated 157 procedures.

5.1. Reporting and public announcements

Reporting by public companies

At the end of 2010, there were 83 companies that had the status of public companies issuers of securities. A public company must report to the Agency on its financial standing, legal status and operations by submitting and publishing its audited annual report, semi-annual report, and interim management report, and by submitting regular reports on all regulated information they issue. Such information also includes the inside information that might significantly impact the price of securities.

On April 1, 2010, the system for central storage of regulated information (CSI) stipulated by Article 137 of the ZTFI was established. The CSI system with the title "INFO HRAMBA" is being operated by the Ljubljana Stock Exchange on behalf of the ATVP; all public companies from Article 3 of the ZTFI publish regulated information in this system.

On the EU level the enforcement of the Transparency Directive (TD) stipulates that each Member State is obliged to provide at least one CSI system. Individual CSI systems represent information points collecting regulated information on public companies and securities issued by them on the level of individual member states. The final goal of the TD is a merger of individual national CSI systems into a uniform information system on the European level. In the future those systems should be linked into an electronic networks platform, which will represent a uniform point to access regulated information on all public companies on the EU level. Such organization will provide adequate transparency and flow of regulated information, while the above stated facts will additionally contribute to a more efficient integrated EU securities market.

Pursuant to Article 136, Paragraph 1, item 2 of the ZTFI, a public company is obliged to deliver regulated information to the CSI system. With its Decision on provision of and access to regulated information (Official Journal of the RS, No. 106/07), the Agency defined that delivery of prescribed information to the CSI system is also considered as delivery to the Agency. The introduction of the

CSI system – “INFO HRAMBA” represents the end of the period when public companies delivered information to the Agency by mail, electronic mail, some also in person, on the place, manner and contents of published regulated information. By delivery of regulated information to “INFO HRAMBA” from April 1, 2010, the obligation under Article 133, Paragraph 1, of the ZTFI has also been fulfilled.

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 2010, the Agency addressed many requests for explanations regarding their ad-hoc reporting to the public companies. The Agency issued no supervisory measures in 2010 (e.g., order on the elimination of violations, terminated trading on the regulated market in specific securities) since no major irregularities or violations were established;
- as group supervision, i.e., by carrying out an annual inspection of reporting by all public companies for one type of reporting (i.e., disclosures in annual statements). In the framework of such group inspection, the Agency takes measures against the public companies, in which violations are found.

Annual, semi-annual and interim management reports

Each year, the Agency supervises the reporting by all public companies obliged to publish annual reports. The provision of the first paragraph of Article 110 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 five years after their publication.

If the annual report is not adopted by the competent body of the company by the deadline specified in Article 110 of the ZTFI, 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, pursuant to the first paragraph of Article 133 of the ZTFI. Following the new regulation in 2010, the Agency received through “info-hramba” 91 audited annual reports by public companies for the period from January 1 to December 31, 2009. 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 four public companies:

- 2 companies published their (consolidated) annual reports for 2009 too late. The Agency submitted to the minor offences body a notice of a suspected violation (Article 558, Paragraph 1, item 1 of the ZTFI).
- 2 companies failed to submit to the Agency or »INFO HRAMBA« their audited annual reports for 2009, so the Agency submitted to the minor offences body a notice of a suspected violation under Article 558, Paragraph 1, item 1 of the ZTFI.

The data on suspected violations do not deviate significantly from the findings from recent years. Ever since the Agency started carrying out the supervision of reporting by public companies based on the annual report a decade ago, there has been a great progress in this segment of reporting by public companies. The Agency has noted that there have been considerably fewer violations of reporting in this segment. Most companies apply adequate diligence in their reporting, while the quality of annual reports has also improved. Violations that still occur are mostly related to

organisational problems in public companies (e.g., when the companies fail to appoint a substitute person to take care of the public company's reporting in the event of personnel changes).

Each year the Agency supervises the reporting by all public companies on semi-annual operating results. Pursuant to Article 112 of the ZTFI, a public company must publish its semi-annual report for the first six months of its business year as soon as possible, but not later than within two months after the end of this period. A public company must ensure that its semi-annual report remains publicly available for at least five years after its publication. Pursuant to Article 133 of the ZTFI, the issuer must submit to the Agency the content of the publication and inform it on the method of publication.

In 2010, the Agency received 83 semi-annual reports for the period from 1 January to 30 June 2010. During the supervision procedure of the reporting on semi-annual operating results, violations were identified in 2 public companies.

The following violations were found during the supervision:

- One company failed to publish its semi-annual report and submit it to the Agency. The Agency submitted to the minor offences body a notice of a suspected violation (Article 558, Paragraph 1, item 3 of the ZTFI).
- One company published its semi-annual report with a delay. The Agency submitted to the minor offences body a notice of a suspected violation (Article 558, Paragraph 1, item 3 of the ZTFI).

A public company, the shares of which had been admitted to trading on a regulated market, must publish an interim management report for the periods of the first six and the second six months of the business year, until the publication of the interim management report (Article 114, Paragraph 1 of the ZTFI). The interim management report must be published within the period starting upon the expiry of the ten weeks after the end of each six month period and ends six weeks before the end of the next six-month period (Article 114, Paragraph 2 of the ZTFI). This obligation of publication shall not apply to a public company that publishes quarterly reports upon its own initiative, in line with any other provisions or rules of a regulated market (Article 114, Paragraph 4 of the ZTFI).

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

In the first six months of 2010, 72 public companies published and delivered (INFO HRAMBA) quarterly and interim management reports within the period starting upon the expiry of the ten weeks after the end of each six-month period. In the second half of 2010, quarterly and interim management reports were published and delivered (INFO HRAMBA) by 73 public companies.

- 3 companies did not publish their interim management reports or delivered it to the Agency or INFO HRAMBA. The Agency issued an order against those companies (Article 145, Paragraph 2 of the ZTFI) and submitted to the minor offences body a notice of a suspected violation (Article 558, Paragraph 1, item 4 of the ZTFI).
- 8 companies published their interim management reports with a delay, so the Agency submitted to the minor offences body a notice of a suspected violation under Article 558, Paragraph 1, item 4 of the ZTFI.

Announcements of qualifying holdings

In 2010, the Agency received 190 notifications on reaching, exceeding and terminated exceeding of 5-, 10-, 15-, 20-, 25-percent, 1/3, 50- and 75-percent shares of voting rights and notifications on every acquisition or disposal of a share of voting rights by a member of the company's management or supervisory body.

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

Notification of regulated information

In 2010, public companies made 1,627 announcements (either to the Agency or to the public) of regulated information. The number of announcements by public companies has been increasing in the last decade, regardless of the fact that their number dropped in that same period. This is mainly due to the fact that several convenient methods of reporting have been established to be used by public companies. A decade ago, for example, public companies mainly reported through publications in newspapers, which were more expensive and did not enable quick responses to significant business events. More recently, public companies mainly use less expensive channels via the Internet, which enable them to react more swiftly to certain price-sensitive information. The reason for the increased volume of announcements by public companies since the transposition of the Transparency Directive into the ZTFI in 2007 is also in the broader scope of reporting obligation by public companies.

Annual documents

In terms of contents, the annual document is a type of regulated information. It must be made and published by the issuers, whose securities have already been admitted to trading on a regulated market at least once a year and must contain or refer to all the information published in accordance with the provisions regulating the area of securities in the 12 months prior to its publication. The purpose of the annual document is to supplement the information in the prospectus with the aim of ensuring transparency of information on the operations of the issuer of securities. In 2010, public companies published and delivered (INFO HRAMBA) 81 annual documents.

Issue of confirmations of collection of proxies

In the scope of streamlining its operations, the Securities Market Agency stopped sending out confirmations to proxies on the receipt of notifications of intent, reasons and method of organised collection of proxies in the target company as of 1 November 2009. Article 8, Paragraph 8 of the ZPre-1 instructs the authorised persons to inform the Agency of the intention, reasons and method of organized collecting of proxies, if individual persons did not want the exercising of voting rights based on organized collecting of proxies to be considered a concerted action. For such a proxy to be considered valid in the sense of the above quoted Act, the Agency does not need to issue a certificate, as stipulated by the previously applicable ZPre.

In 2010, the Agency received 63 notifications of the collection of proxies for voting at the general meeting of a public limited company.

Reporting by subjects performing investment services and activities

Reporting by investment firms and banks, Ljubljana Stock Exchange and KDD

In 2010, the Agency regularly collected, monitored and verified the numeric and non-numeric reports and notifications of investment firms, banks (with authorisation of the Bank of Slovenia to perform investment services and activities), the Ljubljana Stock Exchange and KDD, which the subjects are obliged to submit to the Agency based on valid legislation. Thus, the Agency received

2,010 numeric reports from investment firms in 2010 through the system of reporting (of which 725 reports were revoked), which referred to:

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

Persons obliged to report (investment firms and some banks with the authorisation for providing investment deals and services) daily sent to the Agency the reports on performed transactions in financial instruments admitted to trading in any of the regulated markets of the EU Member States (reporting on the basis of Article 275 of the ZTFI). The Agency received 1,811 data files and sent 2,639 data files in 2010, while approximately 1,000 data files with code tables and/or reference data were received. The Agency also received 632 non-numeric reports of investment firms through the reporting system in 2010.

