

SECURITIES MARKET AGENCY

Annual report 2015

September 2016

Statement by the director

The happenings on the Slovenian capital market in 2015 were particularly marked by the adoption of the Alternative Investment Fund Managers Act (ZUAIS) and the new on Investment Funds and Management Companies Act (ZISDU - 3). According to the model of other developed markets, ZUAIS in Slovenia systemically regulated the field of alternative investment funds. Due to the aforementioned arrangement of alternative investment funds, which publicly collect assets and are thus accessible to non-professional investors, the year 2015 saw also the adoption of a new ZISDU - 3. In preparation of the said laws, ATVP (hereinafter: the Agency) worked closely with the competent authorities and in connection with the new statutory regime in 2015 issued 24 and in the beginning of 2016 another 21 general acts based on ZISDU - 3 and ZUAIS. With the implementation of the Book-entry Securities Act (ZNVP - 1), inter alia, a legal environment for the entry of KDD into the pan-European settlement system in financial instruments (T2S) was established in Slovenia.

The Agency was in 2015 also actively involved with the supervisor of the European market in financial instruments - The European Securities and Markets Authority (ESMA). In doing so, a lot of attention was paid to the adaptation to European legislation, namely to the transfer of numerous regulations (MiFID - 2, EMIR, MAD, MAR, CSDR) into Slovenian acquis and their implementation. It thus participated in the preparation of the amended Securities Market Act (ZTFI - E), of the amended Takeover Act (ZPre -1G) and in the implementation of CSDR Regulation. The purpose of these provisions is improvement of security of investors, strengthening of integrity and increase in transparency of the capital market. In addition, the Agency also closely monitored the intended measures of the European Commission regarding the setting up of a Union of capital markets.

By pursuing supervisory and regulatory tasks, the Agency contributed to the integrity and transparency of the Slovenian capital market. Thus, at the end of the year, there were 61 operational public companies, 344 target companies that are subject to ZPre - 1, 17 companies licensed to provide investment services and activities related to financial instruments (of which 5 were brokerage companies and 12 banks) and 9 management companies that managed 9 umbrella funds with 109 sub-funds and 4 mutual funds. Of the mentioned management companies, 3 also had the permit for the provision of management services, investment advice, safekeeping and administrative services in relation to units of investment funds.

Last year Slovenia recorded a rise in the number of takeovers which was the highest in the last three years. In 2015, the Agency issued 14 licenses for takeover bids, received 7 notifications of exemption from the obligation to make a takeover bid and refused one request for the granting of authorisation for takeover of one company. To one company it issued a decision to terminate the suspension of voting rights. In the year 2015 only three issuers opted for the offer of securities to public, which unfortunately still does not constitute a sign of recovery of the Slovenian capital market – the issuers still do not make use of the above mentioned method of capital raising. However, a total of 5 issuers decided to admit their securities to trading at the Ljubljana stock exchange. In order to increase the chances of recovery and the development of activities of organized market in financial instruments in Slovenia, the Agency proposed, within the framework of its powers, to other institutions and companies (Ministry of Finance, Bank of Slovenia, the Slovenian state holding company, etc.) a set of measures that would increase investment

opportunities for investors, both in terms of offer as well as demand for financial instruments and make the regulated market in financial instruments more attractive to investors.

Also in the previous year, the Agency with its current publications, news alerts, lists and other data and specific content, intended for investors, contributed to the raising of awareness and education of investors to make informed financial decisions more easily.

Given the above, I consider that the Agency has fulfilled its supervisory and regulatory obligations in the market of financial instruments and with its measures contributed to greater integrity, transparency and security of the Slovenian capital market.

Miloš Čas, MSc

Director and President of the Council of Securities Market Agency

Explanation of use of the terms in this text due to harmonization with the EU acquis:

1. BROKERAGE COMPANY/INVESTMENT FIRM – according to the Market in Financial Instruments Act (ZTFI) a brokerage company is investment firm (as defined in MiFID) with its registered office in the Republic of Slovenia.

that is not a bank and that has obtained an authorization from the Agency to provide investment services and activities (Article 11). ZTFI in its Chapters 5, 6 and 8 refers to the Article 14 of the Banking Act (ZBan-1) when using the term investment firm: *"Investment firm" shall be a person entitled to perform investment services and transactions subject to an authorization for the provision of such services issued by a competent supervisory authority, except the following persons:*

1. Credit institutions,
2. Local firms and
3. Firms

- which are only authorised to provide the service of investment advice and/or receive and transmit orders from investors without holding financial assets or financial instruments belonging to their clients and

- which may not place themselves in debt with those clients.

2. BANK – according to the Banking Act (ZBan-2) a term “bank” applies to a credit institution established in the Republic of Slovenia which is authorized to provide banking services in accordance with the ZBan-2. Banks usually have the authorization from the supervisory authority to perform other financial services, including investment services and activities.

3. CREDIT INSTITUTION – can be established as a bank or savings bank in accordance with the ZBan-2.

List of frequently used abbreviations

AIMFD

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

AJPES

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

ATVP

Securities market agency

AZN

Insurance Supervision Agency

CSDR

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

CSI

The system for central storage of regulated information

ČVS

Net Asset Value

DZU

Management Company

EBA

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

EIOPA

European Supervisory Authority - European Insurance and Occupational Pensions Committee, established by the Regulation (EU) No. 1094/2010 of the European Parliament and the Council of 24 November 2010 on establishing of a European Supervisory Authority (European Insurance and Occupational Pensions Authority) and on amendment of Decision No. 716/2009 / EC and repealing of Commission Decision 2009/79 / EC (OG of the RS no. 331 of 15. 12.2010, p. 48)

EMIR

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

ESMA

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

ESRB

European Systemic Risk Board established by Regulation (EU) No. 1092/2010 of the European Parliament and the Council of 24 November 2010 on the macro-prudential oversight of the financial

system of the European Union and on establishing a European Systemic Risk Board (OG of the RS no. 331 dated 15. 12. 2010, p. 1)

EuSEF

European Social Entrepreneurship Funds

EuVECA

European Venture Capital Funds

FIRDS

System of reference data for financial instruments

FURS

Financial Administration of the Republic of Slovenia

INFO HRAMBA

The system for central storage of regulated information of issuers

IISA

Integral Information System of the Agency

IMSC

Investment Management Standing Committee

IOSCO

International Organization of Securities Commissions

IPISC

Investor Protection and Intermediaries Standing Committee

ISPO

Program for management of legal records

KDD

KDD - Central Securities Clearing Corporation, Plc.

KNPVP

Undertakings for collective investment and transferable securities

MAD

Directive 2003/6 / EC of the European Parliament and the Council of 28 January 2003 on insider dealing and market manipulation (market abuse)

MAD II

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

MAR

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

MiFID

Directive 2004/39 / EC of the European Parliament and the Council of 21 April 2004 on markets in financial instruments and on amendment to Council Directives 85/611 / EEC, 93/6 / EEC and Directive 2000/12 / EC of the European Parliament and the Council and repealing Council Directive 93/22 / EEC

MiFID II

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

MiFIR

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

MISC

Market Integrity Standing Committee

NRS

National Reporting System

ODNI

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

OECD

Organisation for Economic Co-operation and Development

SOAP

Accounting financial program

SARIS

Suspension and Restoration Information System

SDH

Slovenian state holding, Plc.

SEOnet

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

SODPZ

Fund of Compulsory Supplementary Pension Insurance

SONI - 1

Form for reporting on people who have access to insider information

ŠPICA

System for registration of employee attendance

TRACE

Access to data of the trade repository

TREM

System for exchange of information between the Agency and the supervisory authorities of other EU Member States

UCITS Directive

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

ZBan - 1

Banking Act (Official Gazette of RS, no. 99/10 - BAN-1-UPB5 (52/11 - corr.), 9/11 - Plass-B, 35/11, 59/11, 85/11, 48/12, 105/12, 56/13, 63/13 - ZS-K, 96/13 and 25/15 – Zban 2)

ZBan – 2

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

DPC

Financial Conglomerates Act (Official Gazette of RS, Nos. 43/06, 114/06 - ZUE, 87/11 and 56/13)

ZFPPIPP

Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act (Official Gazette of RS, No. 13/14 - official consolidated text and 10/15 - corr.)