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

Reporting by domestic and foreign management companies, investment funds, mutual pension funds and custodian banks

Management companies, investment funds, mutual pension funds and custodian banks must send reports to the Agency on the basis of Acts and implementing regulations; the Agency verifies their timeliness and accuracy and in particular establishes if there is any suspicion of violation of provisions. Additionally, the Agency may at any time request, pursuant to Article 198 of the ZISDU-1, that the management companies and the operators of mutual pension funds submit reports and information on all matters important for exercising supervision and carrying out other authorities and tasks of the Agency.

In 2010, the Agency investigated possible introduction of the so-called matrix reporting system also for reporting by mutual pension funds, however, the introduction of the new form of reporting will depend on the amendments of legislation (ZPIZ-2) and its impacts on operations performed by mutual pension funds, as well as on the conditions on financial markets. The results of introduction of a new form of reporting on the field of investment funds are very encouraging, since matrix reporting proved to be rational and efficient, therefore this form of reporting could also be introduced on the field of mutual pension funds. Notwithstanding an extensive plan for upgrading of data capture in relation to operations performed by mutual pension funds, urgent upgrades of electronic forms VPS/M-1 (Report on asset value) and VPS/IPI-4 (Profit and loss statement), necessary due to the amendments of the implementing regulations in 2009, were accomplished in the first half of 2010, as defined by the plan.

Management companies and investment funds

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 (form VS/VEP). The Agency received 33,075

VS/VEP forms in 2010, the receipt of which is daily controlled and analysed for any above-average changes in the fund unit value (FUV) and the number of units in circulation.

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 2010, the Agency received 1,600 MATRIKA/ISBS forms and 1,600 MATRIKA/ISTR forms. The Agency performed controls of investment funds' operations on the basis of the data received in the above stated forms. In 2010, the structure of investments of all investment funds in relation to the compliance of the investment policy with the provisions of the ZISDU-1, fund rules and/or the investment fund's prospectus, was controlled in detail, according to the operative supervision plan in 2010. The Agency used the data to prepare various internal reports, publications, and other ad-hoc analyses for other institutions (Ministry of Finance, Ministry of Labour, Family and Social Affairs, Bank of Slovenia, Association of Companies for Management of Investment Funds – GIZ, OECD, IOSCO, CESR, and other).

The regular monthly review comprises a review of reports on the facts and events related to the operations of a management company and investment fund (167 DZU/NP/M forms received for 2010) 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 (79 notifications on the transfer of the provision of an individual service or deal of operating an investment fund to another person and 60 notifications on the termination of authorisation for 2010).

A management company must report the income statement of each investment fund on a quarterly basis, on the IS/K-IPI form. The Agency received 535 forms for 2010. Quarterly reporting also includes the reporting on the number and type of qualified investors and the aggregate structure of their investments (form DPV/K). The Agency received 16 DPV/K forms for 2010.

In 2010, the Agency received 53 audited annual reports relating to operations in 2009, from 14 management companies, 11 umbrella funds, 24 mutual funds and 4 investment companies.

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 165 such notifications for 2010.

Should the investments of an investment fund exceed the maximum or the minimum allowed shares of individual types of investments, the management company must immediately inform the Agency thereof. It must also enclose with the notification a description of the measures it shall take to harmonise the investments of the investment fund with the provisions of the said chapter, and the time limits within which it shall take these measures. The Agency received and reviewed 48 such notifications for 2010.

A management company must inform the Agency of any problems with the payment or its inability to pay the investment coupons or dividends of any operated investment fund (the IS/L-1 form). The review and analyses on the IS/L-1 forms is carried out regularly and the Agency received 100 such forms for 2010. In most cases the cause for such reporting is a fall in the net value of funds or a fall in fund units in circulation, which did not necessarily result in actual insolvency of a fund. All investment funds operating on the territory of the Republic of Slovenia in 2010 regularly serviced their investors despite the financial crisis.

In the process of reviewing the received reports, the Agency found 2 violations and demanded explanations of data in the submitted reports, as well as the submission of adequate documentation needed for clarifying the established irregularities.

The operators of mutual pension funds and mutual pension funds

An operators of mutual pension funds must monthly report the mutual pension fund unit value (form VPS/VEP), the mutual pension fund value of assets, (forms VPS/M-1, VPS/M-2a, VPS/M-2b, VPS/M-2c, VPS/M-2d), and the composition of mutual pension funds (form VPS/M-3). The Agency received and reviewed 588 such reports for 2010. The Agency found one violation and demanded explanation of data in the submitted reports, as well as the submission of potential documentation needed for clarifying the established irregularities. In the case concerned, the irregularities were eliminated within the specified deadline or were merely the errors in reporting.

Reporting on the operating result of mutual funds is made on a quarterly basis with the VPS/IPI-4 form. The Agency received and reviewed 28 such reports for 2010.

The operators of mutual pension funds must submit to the Agency an audited annual report of the mutual pension fund for the past business year, no later than on 30 May of the current year. In 2010, the Agency received on time eight audited annual reports from mutual pension funds for the 2009 financial year: six mutual pension funds, the First Pension Fund of the Republic of Slovenia, and the Compulsory Supplementary Pension Insurance Fund, to which the provisions of the ZPIZ-1 relating to mutual pension funds apply.

In the case of changed components listed in the second paragraph of Article 298.a, Paragraph 2 of the ZPIZ-1, a prior approval of the Agency is required for a change to the Statement on investment policy. Any other changes, such as those regarding the operator, administrator, actuary and similar, must be verified and, if required, changed at least every three years; the Agency's approval is not required, but the change of the Statement has to be notified. In 2010, the Agency received and reviewed one notification on the change to the Statement on investment policy.

Custodian banks

A custodian must report to the Agency the data on violations or irregularities in operations of a management company, an operator of mutual pension funds, investment fund or mutual pension fund, established while performing the custodian services for an individual investment or mutual pension fund (form SB/NADZOR). For 2010 the Agency received and reviewed 86 SB/NADZOR forms related to the area of investment funds and 2 SB/NADZOR forms related to the area of mutual pension funds. The most frequent reasons for reporting are non-aligned investment policy and exceeding of the threshold of maximum allowed exposure of the fund's investments. In two cases the Agency continued with the procedures of carrying out supervision and in the rest, the violations have been eliminated within the specified time.

A custodian must quarterly report on its operations involving the assets of an investment fund or a mutual pension fund (form S/T). For 2010 the Agency received and reviewed 126 S/T forms (82 for investment funds and 44 forms for mutual pension funds).

In the process of verifying the received reports, the Agency found, in three cases, that the custodian failed to report or timely report on the established irregularities or violations. The custodians submitted adequate explanations or eliminated violations within the specified deadlines.

EU Member State Management Companies

An EU Member State management company must report on the facts and events related to the operations of the management company and investment funds, operating in the Republic of Slovenia either directly or through a branch. All facts and events, which are significant for investors' investment decisions on the territory of the Republic of Slovenia, must be reported. Agency received 498 such reports for 2010.

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

Considering fierce economic conditions, the Agency very actively performs regular and extraordinary reviews of operations of financial organisations, to establish eventual violations and irregularities. The Agency introduced 160 new supervision procedures, three more than in 2009 and three times more than a year before. Thirty-eight orders were issued in relation to these supervision procedures, requiring elimination of the established violations, and seven reminders. In addition, 28 minor offences proceedings were initiated. In the framework of minor offences proceedings, the Agency issued 32 decisions and imposed 59 penalties, 22 reminders and 2 warnings. The supervision procedures included establishment of irregularities and violations in reporting by supervised subjects and reviews of their operations in their offices. These procedures were initiated as a part of regular planned supervisions or extraordinary supervisions.

In 2010, the Agency initiated the following procedures by monitoring, collecting and verifying reports and notifications by subject groups:

- 37 supervision procedures referring to public companies and takeover cases;
- 49 supervisions over investment firms; 9 less than in 2009;
- 19 supervisions over the banks with an authorisation of the Bank of Slovenia to provide investment services and activities, which is considerably more than in 2009 when the Agency performed only one such supervision;
- 11 supervisions of management companies; 10 less than in 2009, which is due to the fact that in 2009 the Agency performed supervision by collecting reports and notifications pursuant to Article 198 of the ZISDU;
- supervision over the Ljubljana Stock Exchange;
- 2 supervisions over other subjects suspected of illegally providing investment services and activities;
- 13 supervisions as a result of suspected activities related to prohibited market abuses;
- supervision of a legal successor of a pension investment company;
- supervision of OBPZ;
- supervision of trading in investment funds, and
- supervision of holders of qualifying holdings in MCs.

In the framework of these procedures, the Agency issued an order to eliminate violations to 24 supervised subjects:

- 11 orders to terminate violations to investment firms;
- 3 orders to terminate violations to banks;
- 8 orders to terminate violations to management companies;
- 1 order to terminate violations to a legal successor of a pension investment company, and
- 1 order to terminate violations to a subject, whose trade in IFs was not in compliance with the effective legislation.

The Agency issued two warnings to investment firms and two warnings to OBPZs in 2010. In 2010, the Agency issued 19 decisions in supervision procedures, with which it was established that the subject, who had been ordered termination of violations, adequately eliminated them.

Inspections of operations

The Agency introduced 20 inspections of operations of the subjects under its competence in 2010.

In individual groups of subjects the Agency initiated in 2010:

- 3 inspections of operations of investment firms;
- 4 inspections of operations of banks;

- 2 inspections of operations of management companies;
- 2 inspections of operations of public companies;
- 8 inspections of takeovers, and
- an inspection of operations in relation to suspected activities of a prohibited market abuse.