ZISDU - 2

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

ZISDU - 3

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

ZJF

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

ZKDPZJU

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

ZMbNFS

Macro-prudential Supervision of the Financial System Act (Official Gazette of RS, no. 100/13)

ZNVP - 1

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

ZP - 1

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

ZPIZ - 2

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

ZPNPID

Legal Successors of Authorized Investment Companies Act (Official Gazette of RS, no. 68/07, 7/08, 121/08 - decision of the CC and 40/09)

ZPPDFT

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

ZPre - 1

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

ZPSPID

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

ZPZPŠ - 1

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

SDH - 1

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

ZTFI

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

ZTVP

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

ZTVP - 1

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

ZUAIS

Alternative Investment Fund Managers Act (Official Gazette of RS, no. 32/15)

ZUKSB

Act Regulating Measures of the Republic of Slovenia to Strengthen the Stability of Banks (Official Gazette of RS, no. 105/12, 63/13 - ZS-K, 23/14 - ZDIJZ-C 104/15)

ZUP

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

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ANNUAL REPORT 2015

Securities Market Agency Annual report 2015

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

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

The data in this report generally relate to the financial year 2015, except in individual cases when they relate to the period before that year or after, if that provides a more complete account of individual facts or matters connected with the work of the Agency.

I. PRESENTATION OF SECURITIES MARKET AGENCY

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

IDENTITY CARD

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

LEGAL STATUS, TASKS AND BODIES OF THE AGENCY

Establishment and legal status

The Agency was established on 13.4.1994 based on the Securities Market Act (hereinafter: the ZTVP) as an independent authority. The Agency is a public legal entity, independent in implementing its tasks and

responsibilities. For its work it is responsible to the National Assembly of the Republic of Slovenia, to whom it annually reports on its work and on the situation on the market in financial instruments. Its business and internal organization are defined by the Rules of the Agency.

Agency's powers

The Agency grants authorisations and approvals, and supervises and implements other tasks and powers set out by the Market in Financial Instruments Act (ZTFI), the Investment Funds and Management Companies Act (hereinafter: the ZISDU-2 or rather ZISDU-3 since 19.5.2015), the Alternative investment fund managers Act (ZUAIS, since 23.5.2015) and the Takeover Act (ZPre-1). The Agency conducts supervision by supervising the reports and notices that the supervised subjects are obliged to submit to the Agency, by means of inspection of their operations and ordering of supervisory measures.

In addition to the above stated acts, the tasks of the Agency are regulated by the Banking Act (hereinafter: the ZBan-1; ZBan-2 since 13.5.2015), the Pension and Disability Insurance Act (hereinafter: the ZPIZ-2), the Book Entry Securities Act (ZNVP; ZNVP-1 since 23.10.2015), the Collective Supplementary Pension Insurance for Public Employees Act (hereinafter: the ZKDPZJU), the Financial Conglomerates Act (hereinafter: the ZFK), the Prevention of Money Laundering and Terrorist Financing Act (hereinafter: the ZPPDFT), the amendments and supplements of the Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act (hereinafter: ZFPPIP-E), the Macropprudential Supervision of the Financial System Act (hereinafter: ZMbNFS), the Bridging Insurance of Professional Athletes Act (ZPZPŠ, since 4.11.2015 the Bridging Insurance of professional and top Athletes ZPZPŠ - 1), the Regulation on the implementation of the Regulation (EU) on short selling and certain aspects of credit default swaps (Official Gazette of the RS, no. 54/12) in connection with the Regulation (EU) no. 236/2012 of the European Parliament and the Council of March 14 2012 on short selling and certain aspects of credit default swaps (UL EU L no. 86 dated 24.3.2012), the Regulation (EU) no. 648/2012 of the European Parliament and the Council of July 4 2012 on OTC derivatives, central counterparties and trade repositories, the Regulation on the implementation of the Regulation (EU) on OTC derivatives, central counterparties and trade repositories (Official Gazette of the RS, no. 22/13), the Commission regulation (EU) no. 583/2010 implementing Directive 2009/65/ES of the European Parliament and of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website (UL EU L no. 583 of 1.7.2010), the Commission Regulation (EU) no. 584/2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards the form and content of the standard notification letter and KNPVP attestation, the use of electronic communication between competent authorities for the purpose of notification, and procedures for on-the-spot verifications and investigations and the exchange of information between competent authorities (UL EU L no. 584 of 1.7.2010), the Commission Regulation (EC) no. 809/2004 of 29.4.2004 on 2003/73/EC of implementation of Directive of the European Parliament and the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses with changes, Commission Regulation 1031/2010 of November 12 2010 on the timing, administration and other aspects of auctioning of greenhouse gas emission allowances pursuant to Directive 2003/87/EC of the European Parliament and the Council

establishing a scheme for greenhouse gas emission allowances trading within the Community (UL EU no. L 302/1 of 18.11.2010), the Regulation (EU) no. 1227/2011 of the European Parliament and the Council of 17.4.2013 on European Venture Capital Funds (UL L no. 115 of 25.4.2013), the Regulation on European Parliament and Council of 17.4.2013 on the Regulation on social Entrepreneurship Funds (UL L no. 115 of 25.4.2013), the Regulation (EU) 2015/760 of the European Parliament and the Council of 29.4.2015 on European long-term funds and other regulations.

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

The Council of the Agency

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

In 2015 the Council of the Agency had the following composition:

- Director Dr. Damjan Žugelj, President (until 11.3.2015),
- Anka Čadež, President (in the period from 13. 3. to 4. 5. 2015, where she served as the Acting Administrative Director of the Agency),
- Director Miloš Čas, MSc, President (from 4.5. 2015 onwards),
- Primož Damjanovič, member,
- Primož Pinoza, MSc, member,
- Mojca Majič, MSc, member and
- Vesna Stankovič Juričić, member.

In 2015 the Council of the Agency held 39 sessions.

THE COUNCIL'S TASKS

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

DECISION MAKING PROCESS OF THE AGENCY

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

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

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

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

DIRECTOR

In the year 2015, until the expiry of the mandate of 11 .3.2015, the position of Director of the Agency was performed by Damjan Žugelj, Ph.D. From 13.3. to 4.5.2015 the function was held by Anka Čadež, and from 4.5.2015 onwards the function of Director of Agency has been performed by Miloš Čas, MSc.

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

More specific tasks of the Agency

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

- brokerage companies,
- management companies,
- alternative investment funds,
- mutual funds,

- mutual pension funds,
- stock exchange,
- clearing and depository companies (since the entry into force of ZNVP - 1: central securities depository company).

2. Granting authorisations for qualifying holdings in

- a brokerage company,
- a management company,
- a stock exchange,
- and a clearing and depository company.

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

4. Granting authorisations for takeover bids.

5. Granting authorisations to operate as a broker, to hold the office of a member of the management board of a management company, a brokerage company, a stock exchange or a clearing and depository company, and granting authorisations for the marketing of investment funds and sale of their units.

6. Granting approvals to the rules of the stock exchange.

7. Granting approvals to the rules of the central securities clearing company.

8. Supervising management companies, investment companies, mutual funds, alternative investment funds, mutual pension funds, stock exchange, central securities clearing company, as well as brokerage companies and banks, providing (auxiliary) investment services and transactions, and supervising the reporting by public companies and procedures pursuant to the ZPre-1, and ordering supervisory measures for the elimination of established violations and irregularities.

9. Control of market abuse (market manipulation and trading based on inside information).

10. Supervision of entities that illegally (without authorization) in the Republic of Slovenia provide services for which it is necessary to obtain a prior authorization from the Agency or the Bank of Slovenia.

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

12. Register keeping:

- authorisations for the provision of investment services and business,

- authorizations for the provision of investment fund management services,
- tied agents,
- managers of alternative investment funds.

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

INTERNAL ORGANISATION AND FINANCING OF THE AGENCY

In accordance with the Rules on internal organization and systematization of jobs were in 2015 tasks of the Agency carried out in the following sectors.

The Capital Market Department

Performed all tasks in the following areas:

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

Funds Department

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

Surveillance and Enforcement Department

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

Legal Department

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

International Cooperation Department

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

Financial-administrative Department

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

IT Department

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

EMPLOYEES OF THE AGENCY

Educational structure of employees in the Agency has been on 31 December 2015 as follows: 1 master of law, 8 masters of economics, three masters of economic of science (Bologna program), 11 university degrees in law, 8 university degrees in economics, one university degree in communication, 1 university degree in journalism, 1 university graduate of mathematics, 2 graduates of administrative organizers, 3 graduates of economics, 1 graduate of business informatics, 2 business secretaries and one person with secondary education.

Agency Financing

The Agency is financed by the fees and remunerations paid by participants of the market in financial instruments, and other revenue generated by the operations. The funds for the Agency are provided from the fees for decisions on individual matters and compensation for supervision. The amount of fees and charges is set in Tariff on Fees and Charges (Official Gazette of RS, no. 54/08, 86/09, 59/10, 10/11, 80/12, 102/12, 78 / 13,80 / 14 and 59/15; Tariff), issued by the Agency in agreement with the Government of the Republic of Slovenia. The consent to the annual accounts and financial plan of the Agency is given by the Slovenian Government. The annual accounts and the financial plan of the Agency are also given to the National Assembly of the Republic of Slovenia.

INFORMATION SECURITY MANAGEMENT SYSTEM IN ACCORDANCE WITH THE STANDARD ISO / IEC 27001: 2013

The Agency has established an information security management system in accordance with the requirements of the standard ISO / IEC 27001: 2013 in the field of regulation and supervision of the market in financial instruments in the Republic of Slovenia. In 2015, the Agency prosperously updated and regulated the information security management system (SUVI) and in December 2015 successfully passed the recertification audit ISO / IEC 27001: 2013.

FAMILY-FRIENDLY COMPANY

Since 2014 the Agency has been a holder of the basic family-friendly company certificate.

II. PRIMARY MARKET

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

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

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

In 2015, 3 issuers decided on public offering of securities, which is more than a year before and 5 issuers admitted to trading on the Ljubljana Stock Exchange.

In 2015, the Agency issued 5 decisions on the approval of a prospectus for the admission of securities to trading on the regulated market, 2 decisions on the approval of a prospectus for the public offering of securities and 1 decision on the approval of a simplified prospectus for the public offering of securities.

| The issuer of securities | Number of securities issued |
|--|--|
| ADRIA MOBIL Production, trade and services, d. o. o., Novo mesto | Registered bonds 24,000 at 1000 euros |
| KD Group, Financial Company, d. d., Ljubljana | Registered bonds 14,622 at 100 EUR |
| SLOVENIAN NATIONAL HOLDING, d. d., Ljubljana | Registered bonds 100,000 at 1000 euros |
| SIJ - Slovenian Steel Industry, d. d., Ljubljana | Registered bonds 51,218 at 1000 euros |
| IMPOL 2000 management company, d. d., Slovenian Bistrica | Registered bonds 50,000 at € 1000 |
| Premogovnik Velenje, d. d., | no-par value shares 34,000,000 pieces |
| Gorenjska banka, d. d., Kranj | no-par value shares to 86,667 pieces |

Table: Issued authorisations – approvals of the prospectus for the offering of securities to the public in 2015

When the issuer, offeror or a person offers securities to public, if the total sales price in the EU in the 12 month period is less than 5 million EUR, this issuer, offeror or person can draw up simplified prospectus with only basic information about the issuer. The Agency issued 1 simplified prospectus for admission to trading on a regulated market in 2015.

| The issuer of securities | Number of securities issued |
|-------------------------------------|--------------------------------------|
| NOVATV24.si, News Television, d. d. | no-par value shares to 30,000 pieces |

Table: Issued authorisations – approval of the simplified prospectus for the admission of securities on the regulated market in 2015

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

In 2015, the Agency received 33 notifications from the issuers of securities on the application of the exemption from the publication of a prospectus. These are notifications in cases in which the issuers are not obliged to obtain the Agency's approval of the prospectus for offering securities to the public for individual types of offers of securities, and the prospectus for the admission of securities to trading on a regulated market. The issuers need not compile a prospectus, but they must inform the Agency of the application of exemption within three business days before the beginning of the public offer or the admission of securities to trading on a regulated market. This principle of informing also allows the Agency to supervise those types of securities offering that are not disclosed to the investors through the prescribed contents of the prospectuses for various legal reasons. The Agency also regularly monitors the increase in the share capital of public limited companies by granting new shares through publications in the Official Gazette of the Republic of Slovenia, the notifications of the clearing and depository company and public announcements (convocations of general meetings, general meetings, etc.). If the share capital is increased by issuing new shares, the company must submit to the Agency either the request for the approval of the prospectus for public offering or the notification on the application of exemption in case no approval of the Agency is required for the issue of securities. Furthermore, the Agency monitors potential issue of other securities (e.g. debt securities), since the issuers are obliged to obtain the Agency's approval before offering any type of securities to the public, or inform the Agency for which of the possible exemptions under Articles 49, 50, 51 of the ZTFI apply. They must notify the exemption to the Agency in accordance with Article 52 of the ZTFI.

In 2015 the Agency submitted one proposal for initiating criminal proceedings against a company that did not inform of the exemptions in the prescribed time.

SUPERVISION OF REPORTING AND IMPOSED SUPERVISORY MEASURES

Reporting of public companies

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

PUBLIC COMPANIES

A public company is an issuer whose securities are admitted to trading on a regulated market in the Republic of Slovenia or another Member State. At the end of 2015, 61 companies had the status of a public company.

COMPANIES THAT HAVE CHOSEN THE REPUBLIC OF SLOVENIA FOR THE HOME MEMBER STATE

ZTFI anticipates that certain public companies in relation to certain securities consider the Republic Slovenia as the home Member State according to the law (e.g. the Republic of Slovenia is in the case of a public company in regards with the issue of shares a home Member State on the basis of the fact that the public company is registered in Slovenia).

Where not so, therefore, when a public company can choose freely the home Member State (meaning the Republic of Slovenia), the Agency must be informed. Among public companies, in relation to which the Agency on 31.12.2015 had at disposal notice of the selection of the Republic of Slovenia as the home Member State, there were six companies.

Supervision of reporting by public companies

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

- daily monitoring of reporting by public companies (e.g., in relation to announced changes in respect of significant holdings, convocation of general meetings, status changes, etc.) and, if necessary, taking actions in the situations of suspected violations of reporting rules prescribed by the ZTFI. In 2015, the Agency addressed many requests for explanations regarding their ad-hoc reporting to the public companies. In case of violations, the Agency takes action against individual public company. Supervisory measures may be, for instance, order on elimination of violations, termination of trading on a regulated market with a certain security.

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

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 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, the public company must publish the annual report drawn up by the management of the company within the set deadline, and make a note of this in the publication. Furthermore, the company must publish the adopted annual report, either in its entirety or, if amended, only the information on the adoption of the annual report in the contents prepared by the management of the company, within 15 days of its adoption by the competent body.