In the framework of these inspections of operations, the Agency issued an order to eliminate violations to nine supervised subjects:

- 5 orders to terminate violations to investment firms;
- an order to terminate violations to a bank;
- an order to eliminate violations to a subject performing activities of prohibited market abuse;
- 2 orders to subjects without adequate authorisations for performing activities, thus violating the ZTFI and ZISDU-1.

In 2010, the Agency issued also a warning for irregularities in supervision procedures, which did not represent violations, and 3 decisions, with which it was established that the subject, who had been ordered termination of violations, adequately eliminated them.

Table: Number of initiated supervision procedures, issued orders, warnings and decisions in 2010

Supervised entity or content	Started procedures	Orders	Warnings	Declaratory decisions
Investment firms	52	14	5	9
Banks	24	4		4
Management companies	11	8		9
Mutual pension funds				
Ljubljana Stock Exchange	1			
Central Securities Clearing Corporation (KDD)				
Brokers				
Members of management boards				
Public offering of securities				
Public companies	18	7		
Takeovers	33			
Pension companies				
Non-licensed entities	2	2		
Trading in specific securities	14	1		
Legal successors of pension investment companies	2	1		
OBPZ	1		2	
Trading in IF	1	1		
Holder of qualifying holdings	1			
Total	160	38	7	22

Source: ATVP

Warnings by the Agency and foreign supervisors

In 2010, the Agency continued publishing its own warnings and the warnings of other supervisors on its websites. In 2010, the Agency published:

- 9 warnings in the segment Agency warnings, and
- 239 warnings in the segment of warnings by other supervisors.

In 2010, the Agency also issued in procedures entertained pursuant to the provisions of the ZISDU-1, ZTFI and ZPre-1 to supervised subjects, which included investment firms, management companies, brokers, members of management boards, public companies, illegal acquirers, non-licensed entities and tied agents, in total 29 decisions on imposed supervisory measures – reminders, revocations of authorisations, removals from the register of tied agents, complaints filed

against imposed supervisory measures, on establishment of a cause for liquidation and on prohibition to exercise voting rights in the target company due to the exceeded takeover threshold.

The Agency stopped one procedure with a decision in 2010, after revocation of the decision on withdrawal of an authorisation granted to a broker by the Supreme Court, due to new findings about the facts.

In 2010, the Agency also filed with the competent District Court a proposal for liquidation of a legal subject as a result of a breach of the provisions of the ZISDU-1, which had not been eliminated according to the imposed Agency's order.

6. COURT PROCEEDINGS

Proceedings before the Supreme Court of the Republic of Slovenia

As at 1 January 2010, there were eight ongoing judicial protection proceedings before the Supreme Court of the Republic of Slovenia against the Agency's decisions.

In 2010, the Agency received 16 lawsuits contesting its decisions and submitted answers to them. Eight lawsuits were filed against the Agency's decisions, in which it established the achievement of the takeover threshold and prohibited the exercising of voting rights in the target company, while one lawsuit was filed against the decision, by which the Agency rejected such request for finding the achievement of the takeover threshold and the related prohibition of exercising the voting rights in the target company. Two lawsuits were filed against the decisions, with which the Agency issued a warning to two members of the investment firms' management boards. One lawsuit was filed against the decision, with which the Agency conditionally revoked the authorisation for investment services and activities of a investment firm, and one lawsuit against the decision revoking authorisations for brokerage services to three brokers. Lawsuits were also filed against three Agency's decisions related to tied agents, namely against the decision on a rejected request for entry in the register of tied agents, against the decision on conditional removal from the register of tied agents, and against the decision on the removal from the register of tied agents.

In the same period the Agency received 7 judgements, by which the Supreme Court of the Republic of Slovenia in three cases dismissed and in the other three rejected the lawsuit of the plaintiffs against the Agency. In one case the Supreme Court granted the request, annulled the Agency's decision and remanded the case to the Agency. This confirmed the Agency's decisions on granted authorisations for takeover bids and the outcome of the takeover bid, and on prohibition to exercise the voting rights due to concerted actions and the achievement of the takeover threshold.

In 2010, the Supreme Court also rejected a complaint and revision filed against the judgements of the latter in the judicial protection proceedings, referring to the decision or order issued by the Agency.

As at 31 December 2010, there were 17 ongoing judicial proceedings before the Supreme Court of the Republic of Slovenia related to the lawsuits against the Agency's decisions.

Proceedings before the Constitutional Court of the Republic of Slovenia

A constitutional appeal was filed in 2010 against the judgement of the Supreme Court to reject a lawsuit against the Agency's decision on the establishment of the takeover threshold and prohibition of exercising the voting rights.

The Constitutional Court of the Republic of Slovenia has not decided on the above stated appeal by the end of 2010.

Proceedings before the Supreme Court of the Republic of Slovenia in connection with the applicant's request for access to public information

In 2010, the administrative dispute before the Supreme Court of the Republic of Slovenia related to the applicant's request for access to public information, pursuant to the Access to Public Information Act, was resolved. The Supreme Court rejected one more time the Agency's appeal against the decision of the Administrative Court of the RS, with which the latter rejected the Agency's lawsuit for annulment of the Information Commissioner's decision on the supervision right, which revoked both decisions on rejection, issued by the Agency in relation to the request for access to information. As a result, the Agency partially granted the applicant's request, sending him one part of requested information.

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

In the first half of 2008, the Agency received the decision of the Higher Court from a law firm in a civil proceeding of 1,136 plaintiffs, investors in mutual funds operated by a management company, against the Agency as the second defendant, in which the District Court of Ljubljana refused the plaintiffs' claim. In December 2007, the Higher Court granted a decision that the appeal be refused and the decision of the court of first instance be confirmed. A revision was filed for the decision of the Higher Court in February 2008, but no decision has yet been issued by the court in 2010.

In 2010, the second civil proceeding in connection with the lawsuit filed by a group of investors in mutual funds of one of the management companies, in which the Agency was involved as defendant, was still pending before the District Court of Ljubljana.

As of 31 December 2010, the Agency was thus involved in two judicial proceedings that are still pending, in both cases as the defendant.

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

In 2010, the Agency issued 32 decisions on minor offences related to violations of provisions, as a minor offences authority under the Minor Offences Act (hereinafter: the ZP-1):

- 7 decisions to violators in relation to the violations of the ZPre-1; 22 penalties have been imposed and 10 warnings issued. The Agency suspended one minor offences proceeding introduced due to such violation after the submission of reasons that exclude prosecution.
- 3 decisions regarding the violations of management companies under the ZISDU-1 by imposing 8 fines.
- 17 decisions regarding the violations of Sections 2 and 3 of the ZTFI on the offering of securities to public, or the obligation to disclose regulated information; 23 fines were imposed and 6 warnings issued to the violators. The Agency suspended one minor offences proceeding introduced due to such violation after the submission of reasons that exclude prosecution.
- 4 decisions regarding violations by a investment firm and/or brokers under the ZTFI, imposing 6 fines and issuing 4 warnings. The Agency suspended one minor offences proceeding introduced due to such violation after the submission of reasons that exclude prosecution.
- 1 decision to two violators, who were not licensed subjects, with which warnings were issued.

In all the above-described cases, the Agency thus imposed 59 fines on the violators and issued 22 warnings. The Agency issued two more warnings in relation to the violations of the ZTFI.

The Agency issued one official note for violation of the ZTFI in 2010, which was not considered a minor offence.

Furthermore, in 2010, the Agency as a minor offences authority initiated *ex officio* 9 proceedings that have not yet been decided this year. One proceeding is related to violation of the ZISDU-1, 5 to violation of the ZTFI concerning the obligation to disclose regulated information and/or the obligation of prevention and detection of market abuses, and 3 proceedings concerning violations of the ZPre-1.

In 2010, the competent district courts decided on 4 requests for judicial protection filed prior to 1 January 2010 against the Agency's decisions issued in 2006 and three in 2008. In all cases the courts rejected the requests as ungrounded and confirmed the Agency's decisions. In two cases

the violators filed appeals against such decisions, so two new proceedings were initiated before higher courts.

Six requests for judicial protection against the Agency's decisions issued in the same period were filed in 2010.

Notification of a suspected criminal offence prosecutable *ex officio*

In 2010, the Agency lodged one criminal charge with the competent state prosecutor's office for suspected abuse of insider information.

Proceeding before the Labour and Social Court

A lawsuit was filed against the Agency in February 2010 to ascertain the legality of an extraordinary termination of the employment contract before the Labour and Social Court of Ljubljana. Three social disputes were also initiated in relation to this dispute from February to May 2010. In December 2010 an agreement was reached, which settled all disputable issues of the above stated four disputes. In January 2011 the agreement was also confirmed as a court settlement by the Labour and Social Court of Ljubljana. All liabilities related to this court settlement will be settled in 2011.

7. COOPERATION WITH OTHER SUPERVISORY AUTHORITIES AND INSTITUTIONS

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

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

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

In 2010, the Agency asked the Bank of Slovenia for the information needed in its supervisory proceedings or required by foreign supervisory bodies on the basis of different mutual cooperation contracts or legal provisions. It also cooperated with the Bank of Slovenia in the supervision proceedings involving a bank as the subject of supervision.

In 2010, the Agency actively participated in training courses in the field of capital markets for the needs of the Police. The Agency's representative was a lecturer at the lecture for police officers for economic crime in October 2010. The Agency also cooperated with the Police in certain proceedings.