A public company is obliged to submit the annual report to the Agency and inform it on the method of publication. In 2015, the Agency received through “info-hramba” 59 audited annual reports by public companies for the period from January 1 to December 31, 2014. 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 ten public companies:

- 1 company's annual report for 2015 was not published and submitted to the Agency or the INFO HRAMBA, therefore, the Agency ordered the publication of the annual report. The company did not eliminate the infringement. The Agency submitted to the minor offenses body a notice of the suspected violation.
- 1 company published an incomplete annual report for 2014, so the Agency ordered a complement to the publication of the annual report. The company eliminated the infringement, so the Agency issued a declaratory decision on elimination of violations against the company to the minor offenses body.
- 8 companies announced incomplete annual report for 2014, but these violations in their nature and extent had no significant effects, so the Agency issued these companies a warning, which alerted the companies of these violations.

Each year the Agency supervises the reporting by all public companies on semi-annual operating results. 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 the ZTFI, the issuer must submit to the Agency the content of the publication and inform it on the method of publication.

In 2015, the Agency received 57 semi-annual reports for the period from January 1 to June 30, 2015. During the supervision procedure of the reporting on semi-annual operating results, violations were identified in 15 public companies.

- 1 company's annual report for 2015 was not published and submitted to the Agency or the INFO HRAMBA. The Agency submitted to the minor offenses body a notice of the suspected violation.
- 1 company's semi-annual report for 2015 was published too late. The Agency submitted to the minor offenses body a notice of the suspected violation.
- 13 companies published the semi-annual report that was incomplete for the year 2015. Of these, the Agency issued 6 warnings to companies warning of these violations, and issued an order to eliminate violations and submitted to the minor offenses body a notice of the suspected violation for 7 companies.

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. The report must be published within the period starting upon the expiry of ten weeks after the end of each six month period and ends six weeks before the end of the next six-month period. This obligation of publication shall not apply to a public company that publishes quarterly reports upon its own initiative, in line with any other provisions or rules of a regulated market.

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

In the first six months of 2015, 48 public companies published and delivered (INFO HRAMBA) quarterly and interim management reports within the period starting upon the expiry of ten weeks after the end of each six-month period. In the first six months, 1 company did not publish an interim report, therefore the Agency ordered the publication of the report and submitted to the minor offenses body a notice of the suspected violation.

In the second half of 2015, the quarterly and interim report was published and delivered (INFO HRAMBA) by 46 public companies. In the second half of the year, 2 companies did not publish their interim report, therefore the Agency ordered the publication of the interim report to one of them, and against both submitted to the minor offenses body a notice of the suspected violation. 1 company published the report too late, therefore the Agency submitted to the minor offenses body a notice of the suspected violation.

Announcements of qualifying holdings

In 2015, the Agency received 148 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 of suspected illegal takeovers, often through concerted actions of several subjects involved. In the latter case, this is a source of information that can be a significant indicator for the Agency's supervisory activities, which continue in relation to the takeover legislation.

The Agency submitted to the minor offenses body a notice of the suspected violation against one company that has not provided notification of the change in qualifying holdings.

Publishing of inside information

In 2015, public companies published about one thousand of information that were identified as inside information.

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

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

The Agency, in association with the supervision over reporting of public companies, in 2015 when it came to the publication of internal information, proposed the introduction of one offence proceeding and issued one recommendation.

Against one company which did not publish or suspend internal information, the Agency submitted to the minor offenses body a notice of the suspected violation.

Forms SONI - 1 and ODNI

The Agency has set up an electronic way of reporting on the list of persons who have access to inside information (Article 387 of ZTFI, i.e. SONI-1 form), as well as electronic reporting on postponing of the publication of inside information (fourth paragraph of Article 386 of ZTFI, i.e. ODNI). The SONI - 1 form is an important tool in the supervision of insider trading. On the basis of this form the Agency identifies a preponderant part of persons with access to inside information, while at the same time the form also reveals which specific inside information the individual has access to. The ODNI form (the same in the field of supervision over the prohibited inside trading) serves the Agency for identifying the existence of inside information, where these have not been adequately publicly published (at a time when inside information exists, but has not yet been properly made public, the danger of prohibited trading is larger). In conjunction with ODNI forms, the Agency also oversees the timeliness of publication of deferred regulated information.

The Agency periodically reviews the forms SONI - 1 and ODNI and in 2015 detected a violation in one public company that did not submit or supplement the form SONI – 1. The Agency acted in accordance with the order to eliminate violation and submitted to the minor offenses body a notice of the suspected violation. The company eliminated the infringement.

Reporting on the basis of Slovenian Sovereign Holding Act

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

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

III. TAKEOVERS

ISSUING AUTHORIZATIONS FOR TAKEOVER BIDS

In 2015, the Agency issued 14 authorisations for takeover bids according to the ZPre-1. The Agency would have issued such authorisations after it has verified the compliance of individual elements of the takeover bid with the provisions of the takeover legislation. The Agency verifies in particular if the takeover price offered by the acquirer is adequate, as it must not exceed the highest price under which the acquirer obtained the securities in the period of last 12 months and the adequacy of other disclosures regarding the acquirer and the target company, which the shareholders need for adopting the decision on the acceptance of a takeover bid. After the announcement of the takeover bid results, the Agency shall issue a decision establishing the takeover bid outcome.

The Agency in 2015 in one decision-making process on the request for authorization of takeover offer refused authorization for acquisition of the offeree company because conditions from Article 32 of ZPre-1 were not met.

| Acquirer | Offeree company | Date of issue |
|--|---|---------------|
| SLAVEN VUKOVIĆ, Andraševečka, Zagreb | METALKA COMMERCE, d. d., Ljubljana | 1.4.2015 |
| KOMPAS SHOP, d. o. o., Ljubljana | VELANA, d. d., Ljubljana | 16.3.2015 |
| D NA 2, d. o. o., Murska Sobota Lipa – Invest, d. o. o., Murska Sobota Branko Fijok, Murska Sobota | ELEKTROMATERIAL, d. d., Lendava | 8.4.2015 |
| TELEMACH, širokopasovne komunikacije, d. o. o., Ljubljana | TELEMACH ROTOVŽ, širokopasovne komunikacije, d. d., Maribor | 18.3.2015 |
| KOFOLA, d. o. o., Ljubljana - Črnuče | RADENSKA, d. d., Radenci | 17.4.2015 |
| ALTA SKUPINE, upravljanje družb, d. d., Ljubljana | ALTA INVEST, investicijske storitve, d. d., Ljubljana | 26.5.2015 |
| LOXODONA, d. o. o., Ljubljana | HOTEL SLON, d. d., Ljubljana | 19.10.2015 |

| | | |
|---|---|------------|
| ARRIVA DOLENJSKA IN PRIMORSKA, d. o. o., Koper | ALPETOUR POTOVALNA AGENCIJA, d. d., Kranj | 24.9.2015 |
| PODRAVKA, prehrambena industrija, d. d., Koprivnica, Hrvaška | ŽITO, prehrambena industrija, d. d., Ljubljana | 19.10.2015 |
| HEINEKEN INTERNATIONAL B.W., Amsterdam, Nizozemska | PIVOVARNA LAŠKO, d. d., Laško | 10.11.2015 |
| SIJ – Slovenska industrija jekla, d. d., Ljubljana | HOLDING PMP, d. d., Ptuj | 30.11.2015 |
| RRC RAČUNALNIŠKE STORITVE, d. d., Ljubljana | ŽIČNICE VOGEL BOHINJ, d. d., Bohinjsko jezero | 15.12.2015 |
| PUBLIKUM HOLDING, upravljanje družb, d. o. o., Ljubljana, GAZNAFTA INVESTMENTS LIMITED, Ciper, GLEN trgovsko podjetje d. o. o., Ljubljana | ALTA SKUPINA, upravljanje družb, d. d., Ljubljana | 21.12.2015 |
| SIJ – Slovenska industrija jekla, d. d., Ljubljana | PERUTNINA PTUJ, d. d., Ptuj | 22.12.2015 |

Table: Issued authorisations – authorisation for takeover bid in 2015

The number of takeovers in 2015 (14) comparing to the previous year (9) has increased, but remains much lower from the number that was common before the financial (economic) crisis. The economic growth in 2015 was stable and balanced, yet that did not reflect in the significantly higher takeover activity. Investors were in 2015 still waiting for larger sales of Slovenian companies, while on the other hand, there was in 2015 for sale a lot of other companies, however, due to the uncertain climate and conditions in the country, for example high taxes, rapidly changing legislation, trade unions, etc., their sales did not occur. 2015 brought about the completion of sales of some major packages - investments (e.g. Pivovarna Laško, Žito) that were through consortia sold mainly by creditor banks (shares of companies that banks confiscated on the basis of pawns due to non-payment of loans) and some other owners.

Also the fact that the banks after renovation had sufficient liquid assets to finance the economy, this was not reflected in 2015 in the increased takeover activity. Regarding the loans of banks in 2015 it can be said that they were cheap due to the fall in interest rates, however, banks are more cautious in lending, which means that potential acquirers acquire funds with more difficulty. Banks assess opportunities more structurally, and projects according to what the business plan and the presented takeover bid are and set other restrictions, for example concerning the admissibility conditions of purchase contracts.

Exemptions from the obligation for takeover bid

Provisions of Articles 22 and 22a, 22b and 22c of the ZPre-1, Articles 76 and Article 78 of the ZBan-2 and Article 28 of the Act Regulating Measures of the Republic Slovenia to strengthen the Stability of banks (ZUKSB) provide exemptions from the obligation for takeover bid. A person who is exempt from the takeover bid must notify the Agency within three working days of the acquisition or disposal of securities. In 2015 the Agency received 7 such notifications.

SUPERVISION

Based on the ZPre – 1, the Agency in 2015 implemented supervision of takeovers. The supervisory proceedings addressed the ownership in those target companies for which the ZPre – 1 is used. On 4.2.2015 there were 344 target companies in the Republic of Slovenia 344 to which the takeover legislation refers.

The Agency in 2015 began to conduct 14 operations of supervision in relation to the target company to which ZPre – 1 refers:

- in the case of two control procedures, the withdrawal of voting rights of illegal shareholders was proposed, while at the same time minor offense proceedings under ZPre-1 were proposed in both cases;
- eight supervisory procedures were completed with an official note, as no violations of ZPre-1 were found;
- in the case of the three supervisory procedures proposals were made for minor offense proceedings;
- one supervisory procedure of the initiated in 2015 had not been completed in the same year.

IV. SECONDARY MARKET

ISSUING OF AUTHORISATIONS AND APPROVALS in the field of investment services and activities

Issuing authorizations and approvals to brokerage companies and banks

At the end of 2015, 17 companies, of which 5 were brokerage companies and 12 banks, had the permit from the Agency or Bank of Slovenia for providing investment services and activities relating to financial instruments. In addition, at the end of 2015, three companies for management of investment funds had the permit to provide management services, investment advice and safekeeping services and administration services in relation to units of investment funds. According to the state on 31.12.2005, there were, among all the authorized participants on the market in financial instruments, 8 banks and 5 brokerage firms that were members of Ljubljana Stock Exchange, d. d., Ljubljana (Ljubljana Stock Exchange), and three members had the status of a remote member.

The Agency in 2015 issued two permits to obtain a qualifying holding in brokerage company.

Issuing approvals to Ljubljana Stock Exchange

The Agency in 2015 issued one approval for amendment of general acts of the Ljubljana Stock Exchange. In that year, the Agency also considered two applications for the acquisition of the qualifying holding in the Ljubljana Stock Exchange. One application was withdrawn by the applicant, due to which the Agency stopped one procedure, and in the second issued the applicant the approval to acquire a qualifying holding.

Issuing approvals to KDD

In 2015, the Agency dealt with one application for issuing of approval for amendment to KDD general acts and in this regard issued the approval.

Issuing authorization to brokers

In 2015, the Agency issued 20 decisions on licences to act as a broker.

Notifications to provide investment services and activities

Based on the requests received from supervisory institutions of other EU Member States, the Agency in 2015 received the notification on the provision of services of 199 investment companies from the EU Member States, which requested to provide investment services and transactions in relation to financial instruments in the Republic of Slovenia directly, based on the provisions of the Markets in Financial Instruments Directive (MiFID). The Agency also received 83 withdrawals of notifications. Investors can obtain information which investment companies from the Member States fulfil the conditions for providing their services directly in the Republic of Slovenia at the Agency's websites.

Short Selling

On 1 November 2012 entered into force the Regulation of the European Parliament and Council of 14 March 2012 on short selling and certain aspects of credit default swaps (EU) No. 236/2012 (Regulation). Article 17 of the Regulation provides an exemption for market making activities and primary market operations. The Regulation determines that the notification of the use of exemption shall be reported to the competent authority in writing. Entities which want to use the exemption as determined in the Regulation must notify it on notification form and the Agency's documents.

In the period from 1.1.2015 to 31.12.2015 the Agency received no new notifications on the application from exemption as an authorized primary dealer or on amendment of already given notification from the previous years. Thus the entities that provided notifications to the Agency on exemptions for primary market dealers are mainly banks from the EU, namely: UniCredit Bank AG, J.P. Morgan, Barclays Bank Plc, Jefferies International Limited, HSBC France, Credit Agricole Corporate/Investment Bank, BNP Paribas S.A., ING Bank N.V., Societe Generale, Goldman Sachs International Bank, Deutsche Bank Aktiengesellschaft incl., Branches, Commerzbank AG and Citigroup Global Markets Limited. In 2015, the Agency received 14 notifications of net short positions in sovereign securities on which it quarterly reports to ESMA.

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

SUPERVISORY PROCEDURES

In accordance with current legislation, the Agency performs supervision:

- with monitoring, collecting and verifying reports and notifications of supervised entities and other persons who are required to report to the Agency or to inform it of individual facts and circumstances (supervision over reporting);

- with the carrying out of supervision of business entities' operations and
- by imposing supervisory measures.

In 2015, the Agency performed intensive supervision of the market in financial instruments, which is illustrated by the number of performed supervision procedures related to supervision of business operations and verification of reports, where the Agency used new technology and know-how to introduce sophisticated and more rational reporting. In addition, numerous related tasks were performed with the goal to simplify internal procedures, increase the cost effectiveness of the Agency's operations and the efficiency of its supervision.

On the basis of ZTFI, ZNVP - 1 and ZPPDFT, the Agency in 2015 supervised the following activities:

- supervision over the reporting of brokerage companies and banks,
- supervision over the status structure of brokerage companies, over the conditions for the provision of investment services and activities in brokerage companies and supervision of brokers,
- supervision over risk management of brokerage companies (capital control, capital requirements, liquidity of brokerage firms)
- supervision over the accounts and annual reports of brokerage firms,
- supervision over the implementation of the ZPPDFT provisions,
- supervision over the Ljubljana Stock Exchange and KDD,
- supervision over the prohibited acts of market abuse and
- supervision over the illegal provision of services, the implementation of which requires a permit from the Agency or the Bank of Slovenia.

In 2015, the Agency carried out supervision in particular over the following groups of subjects:

- brokerage companies,
- banks authorized by the Bank of Slovenia to provide investment services and activities,
- tied agents,
- Ljubljana Stock Exchange,
- KDD,
- persons for whom it was suspected that they were implementing prohibited conduct of market abuse.

In addition, the Agency in 2015 supervised also the following subjects:

- which were suspected of performing activities or providing investment services or transactions in the Republic of Slovenia without an adequate authorisation, which should have been obtained from the Agency or the Bank of Slovenia, and
- subjects, who were suspected of a violation of the legislation under the Agency's competence.