The Agency cooperated with the ISA in the supervision of operators of mutual pension funds.

In the scope of its competence, the Agency cooperates with the relevant ministries, in particular the Ministry of Finance, the Ministry of the Economy and the Ministry of Labour, Family and Social Affairs. The cooperation with the Ministry of Finance was focused on drafting the legislation at the European and national levels. Upon the request of the Ministry, the Agency drafted and submitted to the Ministry its positions regarding the proposals and drafts of the European directives and regulations (e.g., Securities Law Directive, Regulation on Credit Ranking Agencies, ...) and bills and their amendments regulating the area of financial system.

The Agency's representatives participated in various working groups (e.g., Inter-service group for preparation of financial training, Inter-institutional group for preparation of legislative changes on the field of securities, National users' group T2S, ...).

The Agency also cooperates with the Association of the Securities Exchange Members (the EIG). Also in 2010, the Agency continued with the practice of organising regular annual meeting with the representatives of the industry. A meeting with managements of investment firms and banks holding authorisations of the Bank of Slovenia for performing investment services and activities, and who are members of the Association, was organised in May. In the month of September the Agency's representative participated at the seminar organised by the above stated Association on the change of Agency's guidelines related to prevention of money laundering and financing of terrorism. In the process of preparing the legislation and implementing it, the Agency closely

cooperates with the Association of Securities Exchange Members (EIG) and the Section of Custodian Banks within the Bank Association of Slovenia.

Within its official duties, the Agency also cooperates with supervisory authorities of the EU Member States and third countries. In 2010, the Agency's representatives:

- cooperated with related agencies from the territory of the former Yugoslavia as a member of the group for introduction of a uniform trading platform on the territory of the former Yugoslavia;
- prepared a workshop for the representatives of the Macedonian supervisory authority, which lasted one week;
- participated in various CESR standing committees (Standing Committee (SC) on Secondary Markets, SC on Post Trading, SC on CRA, Investor Protection & Intermediaries Working Group within the CESR-Pol, ...).

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

The cooperation with the Ministry of Labour, Family and Social Affairs (hereinafter: the MDDSZ) was particularly intense in 2010, mainly in the area of supplementary pension insurance. The Ministry of Labour, Family and Social Affairs established a working group for preparation of the draft for ZPIS-2 on supplementary pension insurance, in which the Agency's representatives were also present.

The cooperation with the Ministry of Finance was focused on drafting the legislation at the European and national levels. Upon the request of the Ministry, the Agency drafted and submitted to the Ministry its positions regarding the proposals and drafts of the European directives (e.g., the Directive on Alternative Investment Fund Managers) and bills regulating the area of financial system.

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

In 2009, the Agency assumed certain obligations towards the Bank of Slovenia, providing the Bank, to the extent and in the manner defined in advance, with all the data on operations of the investment funds from updated databases, and interfering with the system when changes are necessary only upon the request of the Bank of Slovenia. A possibility of sending data of the Bank of Slovenia to the Agency was introduced in 2010, according to the plan of work within the cooperation agreement signed between the Bank of Slovenia and the Agency on the National Reporting System (hereinafter: the NRS), which contributed to better currency of the acquired data. The Agency plans to upgrade the NRS system in the following two years, so that all the data on the investment funds and mutual pension funds will be exchanged between the Bank of Slovenia and the Agency within this system.

7.2. EU and international cooperation

The Agency's activities were also performed on the international field. The most significant part of the Agency's international cooperation was oriented toward the EU.

The year 2010 was the last year for supervisors and regulators of financial markets of the Member Countries to operate within the CESR (Committee of European Securities Regulators). The major part of the year was spent for extensive and intensive activities to transform CESR into a new European supervision agency called ESMA (European Securities and Markets Authority), which started operating on 1 January 2011.

The restructuring of supervision on the European level was due to the financial crisis in 2007 and 2008. An analysis prepared by the members of the so-called deLarosière's group showed that the national supervision models were too ineffective considering the global extension of the financial crisis; furthermore, cooperation and harmonisation among supervisors were not sufficient in cases of financial organisations operating across borders of their original country. One specific result of the official report prepared by this group in February 2009 was the establishment of three independent European supervision agencies (so-called ESAs), namely in addition to ESMA, also EBA (European Banking Authority) and EIOPA (European Insurance and Occupational Pensions Authority). A special committee was established to monitor macro-economic trends and warn of the trends, which could threaten financial stability - ESRB (European Systemic Risk Board). New agencies with the status and role comparable to other European agencies should impose more efficient and concerted measures on the market, and provide additional measures in case of a financial crisis. A basic new element of the EU supervision of the capital market and ESMA's competence are uniform supervision rules for all participants performing their activities across borders – the so-called »European Single Rule Book« – licensing and supervision of CRAs – Credit Rating Agencies, preparation of binding technical standards and imposing measures in case of eventual future financial crises.

In 2010, internal coordinators of the Member States participated in the Post Ecofin Task Force, whose major task was to prepare numerous internal acts for the future ESMA. By the end of 2010 the ESMA's internal acts were finally drafted, coordinated and ready for formal confirmation in January 2011. These activities were especially intensive from last June. Due to extensive preparations to an easier transition from CESR to ESMA, CESR's plenary sessions in the second part of the year were held once a month. All preparations to the future internal organisation were made in this period, including interviews with the existing employees, compulsory procedures of the employees before adequate Commission services; foundations for operations of the new ESMA body were established, as well as for its Management Board, in which 6 members are elected among presidents or directors of the national supervisors, pre-selection committees were appointed for the first stage of selection of candidates for the new chairman of ESMA, and a new corporate design was elaborated (website, logo, e-mail addresses and the rest). As a result, ESMA was launched without problems on 1 January 2011.

The tasks started in 2009 on the CRA field gradually advanced in their size and complexity in 2010. As one of the major reasons for the international financial crisis, credit rating agencies became subject to regulation and supervision under a special EU Regulation (EC 1060/2009). This Regulation applies to credit ratings issued by credit rating agencies registered in the EU countries, and published or delivered to clients. Regulation of this field is very important as financial organisations (banks, insurance companies, investment firms, management companies, pension funds) use these credit ratings in order to fulfil different legal requirements. A procedure of determination of the so-called equivalence has been prescribed by the Regulation for credit rating agencies from third countries, defining that ratings are recognised if specific standards have been fulfilled, or when comparability of the legislation with the EU legislation has been established, and when adequate cooperation between the third country and the EU is guaranteed.

In the first half of the previous year, CESR sent a technical proposal to the European Commission, stating that the legal and supervision systems in the USA and Japan are in general equivalent to the EU regulations. Such finding should provide the EU users of credit ratings given by agencies from these two countries with the same level of protection as guaranteed by the EU Regulation. Despite such general finding, the CRA Standing Committee established numerous differences

between the legislation and supervision systems in the USA and Japan after they had been compared to the provisions of the Regulation. The Regulation stipulates obligatory establishment of the Central Repository, in which past ratings and other documents, which had been prepared by credit rating agencies, will be stored. According to the plans, the system should be launched in 2011, and the ratings and bases will be publicly accessible.

In the first half of 2010, CESR participated in preparation of expert proposals for the Commission in the review procedure of the MiFID Directive, particularly on the field of financial markets. During the implementation of the Directive into practice of the Member States financial markets experienced several changes and upgrades (more severe competition among regulated markets, more trading across the national economies' borders, mergers of stock exchanges, improvements of electronic trading systems, and other). CESR and/or the Secondary Markets Standing Committee found among other things a relatively high level of transparency before trading, proposed improvements in transparency after realised transactions, in particular an adequate consolidation of transaction data on various markets, expansion of disclosure requests to financial instruments, which are similar to shares and are traded on regulated markets. The MiFID Questions and Answers document was published last May, offering answers, coordinated between the members of the group, to some frequently asked questions and dilemmas of supervisors in their daily work. These answers do not represent standards, instructions or recommendations; the same refers to the existing Q&A in relation to the implementation of the Prospectus Directive.

An important area of the CESR's work was the issue of disclosure of "short selling" transactions¹. On the basis of experiences from the national financial markets, the CESR members prepared within the CESR permanent group a technical proposal for the European Commission (EC) on disclosure of positions in short selling. According to the Member States, adequate disclosures can significantly contribute to transparency during turbulent events, while unification of disclosure requests will improve supervision convergence and efficiency of the markets. EU supervisors, in particular those with developed financial markets, recognise that regulation of short selling represents an important practice on financial markets, which contributes to more efficient pricing, increases market liquidity and assures easier insurance against risks. Illegal practices in the past years represented a problem, as they affected the drop of the financial instruments' prices without any reasonable grounds, causing market situations, which had a negative impact on the stability of the markets. The CESR proposed a two-tier reporting system for short positions, namely a lower threshold equalling 0.2 %, which the market participants would have to report to the supervisors, and each additional change of position by 0.1 % would trigger another reporting obligation. After a 0.5 % position is achieved, public announcement is obligatory. In mid-September last year the EC adopted a bill for regulation of short selling, in order to consolidate regulations in all the Member States. The finally adopted EC's proposal is supposed to become effective in the middle of 2012.

On the field of investment funds and assets management, the Agency participated at all the meetings of the Investment Management Standing Committee (IMSC) in 2010. The IMSC actively cooperated with the EC in relation to all the tasks performed on the field of investment funds. On the grounds of the mandate granted by the EC, the IMSC prepared a wide selection of comments and proposals related to the preparation of the second- and third-level implementing measures from the field of the UCITS IV Directive. These proposals were related above all to the risk management in undertakings for collective investments, rules of conduct, depositary, key investors' data (KID), cooperation of supervisors, organisational requirements for management companies and prevention of the conflict of interests. The above quoted proposals were used by the EC when

¹ Short selling is a sale of a security, which is not owned by the holder at the time of sale, but he intends to buy it later for the purpose of settlement. A sub-type is the so-called naked short selling where the seller of securities did not loan the securities, nor he insured to loan them latter prior to the settlement obligation. Such practice can lead into risky settlement of transactions and a possibility that transactions will not be concluded. Some supervisors reacted to such market practices and problems on the markets with a restriction or an imposed temporary prohibition.

preparing the implementing directives from the field of the UCITS IV Directive. In 2011, the IMSC will continue its work with the same members also within the ESMA.

The Corporate Reporting Standing Committee monitored the application of the International Financial Reporting Standards – IFRS in practice of the Member States, and delivered its expert contributions and comments to the EFRAG (European Financial Reporting Advisory Group) and the IASB (International Accounting Standards Board). The EECS (European Enforcers Coordination Session) continued its work also in 2010, so it examined actual proposals of supervision practices in the Member States related to the reporting by public companies according to the IFRS. The Committee also prepared a report on the benefits of the OAM (Officially Appointed Mechanism) for the EC, or the systems for central storage of regulated information (INFO HRAMBA operated by the Ljubljana Stock Exchange in Slovenia).

Last year the Corporate Finance Standing Committee discussed the issues from the field of the Transparency Directive, for example, reporting on significant shares, which would, according to the CESR, also include financial instruments reflecting similar economic effects as shares or their options. The group regularly supplemented Q&A on actual implementation of the Prospectus Directive and published statistical data on approved prospectuses and the number of prospectuses, which are valid in some other Member States. These are prospectuses, approved only by the domestic supervisor, who sends a statement of approval to other EU supervisors. As a result, prospectuses can be also valid in other Member States without the necessity for a new or additional approval (so called passporting).

In addition to the review of supervision competences in relation to measures in crisis situations, the Review Panel group also prepared a survey of CESR instructions to be used for notification procedures in the UCITS case. Furthermore, it also reviewed the status of use of options and discretions within the provisions of the MAD (Market Abuse Directive). This Directive allows certain options and grants discretion to the Member States to prescribe slightly different implementation of certain provisions in the national legislation (they can be stricter than the Directive; the so-called “gold plating”). However, the review shows that there are considerable differences among the Member States in relation to disclosure of information on imposed measures according to the MAD, as well as differences in reporting on suspicious transactions and transactions by managers in public companies. Although the Directive permits certain exemptions, the experiences show that they do not contribute to the wanted supervision convergence, and the EC also underlined that in the future EU regulations should include the lowest possible number of options and discretions.

The extensive scope of the MiFID Directive was also examined by the Investor Protection and Intermediaries Standing Committee, which prepared a Q&A document about investment consultancy in the first half of 2010. Another area of work were the fees paid to investment firms (“inducements”), in relation to which the Committee’s report presented all good and bad practices, namely those approved by supervisors and the others, which are not adequate pursuant to the MiFID. This Committee also participated in the review of the MiFID Directive and prepared proposals of eventual amendments in the segments of product standardisation, organised trading in OTC derivatives and categorisation of clients.

The members elected a new president of CESR at its plenary session in July. The mandate of the former President, Mr. Eddy Wymeersch, (Belgian Commission CBFA) expired in its home organisation, and as a result, also in the CESR. The new President became the former Vice-President, Mr. Carlos Tavares (Portuguese Commission CMVM), while Mr. Jean Guill was elected Vice-President (Luxembourg Commission CSSF). Such organisation was in effect until the end of 2010, as the ESMA has other management bodies, *inter alia* a professional President, Vice-President, Executive Director (former General Secretary), Management Board, and the so-called Board of Supervisors instead of plenary sessions of directors of the national supervisors.

In relation to the tasks of the IOSCO, we should underline preparation of new and/or supplemented Objectives and Principles of Securities Regulation, which were confirmed at the annual conference in June in Montreal. The IOSCO members will prepare a self assessment of their fulfilment in legislation and practice in the middle of 2011. The eight new principles introduced as a result of the events in the Member States and the global crisis on financial markets, include *inter alia* principles related to hedge funds, credit rating agencies and independence of auditors, systemic risks, issues concerning the extent of supervision and conflicts of interests. The existing principles have been supplemented and upgraded with new market practices and experiences of supervisors. The members of the Executive Board of IOSCO prepared the amendments of the organisation's strategy (strategic goals, priorities and guidelines for the period 2010 – 2015, development of the research function and full implementation of the MMoU requirements in all Member Countries). Different boards within the IOSCO were very active all the time and issued numerous analyses last year, as well as recommendations and other documents (e.g., in relation to prevention of prohibited acts across the borders of national markets, review of settlement and payment standards, periodic reporting by public companies, rules on admission on the market for mortgage securities, principles on the field of systemic risks, OTC derivatives and other).

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

On the field of cooperation with supervisory authorities from third countries, the Agency prepared a training programme for its colleagues of the Macedonian Securities Commission, which mainly covered the issues related to investment funds and supervision, and took place from 22 to 25 November.

8. OTHER ACTIVITIES OF THE AGENCY

8.1. Public relations

The efficiency of an organisation significantly depends on an efficient flow of information. At present when operations of a company are based on communication, this is even more important as information represents the major capital of the market economy. In 2010, the Agency professionally and constantly communicated with all interested publics (media, supervised entities, investors, employees).

Despite the fact that the Agency is legally bound to protect as confidential all data acquired in its operations and supervision procedures, it constantly provided information with direct communication to the media, written notices and press releases, as well as regular publications on the Agency's websites. The Agency and its management understand that public relations are not just communication to the media, they are much more.

The Agency as the regulator of the financial market also communicates to the supervised entities, its employees, while a very important public are also the investors. The Public Relations Department cooperated with other departments and prepared and published for them an information folder on Forex, whereas before the end of the year it is also planning an information folder on money chains, which will be prepared in cooperation with the National Bureau of Investigation, to be published on the Agency's and Bureau's websites and attached to one of the daily newspapers. The purpose of information folders is to instruct non-informed investors and provide them with as much useful information on the financial market as possible.

At the beginning of 2010, the Agency got a new corporate visual identity, which includes graphic redesign of the logo and the overall correspondence of the Agency (i.e. letter formats, envelopes, business cards and annual reports). A new website and the intranet of the Agency were launched at the same time.

Towards the end of the year the Public Relations Department started to communicate with the EU organisations within the CESR group (ESMA in 2011); Head of Public Relations Department participated as the Agency's representative in the Human Resources Network. The main task of the above mentioned sector within the CESR is to organise training for employees of the supervisory institutions, seminars, exchange personnel among supervisors, and similar. In the light of the transition of CESR into ESMA at the beginning of 2011, the Agency invited regulators' representatives for public relations to a training seminar in Paris.

Finally, there is the most important public for all organisations – employees. Adequate communication with and among the employees is a prerequisite for efficient communication with other stakeholders. An internal survey of satisfaction among the employees performed in May this year proved that such standpoint is correct. The survey showed high satisfaction with the management, and the relations also received high grades. The employees believe that the Agency is operating well and has a good perspective.

I estimate that 2010 was a successful year for the Agency on the field of public relations. In the future, the Public Relations Department will continue to strive for comprehensive public informing on all significant information related to the Agency's operations, and for correct and professional relations among the employees.

The Agency regularly informs all interested publics on operations of the participants on the market of financial instruments. It publishes the online bulletin "Monthly Overview of Developments on the Financial Instruments Market" and the »Data Mirror« with more specific data on the structure of investments by investment funds and mutual pension funds.

8.2. General, human resources and other matters

In 2010, the Agency employed on average 43.88 employees, considering the number of hours actually worked. During the year, the Agency recruited three new employees, one employee's employment contract was terminated, so at the end of the year the Agency had 53 employees; 50 were employed permanently and two of them temporarily. Two workers were working half-time, and one was partly retired (disabled workers). In 2010, the absence was higher than in 2009 due to parental leave (six employees in total), who were partially temporarily replaced.

The Agency focuses in particular on additional education and training of the employees, which is required by fast development of financial markets and new services. Thus the Agency allowed to its employees off-the-job studies and other forms of external education and internal training. The qualifications held by the Agency's employees were as follows, as of 31 December 2010: two doctors of science, eight masters of economics, three masters of science in economics (Bologna course), 15 bachelor's degrees in law, 12 bachelor's degrees in economics, one bachelor's degree in physics, one bachelor's degree in engineering mathematics, one bachelor's degree in journalism, one bachelor's degree in communication sciences, one bachelor's degree in administrative organisation, one bachelor's degree in organisation-management, three graduates in economics and three graduates from secondary school.