The Agency performs regular and extraordinary supervision. Regular controls are planned in advance in the annual work programme; extraordinary controls are carried out on the ground of suspected violations. In 2015, the Agency carried out regular controls on the subjects that needed an authorisation of the

Agency or the Bank of Slovenia for performing their activities. Extraordinary controls were carried out also on other subjects. In 2015, extraordinary controls were, as a rule, the result of findings, report analyses and notifications, received investor complaints and complaints by other subjects and received information or data from other sources.

The Agency in 2015 initiated a total of 40 supervision procedures that include supervision procedures related to reporting by supervised subjects, inspections of operations and procedures initiated on the basis of suspected violations that the Agency identified on the basis of information from other sources.

Review of operations and imposed supervisory measures

Regarding the situation in the Slovenian capital market, the Agency in 2015 conducted several reviews of business of financial organizations, where it identified potential violations and irregularities of the existing legislation. The Agency in 2015 carried out 3 reviews of operations, namely, in 2 brokerage companies and 1 bank in connection with the performance of investment services and activities.

In 2015, the Agency initiated the following supervisory procedures over individual groups of entities:

- 11 supervisions of brokerage companies,
- 4 supervisions of banks,
- 5 supervisions of other entities for which there was suspicion of illegally providing of investment services and activities,
- 19 supervisions of the suspicion of implementation of activities associated with the market abuses, the subject of which was trading with 46 securities.

Imposed supervisory measures

In 2015, the Agency after the completed supervisory procedures issued 26 supervisory measures.

Within these procedures, the Agency issued the supervised subjects the following supervisory measures:

- 4 decisions to eliminate violations, with which it imposed on brokerage companies decisions on elimination of 8 violation of the applicable legislation, 2 warnings to brokerage companies about 5 detected minor violations of business and 2 recommendations, with which it recommended to brokerage companies 10 improvements in their operations,
- 6 decisions to eliminate violations, with which it imposed on banks decisions on elimination of 31 violation of the applicable legislation, 2 warnings to banks about 7 detected minor violations of business and 4 recommendations, with which it recommended to brokerage companies 32 improvements in their operations,
- 2 decisions for the implementation of activities related to prohibited acts of market abuse and
- 1 decision to rectify violations of unlicensed entities.

In 2015, the Agency in supervision of procedures over provision of investment services and activities and investment fund management also issued 12 decisions on the suspension of proceedings or decisions where it found that the entity that had the order to eliminate violations eliminated them in an appropriate manner.

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

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

- capital and capital requirements of brokerage companies,
- liquidity of brokerage companies,
- exposure of brokerage companies,
- investment of brokerage companies and
- non-numeric annex to the report in relation to the financial statements.

Persons obliged to report (brokerage companies and some banks with the authorisation for providing investment services and activities) daily sent to the Agency the reports on transactions executed in financial instruments admitted to trading in any of the regulated markets of the EU Member States (reporting on the basis of Article 275 of the ZTFI). The Agency received 4,557 data files. Within the exchange of information on transactions with supervisory authorities of other Member States, the Agency received further 144 reports and sent 1960 data files. The Agency also received 441 non-numeric reports of brokerage companies through the reporting system in 2015.

In 2015, the Agency also received 115 non-numeric and 60 numerical reports from Ljubljana Stock Exchange and 3 non-numeric reports from KDD.

In 2015, the Agency received 275 notifications from persons obliged to report under the Regulation of the European Parliament and Council on OTC derivatives, central counterparties and trade repositories.

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

In 2015, the Agency on the basis of data from reports and other sources began with a 35 supervision procedures.

V. FUNDS

ISSUING OF AUTHORISATIONS AND APPROVALS

Issuing of authorisations and approvals to management companies

The Agency in 2015 in the field of business investment funds and management companies issued the following authorisations and approvals:

- 1 decision of the management company for termination to provide investment management services due to changes in activity,
- 1 decision on the termination of the provision of services of management of financial instruments,
- 2 approvals for the management of the mutual fund,
- 1 decision for the merger of investment funds,
- 1 approval of the change in umbrella fund rules, in so far as it relates to all sub funds,
- 3 approvals to the change in fund rules, in so far as they relate to individual sub funds,
- 6 approvals for the publication of the prospectus of the mutual or umbrella fund,
- 3 authorizations to obtain a qualifying holding in the management company and 4 approvals of the termination of the authorization to acquire a qualifying holding in the management company,
- 2 authorizations to conclude a contract for the provision of safe custody services and
- 1 authorization for the takeover of the investment fund.

The Agency in 2015 in the area of operation of management companies, investment funds marketing and selling of investment coupons considered the following applications of natural persons:

- 2 applications for a member of the Management Board or Executive Director of the management company. The Agency issued the approval to all three applicants. During the same period, the Agency also issued two decisions on the termination of board member function of the management company,
- 112 applications for authorization of investment funds marketing and investment coupon selling. In 111 cases the authorization was issued and in one case the Agency rejected the application.

Mutual pension funds and operators of mutual pension funds

The Agency in 2015 received and processed 10 applications by operators of mutual pension funds.

In 2015, the Agency issued the operators of mutual pension funds the following authorisations or approvals:

- 4 authorisations for the conclusion of a contract for the provision of safekeeping services,
- 1 approval for merger of acquisition of mutual pension fund to takeover mutual pension fund,

- 1 authorisation for management of umbrella pension fund,
- 1 approval to the rules of umbrella pension fund management,
- 1 authorisation for the transformation of a mutual pension fund into a sub fund of an umbrella pension fund and
- 3 approvals to the change in fund rules of mutual pension funds.

In 2015, the Agency rejected one request that was related to the issue of authorisation to the change in fund rules of a mutual pension fund.

Notification of KNPVP unit marketing

The Agency in 2015 received 1 notification of KNPVP marketing from other Member States in the Republic of Slovenia. Due to informing and protection of investors, the Agency publishes on its website a list of KNPVP from other Member States marketed in the Republic of Slovenia, from where all the changes are evident.

During the same period, the Agency submitted the supervisory authorities of the member states 3 notification documents from Slovenian management companies.

In 2015 in the Republic of Slovenia 4 KNPVP from other Member States terminated unit trading.

SUPERVISION OF REPORTING AND IMPOSED SUPERVISORY MEASURES

In 2015, the Agency on the basis of ZISDU - 2 or ZISDU - 3 in the area of supervision of reporting carried out the following activities:

- Supervision of reporting of asset management companies,
- Supervision of reporting by operators of mutual pension funds,
- Supervision of reporting by custodian banks.

Reporting of management companies, operator of mutual pension funds and custodian banks

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

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

MANAGEMENT COMPANIES

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

Daily reporting by management companies represents reporting on the value and change in the value of investment fund unit as at the accounting day. The Agency received 28,594 such in 2015, the receipt of which is daily controlled and analysed for any above-average changes in the fund unit value.

Once per month, management companies report the data from their balance sheets on the last accounting day of the previous month (form MATRIKA/ISBS) and data on transactions in the period of the previous month (form MATRIKA/ISTR) for each managed investment fund. For 2015, the Agency received 1,351 MATRIKA/ISBS forms and 1,351 MATRIKA/ISTR forms, where the forms represent basis for on-going review of operations of investment funds, mainly to supervise compliance of the investment policy of investment fund with the provisions of the ZISDU-2, the prospectus or the rules of the investment fund.

The regular monthly review comprises a review of reports on the facts and events related to the operations of a management company and investment fund (the Agency received 244 reports in 2015) 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 (90 notifications received in 2015).

A management company must report the income statement of each investment fund on a quarterly basis. The Agency received 448 forms in 2015.

In 2015, the Agency received 22 audited annual reports relating to operations in 2014, from 10 management companies, 9 umbrella funds and 3 mutual funds. In supervision process over those reports the Agency determined that the auditors gave a favourable opinion on all financial statements of management companies, financial statements of umbrella funds and financial statements of mutual funds. The auditors of all management companies gave a favourable opinion on the rules of prudential and safe operations and compliance with the rules of conduct. They also gave a favourable opinion on all umbrella funds and mutual funds regarding compliance with the rules determined in the ZISDU-2. In addition, the

Agency in 2015 also received 12 semi-annual reports relating to operations in the period from 1 January to 30 June 2015 for 9 umbrella funds and 3 mutual funds.

A management company is obliged to submit to the Agency internal audit report and report on fulfilment of capital adequacy requirements on the last day of the calendar year. Both reports must be submitted at the latest upon submission of the audited annual report. In 2015, the Agency received and reviewed 10 reports on internal audit and 10 reports on capital adequacy of a management company for year 2014.

A management company must submit to the Agency all changes of document with key information for investors for each mutual fund that it operates, not later than with its submission to the public. The Agency received 141 such documents in 2015.

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 80 such notifications for 2015.

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. Notification must include description and proportion of deviations, reasons for deviation, description of actions for elimination of deviations and indication of the deadline by which the derogation is eliminated. The Agency received and reviewed 80 such notifications in 2015. In most cases, the cause for such reporting is a fall of the value of investments of investment fund, which can be attributed to the situation on financial markets, or a decrease or an increase of the number of asset units in circulation as a result of higher subscriptions or redemptions from an investment fund.

The management company must inform the Agency of any problems with the payment or its inability to pay the units or dividends of the investment fund under management. The review and analysis of the reports is carried out regularly and the Agency received 14 such forms in 2015. In most cases, the cause for such reporting is a fall in the net value of funds or a fall in fund units in circulation, which did not necessarily result in actual insolvency of an investment fund. All investment funds operating on the territory of the Republic of Slovenia in 2015, regularly serviced their investors with payments.

Management companies must inform the Agency on error in the calculation of net asset value of a mutual fund. Review and analysis of such reports are carried out regularly. In 2015, the Agency did not receive such reports.

Management companies providing management services in financial instruments and ancillary services must additionally send these reports to the Agency. In 2015, the Agency received 38 such reports.

In 2015, the Agency continuously reviewed all these reports through the Agency's integrated information system (IISA), which allows automatic control of regularity and timeliness of the arrival of reports. In addition to the above stated review of reports, the Agency, with the help of IISA, throughout 2015 also conducted substantive review of reports of mutual funds in terms of compliance of investments with legal provisions and fund rules. At least once in 2015, the Agency also examined the compliance of 113 mutual

investments funds with fund rules. Findings, collected on the basis of reviews of those reports and notices, were also the reason for further introduction of supervisory procedures.

In the supervisory procedure over the reports of management companies in 2015, the Agency required further clarifying of reports in 3 cases. Furthermore, the Agency issued 2 orders on ratification of violations established during the review of the received annual reports. In 2015, the Agency issued 1 decision with which it determined that a management company imposed to ratification of violations has done it in appropriate manner.

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

MANAGERS OF MUTUAL PENSION FUNDS

Managers of mutual pension funds must report monthly about the mutual pension fund asset unit value, the type and composition of mutual pension funds' investments, operator's capital, provisions for the failure to achieve guaranteed value of mutual pension fund and structure of investments from these provisions. The Agency received and reviewed 466 such reports in 2015.

Reporting on the operating result of mutual funds is made on a quarterly basis. The Agency received and reviewed 36 such reports in 2015.

Managers of a mutual pension fund must submit to the Agency the audited annual report of the mutual pension fund for the past business year, no later than on May 30 of the current year. In 2015, the Agency received on time 8 audited annual reports from mutual pension funds for the 2014 financial year: 6 mutual pension funds, the First Pension Fund of the Republic of Slovenia, and the Compulsory Supplementary Pension Insurance Fund. In supervisory procedures over these reports, the Agency determined that auditors gave favourable opinions on financial statements of all mutual pension funds and favourable opinions regarding compliance with management rules of mutual pension funds as determined by the ZPIZ-2.

In the case when managers of mutual pension funds change the statement of investment policy, must no later than in 3 working days of changes submit to the Agency the text of amended statement and explanation of the reasons for the change. In 2015, the Agency received 1 such notification.

In 2015, the Agency continuously reviewed all these reports with the help of IISA. In addition, the Agency with the help of IISA also conducted substantive review of reports of mutual funds in terms of compliance of investments of all mutual pension funds. Findings collected on the basis of reviews of those reports and notices were also the reason for further introduction of supervisory procedures.

In supervisory procedure of reporting of managers of mutual pension funds in 2015, the Agency required further clarifying of 1 sent report. Furthermore, relating to violations, detected in supervisory procedures over the reporting by managers of mutual pension funds, the Agency issued 1 warning and 2 recommendations.

CUSTODIANS OF INVESTMENT FUNDS AND PENSION FUNDS

Custodians must report to the Agency the data on supposed irregularities in operations of investment funds or pension funds, established while performing the custodian services for an individual investment or pension fund. In 2015, the Agency received and reviewed 30 reports related to the area of investment funds and 1 report related to the area of mutual pension funds or guarantee fund of supplementary pension insurance and underlying assets of pension companies. The most frequent reasons for reporting are non-aligned investment policy and exceeding of the threshold of maximum allowed exposure of the fund's investments.

Custodians must quarterly report on operations involving the assets of an investment fund or a mutual pension fund. In 2015, the Agency received and reviewed 157 reports (129 for investment funds and 28 for mutual pension funds).

EU MEMBER STATE MANAGEMENT COMPANIES

An EU Member State management company that offers KNPVP funds in the Republic of Slovenia shall inform the Agency on changes of prospectus, changes on management rules, latest annual report and any subsequent semi-annual report, and changes on documents with key information for investors. In 2015, the Agency received 96 such reports.

REVIEWS OF OPERATIONS AND IMPOSED SUPERVISORY MEASURES

Regarding the situation on the Slovenian capital market, the Agency in 2015 conducted several reviews of operations of financial organizations, establishing possible violations and irregularities of the applicable legislation. The Agency in 2015 conducted 2 reviews in the field of provision of investment fund management, namely 1 in a management company and 1 custodian bank.

Within these procedures, the Agency issued the subjects of supervision the following supervisory measures:

- 2 decisions to ratify violations, with it imposed on the management companies the ratification of 11 violations of applicable legislation,
- 1 warning to the management company for establishing 1 minor violation and

- 1 recommendation with which it recommended 14 improvements of the management company's operations.

VI. LEGISLATION

Preparation of general Acts

Most of the activities of the Agency in the legislation field in 2015 were related to the ZUAIS and ZISDU-3.

ZUAIS, which entered into force on 23.5.2015, introduced into Slovenian legislation the Directive 2011/61/EU of the European Parliament and the Council of June 8, 2011 on the Alternative Investment Fund managers and amendments of Directives 2003/41/ES and 2009/65/ES and regulations (ES) No. 1060/2009 and (EU) No. 1095/2010 (OL L no. 174 of 1.7.2011, p. 1) and in doing so, systemically regulated the field of management of alternative investment funds, intended for professional investors. ZUAIS inter alia, states in detail: terms and conditions of managing of alternative investment funds, conditions for the establishment and operation of alternative private investment funds with the status of a special investment fund (SIS), conditions for the marketing of alternative investment units funds in the Republic of Slovenia, conditions for the marketing of alternative investment unit funds established in the Republic of Slovenia, in another EU Member State or a third country, supervision of management of alternative investment funds and SIS operating, and cooperation between the competent supervisory authorities.