In 2010, the Agency amended or supplemented the following general acts:

- Regulations on internal organisation and job classification (5 May 2010 and 19 October 2010);
- Rules on definition of the Agency's working hours (10 September 2010 and 21 September 2010);
- Guidelines on assignments related to business trips and reimbursement of the costs incurred (4 November 2010);
- Rules on use of company's vehicles and own vehicles for business assignments (1 September 2010);
- Instruction on award of public contracts (9 April 2010);
- Decision on accrued default interest (9 November 2010);
- Rules on treatment of archives and keeping of archives (4 March 2010 and 18 October 2010);
- Rules on supervision procedures (16 June 2010);
- Rules on establishment of an information protection management system – SUVI (26 July 2010);
- Instruction on implementation of Article 6 of the Rules on salaries and other remunerations from employment (14 October 2010);
- Rules on special project work (29 December 2010).

The Agency adopted the Instruction on award of public contracts in accordance to the amendments of the Public Procurement Act, which introduces new regulation of several public procurements in relation to their value, prescribes publication of major public procurements on the public procurement portal and introduces certification exams for persons handling major public procurements.

In 2010, the Agency adopted completely renovated Rules on supervision procedures, which include numerous changes and new elements related to the provisions regulating the Agency's operations. The Rules define the supervision procedures and measures imposed in cases of established irregularities.

In addition to labour-law relations and internal relations, the Agency independently handles other contractual relations and relations with different entities in connection with its operations, including public procurement procedures (preparation of the relevant documentation at the beginning of the procedure, evaluation and selection of bids, drafting of various contracts and delivery notes,

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

In line with legislation on occupational health and safety and fire safety, the Agency also attended to the necessary preliminary and periodic medical examinations and training in this area. Pursuant to the Fire Protection Act, the Agency provided training for the person in charge of extinguishing minor fires and evacuation of persons from the building.

A new Integrity and Prevention of Corruption Act was adopted in 2010. In accordance to its provisions, the Agency informed the Prevention of Corruption Commission within the prescribed deadlines on the list of persons, who are obliged to report their financial conditions and major changes of their assets. Pursuant to the new regulation, financial conditions must be also reported by persons in charge of public procurements.

By the end of February 2010, the Agency prepared and sent to AJPES (Agency of the Republic of Slovenia for Public Legal Records and Related Services) its annual report and financial statements with explanatory notes for 2009, including the company report, as prescribed by the Accounting Act and Public Finance Act. By the prescribed deadline on 31 March 2010 (pursuant to the ZTFI), the Council adopted the Agency's annual statements of accounts and the budget for 2010, including the plan of work of professional services, which the Government of the Republic of Slovenia approved on 10 June 2010. The Agency prepared for the National Assembly the Annual Report of the Work of the Agency in 2009 and the Report on the Situation on the Market in Financial Instruments in 2009, which were examined by the Committee on Finance and Monetary Policy on 8 September 2010. As required and instructed by the Ministry of Finance and within preparation of the state budget, the Agency prepared the budgets for 2011 and 2012 at the beginning of September. In addition, the Agency promptly and timely prepared various other compulsory reports and data (the Agency's balance sheet for 2009, corporation tax for 2009, reports in relation to salaries, statistics of financial accounts, etc.), and prepared different internal reports and accounting statements.

The Agency has its own accounting department, which performs all accounting functions of book-keeping, invoicing, control and analysis, managing the books of accounts and various accounting records; in 2010, it recorded nearly 28,400 entries in its books of accounts (data kept on the accounts used for recording changes arising from business events in individual asset parts of the Agency), which is 5 % more than the year before. Certain entries were made in order to monitor the movement in general government revenue and expenditure (the cash-flow accounting principle applies to recognition of revenue and expenditure in books of accounts). In this scope, the Agency recorded 2,570 invoices issued under the tariff, of which 2,034 for monthly supervision fee and 536 for annual supervision fee and 12 invoices under other grounds. In addition, the Agency prepared several other accounting documents, such as IOP forms, debit notes, accrued interest, notifications on default interest, decisions, etc. In 2010, the Agency received 974 invoices from suppliers, which were paid by the set due dates.

As a rule, the Agency independently handles its own debt collection, using reminders, lodging motions for enforcement at local courts, and making use of other remedies. In 2010, it proposed to the competent tax authority the forcible collection of procedural costs in one instance, filed two claims in compulsory settlement proceedings, six claims in bankruptcy proceedings and six applications for enforcement. The Agency had outstanding receivables of EUR 188,500 as of 31 December 2010 for accrued interest, taxes and fees under the Tariff, lump-sum court fees from minor offences procedures, refunding of compensation for sickness and disability of its employees and other, of which EUR 59,961 was from the enforcement motions lodged by the Agency, the claims registered in compulsory settlement and bankruptcy proceedings and filed lawsuits and requests for judicial protection lodged against the Agency's decisions setting out an obligatory payment of tax, fee or lump-sum court fee.

Pursuant to the Occupational Rehabilitation and Employment of Disabled Persons Act, the Agency is exempt from the payment of contributions for pension and disability insurance for each disabled person employed above the prescribed quota of 2 %, since it employs two disabled workers. In line with the Decree Establishing Employment Quota for Disabled Persons, the Republic of Slovenia Fund for Promotion of Employment for Disabled Persons re-issued a decision to the Agency that the reward for exceeding the quota be paid for the further 12 consecutive months.

Until the end of February 2010, an external auditor audited the Agency's financial statements for the past year. The opinion was that the Agency's balance sheet and revenue and expenditure account for 2009 gave a true and fair view of its financial position and were in accordance with the Accounting Act and the Slovenian Accounting Standards. For 2010 the external auditor saw the completion of the regular annual internal audit of the Agency, comprising the inspection of protection and maintenance of the assets and compliance of the treatment of the archives with the Regulation on Administrative Operations.

8.3. Information technology

In 2010, the Agency focused on the following areas of the information technology.

The system for electronic capture and delivery of data (the National Reporting System – NRS) was upgraded and adapted in March 2010, implementing the changes in regulations referring to reporting on solvency of investment funds. In November and December, another upgrade was completed to provide compliance with the CESR (or ESMA) requirements for reporting on transactions in financial instruments by banks and brokerage companies; the system additionally introduced technical solutions for reporting by public companies, which should start in 2011.

The system for exchange of electronic reports on transactions in financial instruments among the EU Member States, or the EAA (TREM), is a dynamic system, which must be constantly adapted as required by the CESR. An upgrade of the system was performed in November and December 2010, in order to unify the basic code tables among all the users of the TREM system and centralise their updating on the EU level. Among these code tables there are the lists of BIC, MIC and CFI codes and the lists of currencies and countries. In addition, this upgrade provided a receipt of reports on transactions in derivatives not admitted to organised trading, but referring to financial instruments, which are admitted to organised trading (the so-called OTC derivatives).

At the beginning of 2010, the Agency prepared a project for development of the Agency's integrated information system (data warehouse). In November 2010, the Agency initiated a public procurement procedure, while the selection of the provider should be made in the first half of 2011. It has been planned that the system will be entirely functional within three years after the selection of the provider, whereby individual components of the system will be used before.

The Agency established a special project group to assure successful execution of these demanding IT projects and to take care of the conceptual and technical compliance of implemented and planned projects with regulations, as well as the requirements and needs of the Agency.

Due to large quantities of data and information handled by the Agency, much attention has been dedicated to information security and protection. In 2010, the Agency continued the project of establishment of an information protection management system (SUVI). The first set of security policies (workstations) was implemented in July 2010, and preparation of the set of security policies covering physical and technical security was finalised in December 2010. The implementation and finalisation of this set of security policy is planned for the first half of 2011.

At the beginning of 2009, the Agency started to use a new electronic system for document management. Following further development of the document management system and adjustments to specific need of the Agency, an upgrade was performed in 2010, allowing separate

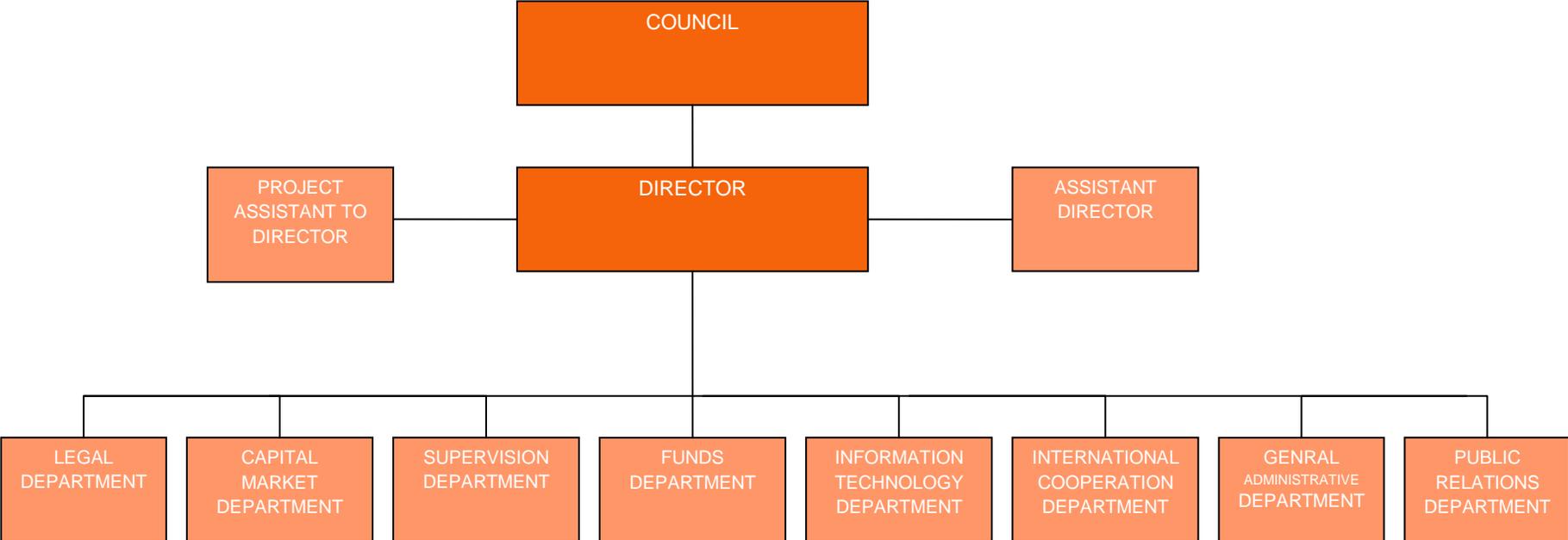
processing and recording of confidential documents. Electronic management of employees' personal files and digital signing and confirmation of documents were also introduced. Furthermore, keeping of separate archives was provided, as stipulated in the Regulation on Administrative Operations, as well as elaboration of various reports and statistics related to the Agency's archives.

An upgrade and optimisation of the server and network infrastructure was performed by the Agency in the second half of 2010 by replacing the entire server farm, including replacement of the cooling systems in the server cabinets. Another upgrade was made on the software platform for virtualisation, in order to provide virtualisation of the workstations, while the internal network was modernised to allow a better throughput for data transmission (10Gbps).

In 2010, the Agency successfully concluded the projects of e-sessions and the intranet, which were initiated at the end of 2009. The e-sessions project allows electronic delivery, recording and storage of documents for the sessions of the Agency Council. Upgraded intranet websites provide the employees with an easier access to the contents needed in their work.

In April 2010, the project of introducing the system for central storage of regulated information (CSI – INFO HRAMBA), which was developed by the Ljubljana Stock Exchange on behalf of the Agency, and was also successfully accomplished. This system provides public companies with easier reporting of regulated information and fulfilment of the requirements related to timely disclosure of such information.

ORGANISATION CHART



II. ANNUAL STATEMENTS OF ACCOUNTS (audited data)

BM veritas

• AUDITORS •

BM Veritas Revizija d.o.o., Dunajska cesta 106, 1000 Ljubljana
Phone: 01 568 43 80, 01 568 24 36, Fax: 01 568 40 75

REPORT OF INDEPENDENT AUDITOR

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

We performed an audit of the accounting statements of the Securities Market Agency, which include the balance sheets, as at 31 December 2010, and the related revenue and expenditure account for defined users of the unique chart of accounts for the year ended, as well as the summary of fundamental accounting policies and other explanatory notes.

Management's responsibility for accounting statements

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

Auditor's responsibility

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

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

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

Opinion

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

Ljubljana, 9 March 2011

Benjamin Fekonja, BEcon
Certified Auditor

INTRODUCTION

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

The annual statements of accounts for 2010 include the Agency's financial statements and explanatory notes to the financial statements.

1. FINANCIAL STATEMENTS

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

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

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

2. EXPLANATORY NOTES TO FINANCIAL STATEMENTS

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

2.1. Value related explanatory notes to financial statements

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

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

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

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

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

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

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

2.2. Descriptive explanatory notes to financial statements

Descriptive explanatory notes to financial statements include:

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

Applied fundamental accounting estimates

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

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

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

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

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

Financing of the Agency

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

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

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

Information on methods applied to evaluate individual categories in financial statements

1. Recognition of revenue

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

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

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

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

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

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

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

2. Recognition of expenditure

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

Expenditures are recognised according to the occurrence of the trade event. Due to monitoring of the trends in general government revenue and expenditure, they are also recognised in accordance

with the cash flow principle, which is defined by the Rules on Compilation of Annual Statements for other users of the unique chart of accounts.

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

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

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

Revaluated expenditure occurs upon sale of intangible and tangible fixed assets if their disposable value does not exceed the book value. Revaluated expenditure also includes revaluated expenditure due to the impairment of receivables.

Among revaluated expenditure are stated unsettled debts, which might not be paid, and disputable receivables (filed lawsuits).

3. Statement of assets and liabilities by type and maturity

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

4. Statement of long-term accruals and prepaid expenditure

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

5. Statement of intangible and tangible fixed assets

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

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

These assets are stated separately in the books, while eliminated assets are no longer stated.

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

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

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

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

7. Revaluation of tangible fixed assets

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

8. Short-term financial assets

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

9. Short-term receivables

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

10. Own funds and long-term liabilities

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

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

11. Tax

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

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

12. Statement of cash at bank

Cash includes cash held in the cash register in local currency and in foreign currencies. The item bank states cash at accounts held at the Public Payments Administration of the RS and at banks.

13. Support by the state

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

14. Contributions to the budget

The Agency contributed one part of its profit for the years 2001, 2002 and 2003 to the budget of the Republic of Slovenia, in the amount defined in the Agency's budget for each year, which was approved by the Government of the Republic of Slovenia.

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

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

1. Breakdown of revenues and expenditure by "activity"

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

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

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

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

3. Provisions for liabilities and charges

The provisions for liabilities and charges have been made pursuant to the decision of the Fund of the RS for Stimulation of Employment of Persons with Disabilities in relation to an exemption from the payment of contributions for pension and disability insurance for each disabled person employed above the quota prescribed in Article 74 of the Vocational Rehabilitation and Employment of Persons with Disabilities Act, therefore provisions for liabilities and charges were made in the value of exempt contributions for pension and disability insurance, which were spent on education and training of employees, as stated within the purposes designated in Article 61 of the Vocational Rehabilitation and Employment of Persons with Disabilities Act.

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

The profit equals EUR 126,588 or EUR 103,641 after deduction of corporate income tax.

Total revenues in the amount of EUR 3,404,448 consist of operating revenues (97.27 %), financial revenues (2.62 %) and other revenues (0.11 %). The operating revenues include all revenues stipulated in the acts (the ZTFI, Minor Offences Act, etc.).

Total expenditure in the amount of EUR 3,277,861 consists of labour costs (67.71 %), costs of goods, material and services (24.06 %), depreciation and amortisation (6.62 %) and other costs (0.24 %); financial (0.0004 %) and other expenses (0.16 %) and revaluatory operating expenses (1.22 %).

5. Reasons for the profit stated in the balance sheet

The profit equals EUR 126,588 or EUR 103,641 after deduction of corporate income tax.

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

The asset fund in other public legal entities owned by them, for intangible and tangible fixed assets decreased by EUR 7,093 in 2010 (equals the present value of assets), and the profit rose by EUR 110,734.

6. The receivables, as at 31 December 2010, equal EUR 188,500 and arise from relationships with the subjects under the Agency's supervision (64.03 %), banks (31.78 %), budget users from the title of compensation for salaries, etc. (0.19 %) and with the suppliers (4.00 %).

The receivables refer to debtors in the country (86.62 %) and to debtors outside the country (13.38 %).

Among receivables there are immature receivables (46.27 %) and mature receivables (53.73 %). Mature receivables consist of 23.89 % of disputable receivables (lawsuits) and 31.75 % of doubtful receivables (filed executions, bankruptcy proceedings and compulsory settlement). The remaining receivables are in the recovery process. Unless they are recovered with debit notes, applications for enforcement will be lodged with the competent courts, or other methods of enforcement for recovery of debts will be used.

7. Liabilities, as at 31 December 2010, equal EUR 393,363 and do not include any mature liabilities.

Liabilities include liabilities to subjects liable to pay fees, who paid such fees and require the Agency to decide on individual cases, but the Agency has not decided yet (6.17 %), liabilities towards the employees from the title of labour costs (53.55 %), liabilities arising from business relations with suppliers (26.58 %), liabilities for contributions (13.56 %) and liabilities towards users of the unique chart of accounts (0.14 %).

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

Tangible fixed assets in the form of computer equipment and intangible fixed assets were purchased for the total value of EUR 218,555.

9. Reasons for significant changes of fixed assets

The value of fixed assets changed due to new purchases, write-offs and depreciation, long-term deferred costs, e.g., contribution by owner of premises into a reserve fund, and long-term deposits for payments.

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

The Agency held several short-term deposits and one long-term deposit, as at 31 December 2010.

11. Court proceedings

As at 1 January 2010 eight judicial protection proceedings were in course before the Supreme Court of the Republic of Slovenia against the Agency's decisions, while as at 31 December 2010 17 such proceedings were in course before the Supreme Court.

A constitutional appeal was filed in 2010 against the judgement of the Supreme Court to reject a lawsuit against the Agency's decision on the establishment of the takeover threshold and prohibition of exercising the voting rights.

In 2010, the administrative dispute before the Supreme Court of the Republic of Slovenia related to the applicant's request for access to public information and originating from 2003 was concluded.

Two court proceedings, in which the Agency was involved as defendant, were still pending as at 31 December 2010.

In 2010, the competent district courts decided on 4 requests for judicial protection filed prior to 1 January 2010 against the Agency's decisions issued in 2006 and three in 2008. In all cases the courts rejected the requests as ungrounded and confirmed the Agency's decisions. In two cases the violators filed appeals against such decisions, so two new proceedings were initiated before higher courts.

Six requests for judicial protection against the Agency's decisions issued in the same period were filed in 2010.

A lawsuit was filed against the Agency in February 2010 to ascertain the legality of an extraordinary termination of the employment contract before the Labour and Social Court of Ljubljana. Three social disputes were also initiated in relation to this dispute in 2010. In December 2010 an agreement was reached, which settled all disputable issues of the above stated four disputes. In January 2011 the agreement was also confirmed as a court settlement by the Labour and Social Court of Ljubljana. All liabilities related to this court settlement will be settled in 2011. In financial statements these liabilities are stated under accrued costs and deferred revenues and other labour costs.

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

2.3. Explanatory notes to financial statements

REVENUE AND EXPENDITURE ACCOUNT

	2010 in EUR	2009 in EUR
REVENUES	3,404,448	3,381,916

The revenues are lower by 2.34 %, compared to the budget for 2010, and higher by 0.67 %, compared to the turnover in 2009.

OPERATING REVENUES	3,311,491	3,277,624
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The share of operating revenues in total revenues for 2010 equals 97.27 %; if compared to the budget for 2010, they are lower by 2.73 %, and higher by 1.03 %, if compared to the turnover in 2009.

They include revenues under the ZTFI – the Tariff on Charges and Fees (99.72 %), Minor Offences Act (0.28 %) and other acts (0.003 %).

FINANCIAL REVENUES	89,283	95,340
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The share of financial revenues in total revenues for 2010 equals 2.62%; if compared to the budget for 2010, they are higher by 14.91%, and lower by 6.35%, if compared to the turnover in 2009.

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

OTHER REVENUES	3,674	8,098
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The share of other revenues in total revenues for 2010 equals 0.11%; if compared to the budget for 2010, they are lower by 26.51%, and higher by 54.63%, if compared to the turnover in 2009.

They include in particular revenues from the title of bonuses due to an exceeded share of employed persons with disabilities, as stipulated by the act regulating occupational rehabilitation and employment of the disabled.

REVALUATED OPERATING REVENUES	0	854
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No revaluated operating revenues were realised in 2010.

EXPENDITURE	3,277,860	3,316,055
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The expenditure is lower by 5.47 %, compared to the budget for 2010, and higher by 1.15 %, compared to the turnover in 2009.

COSTS OF GOODS, MATERIAL AND SERVICES	788,590	911,276
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Their share of total expenditure for 2010 equals 24.06 %; if compared to the budget for 2010, they are lower by 75.64 %, and higher by 13.46 %, if compared to the turnover in 2009.

They include:

Costs of material	67,194	57,739
Costs of services	721,396	853,537

LABOUR COSTS	2,219,319	2,181,900
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Their share of total expenditure for 2010 equals 67.71 %; if compared to the budget for 2010, they are lower by 32.29 %, and higher by 1.71 %, when compared to the turnover in 2009.

They include:

Salaries and employees benefits	1,763,101	1,780,696
Employer's social security contributions	308,002	297,504
Other labour costs	148,216	103,700

DEPRECIATION	217,002	180,444
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Its share of total expenditure for 2010 equals 6.62 %; if compared to the budget for 2010, it is higher by 2.21 %, and higher by 20.26 %, when compared to the turnover in 2009.

PROVISIONS	0	0
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OTHER COSTS	7,722	9,465
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Their share of total expenditure for 2010 equals 0.24 %; if compared to the budget for 2010, they are lower by 41.07 %, and higher by 18.42 %, if compared to the turnover in 2009.

They include the contribution for building land, contribution for promotion of employment for disabled persons, pursuant to the Occupational Rehabilitation and Employment of Disabled Persons Act and costs of court fees.

FINANCIAL EXPENDITURE	13	467
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Its share of total expenditure in 2010 equals 0.0004 %.

It includes default interest and liabilities paid out of time.

OTHER EXPENDITURE	5,130	13,893
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Other expenditure represents 0.16 % of total expenditure, which is nine times lower than budgeted for 2010, and almost three times lower than in 2009.

They include reimbursements of costs for procedures ex officio.

REVALUATED OPERATING EXPENDITURE	40,084	18,610
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Its share of total expenditure for 2010 equals 1.22 %; if compared to the budget for 2010, it is almost three times higher, and more than twice higher than the actual turnover in 2009.

It includes:

Expenses from sale of fixed assets	2,104	210
Other revaluated operating revenues	37,980	18,400

The amount of other revaluated operating revenues is twice higher than in 2009 as a result of the economic crisis, since the number of debtors not paying their liabilities has increased (doubtful and disputable receivables).

SURPLUS	126,588	65,860
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Corporate Income Tax	22,947	7,344
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Surplus for financial period with deducted corporate income tax	103,641	58,516
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The achieved surplus in the amount of EUR 103,641 is higher by EUR 85,230 than budgeted.

BALANCE SHEET

	2010 in EUR	2009 in EUR
ASSETS	4,771,952	4,648,009

The assets include objects, rights, cash and accrued revenues and deferred costs. The assets stated in the balance sheet were acquired in the past and include also their anticipated benefits in the future. The assets increased by 2.67 %, compared to 2009, mostly due to long-term financial investments.

The Agency acquired intangible and tangible fixed assets with its own funds in the value of EUR 219,775.

LONG-TERM ASSETS	2,758,787	1,868,229
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Their share of total assets for 2010 equals 57.81 %, which represents a 47.67 % rise in comparison with 2009, mostly due to long-term financial investments (long-term deposits).

The present value of intangible and tangible fixed assets as at 31 December 2010 equals EUR 1,860,819, while the figure for 2009 was EUR 1,867,912.

They include:

Deferred costs and accrued revenues	968	316
Intangible assets (present value)	300,858	260,002
Real estate (present value)	1,315,230	1,369,137
Equipment and other tangible assets (present value)	244,731	238,774
Long-term deposits	897,000	0

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

SHORT-TERM ASSETS AND DEFERRED COSTS AND ACCRUED EXPENSES	2,013,165	2,779,780
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Their share of total assets for 2010 equals 42.19 %, which represents a 27.58 % fall in comparison with 2009.

They include:

Cash in the cash register	54	159
Cash at banks and other financial institutions	239	16,866
Short-term receivables in relation to buyers	49,006	23,942
Given advance payments	7,531	565
Short-term receivables in relation to users of unique chart of accounts	367	36,189
Short-term financial investments	1,858,000	2,616,174
Short-term receivables from financing	59,995	52,815
Other short-term receivables	11,641	4,986
- Deferred costs and accrued revenues	26,332	28,084

Short-term financial investments include short-term deposits in banks, which are due to payment in 2011. Short-term receivables from financing include interest for funds deposited in banks, interest for day-to-day money and default interest of debtors.

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

LIABILITIES	4,771,952	4,648,009
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Own funds represent 90.84 % of total liabilities.

Liabilities include own funds, which are a permanent source of financing and debts, e.g. liabilities towards other legal and natural subjects, from whom the Agency acquired the funds.

SHORT-TERM LIABILITIES AND ACCRUED COSTS AND DEFERRED REVENUES	436,998	416,696
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Their share of total assets for 2010 equals 9.16 %, which represents a 4.87 % rise in comparison with 2009.

They include:

Short-term liabilities for received advance payments	24,464	49,341
Short-term liabilities to employees	212,237	182,487
Short-term liabilities to suppliers	105,371	154,358
Other short-term operating liabilities	53,728	29,378
Short-term liabilities to users of unique chart of accounts	563	1,132
Accrued costs and deferred revenues	40,635	0

Short-term liabilities for received advance payments include liabilities from the title of payments received pursuant to the Tariff on Charges and Fees for claims, which were not yet resolved by the Agency in 2010.

Liabilities for the month of December 2010 related to salaries, which shall be paid together with contributions in January 2011, are stated among short-term liabilities to employees and other short-term operating liabilities. The latter item also includes liabilities in relation to corporate income tax.

Accrued costs and deferred revenues include short-term accrued costs and revenues from the title of court settlement.

OWN FUNDS AND LONG-TERM LIABILITIES	4,334,954	4,231,313
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Their share of total assets for 2010 equals 90.84 %, which represents a 2.45 % rise in comparison with 2009.

Reserves (under Article 492 of the ZTFI or Article 305 of the ZTVP-1)	4,334,954	4,231,313
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Their share of total assets for 2010 equals 90.84 %, which represents a 2.45 % rise in comparison with 2009.

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

In accordance with Article 494 of the ZTFI, the Agency's Council approved the budget of the Agency for 2010 at its session held on 29 March 2010, according to which total profit established for 2010 in the amount of EUR 103,641 was allocated to the Agency's reserves which are stated in the books under two items:

Asset fund owned by the Agency for intangible and tangible assets	1,860,819	1,867,912
Surplus	2,474,135	2,363,401

As the item asset fund owned by the Agency for intangible and tangible assets (hereinafter: asset fund) is equal in value to the present value of intangible and tangible assets, the asset fund decreased by EUR 7,093, while the surplus increased for this amount and the amount of profit for 2010, which was EUR 103,641.

In compliance with the approval of the Government of the Republic of Slovenia granted for the Agency's budget for 2010 at the 86th session on 10 June 2010, the profit achieved in 2010 exceeding the budgeted amount for 2010 (e.g. above EUR 18,411) will be transferred to the budget of the Republic of Slovenia after the adoption of the annual statements for 2010 by the Agency's Council.

Reference number: 0101-1/2011-1

Approved at 383th Session of the Securities Market Agency Council on 31. March 2011.

Damjan Žugelj, Ph. D.
President of Securities Market Agency Council