In addition, the ZUAIS in detail regulated the implementation of Regulation (EU) No. 345/2013 of the European Parliament and the Council of April 17, 2013 on European venture capital funds (UL L no. 115 of 25.4.2013, p. 1) and Regulation (EU) No. 346/2013 of the European Parliament and Council of April 17, 2013 on the European Social Entrepreneurship Funds (UL L no. 115 of 25. 4. 2013, p. 18) which are directly applicable to the legal order of EU Member States.

Due to the recognized need for regulation of alternative investment funds which publicly collect assets and are thus accessible to non-professional investors, was in 2015 also adopted the new ZISDU-3.

Due to the adoption of ZISDU - 3 and the ZUAIS, the Agency, in accordance with the work plan, in 2015 launched activities in connection with the preparation of general acts that need to be issued in accordance with the legal regulations (planned issuing of 34 general acts on the basis of ZISDU - 3 and 11 general acts based on ZUAIS), which will comprehensively regulate the field of investment funds. Although the deadline for issue of general acts on the basis of ZISDU - 3 is 19.2.2016 and the deadline for issue of general acts on the basis of ZUAIS on 23.2.2016, the Agency, with the aim of early ratification of legal uncertainties, already in 2015 issued 24 general acts on the basis of the above mentioned laws.

The Agency thus in 2015 issued 20 general acts on the basis of ZISDU - 3, namely:

- Decision on suspending the buying or the introduction of a partial redemption of investment coupons of mutual funds (Official Gazette of the RS, no. 90/15),

- Decision on holders of qualifying participation of management companies (Official Gazette of RS, no. 100/15),
- Decision on operation of management company (Official Gazette of RS, no. 100/15),
- Decision on key elements of investment fund and types and kinds of investment fund (Official Gazette of RS, no. 100/15),
- Decision on financial statements and the annual and semi-annual report of the investment fund (Official Gazette of RS, no. 100/15),
- Decision on capital of management company (Official Gazette of RS, no. 100/15),
- Decision on rules of governance and prospectus of open-ended investment fund (Official Gazette of RS, no. 100/15),
- Decision on the statute of investment firms (Official Gazette of RS, no. 100/15),
- Decision on detailed contents of calls for registration and payment of shares of investment company (Official Gazette of RS, no. 100/15),
- Decision on publications and direct informing of unit holders of (Official Gazette of RS, no. 100/15),
- Decision on transfer of provision of services or operations (Official Gazette of RS, no. 100/15),
- Decision on overall operating costs of mutual fund (Official Gazette of RS, no. 100/15),
- Conclusion of the contract on the provision of custodian services, where the party to contract is EU Member State management company (Official Gazette of RS, No. 100/15),
- Decision on payments and pay outs of investment coupons with transferable securities (Official Gazette of RS, no. 100/15)
- Decision on the criteria for determining significant influence on the management of the issuer (Official Gazette of RS, No. 100/15),
- Decision on examination in the field of marketing of units of investment funds (Official Gazette of RS, no. 100/15),
- Decision on how to replace the investment coupons of transferable mutual fund for investment coupons of takeover mutual fund (Official Gazette of RS, no. 100/15),
- Decision on distribution or suspension of net profit or income of mutual fund (Official Gazette of RS, no. 100/15),
- Decision on exemptions from authorization to issue the prospectus of open investment fund (Official Gazette of RS, no. 100/15) and
- Decision on the manner and conditions for marketing of units of investment funds (Official Gazette of RS, no. 100/15).

In 2015, the Agency also issued 4 general acts on the basis of the ZUAIS, namely:

- Decision on entry in the register of alternative operators of investment funds (Official Gazette of RS, no. 41/15),
- Decision on the definition of individual concepts related to the marketing of units of alternative investment funds (Official Gazette of RS, no. 100/15),

- Decision on informing the Security market Agency about the transfer of individual services of alternative investment funds management (Official Gazette of RS, no. 100/15) and
- Decision on the method of reporting of the trustee of alternative investment fund (Official Gazette of RS, no. 100/15).

In early 2016, the Agency issued the remaining 21 general acts in the field of ZISDU – 3 and ZUAIS.

Supervision and implementation of European legislation relating to the field of the Agency's operations

The Agency closely monitors and implements all European regulations. List of major Directives and implementation of EU regulations is published on the website <http://www.a-tvp.si/Default.aspx?Id=26>. The Agency has been particularly attentive to the developments in the adoption of Regulations of the European Parliament and Council or the European Commission and ESMA guidelines.

Thus the Agency in 2015 closely monitored developments in the adoption of Regulations of the European Parliament and Council or the European Commission and ESMA guidelines, which touch the areas of prospectuses and transparency. In 2015, no directives or delegated regulations were adopted, which would in any way amend the Directive 2003/71/EC of the European Parliament and Council of November 4, 2003 on the prospectus to be published upon public offer or admission of securities to trading and on the amending of Directive 2001/34/EC. In 2015, no regulation was adopted that would in any way change the Commission Regulation (EC) No. 809/2004 of 29.4.2004 on implementation of Directive 2003/71/EC of the European Parliament and the Council as regards information contained in prospectuses and the format of prospectuses, incorporation by reference and publication of such prospectuses and dissemination of advertisements. On 13.5.2015, the delegated Commission Regulation (EU) 2015/761 about supplementing of the Directive 2004/109/EC of the European Parliament and Council concerning certain regulatory technical standards for major equity shares, which shall apply from 26.11.2015, was published in the area of transparency. On 25.9.2015, the Official Gazette of the European Union published the implementing decision of the Commission (EU) 2015/1612 of 23.9.2015 about the amendment of Decision 2008/961/EC on national accounting standards of certain third countries and international Financial Reporting Standards that issuers of securities in third countries use to prepare their consolidated accounts.

In the field of provision of investment services and operations, the Agency closely monitors developments in adoption of European legislation. Regulation (EU) No. 600/2014 of the European Parliament and Council of May 15, 2014 was adopted in 2014 on markets in financial instruments and the amendment of Regulation (EU) No. 648/2012, which will, after the transposition of Directive 2014/65/EU of the European Parliament and Council of May 15, 2014 on markets in financial instruments and amendment to the Directive 2002/92/EC and Directive 2011/61/EU into Slovenian legal order, together with other regulations, which will be, based on proposals for legislation of the second level, prepared by ESMA, adopted by the European Commission, representing coherent whole, which will govern the provision of

investment services and activities in the Republic of Slovenia. This legal framework is in Slovenia expected to enter into force on 3. 1. 2017.

In 2015, the Agency monitored also the developments in the field of requirements of Basel III, which will be imposed on brokerage companies after the transposition of the Directive 2013/36/EU of the European Parliament and the Council of June 26, 2013 on access to operations of credit institutions and the prudential supervision of credit institutions and investment firms, the amending of the Directive 2002/87/EC and repealing of Directives 2006/48/EC and 2006/49/EC in Slovenian acquis in the field of provision of investment services and activities. The transposed directive will, together with the Regulation (EU) No. 575/2013 of the European Parliament and the Council of June 26, 2013 on credit rating about prudential requirements for credit institutions and investment companies and on amending of the Regulation (EU) No. 648/2012 and other legislation of the second level (over 200 regulations), in this field into the operations of brokerage companies transpose content Basel III.

Last year, the Agency also monitored developments in the fields of securities settlement arrangements, where in 2014 there was the adoption of the Regulation (EU) No. 909/2014 of the European Parliament and Council of 23 July 2014 on improving securities settlement arrangements in the European Union and on central securities depository companies and on amending the directives 98/26/EC and 2014/65/ EU and the Regulation (EU) No. 236/2012. Due to the application of this Regulation and the entry of KDD to T2S, a new ZNVP – 1 was adopted in 2015. In connection with this, a regulation on the implementation of this Regulation was prepared in 2015.

In the area of investment funds, the Agency also closely followed the developments in adoption of the regulations of the European Parliament and Council and the European Commission, and ESMA guidelines, which touch upon the area of investment funds. At the end of 2014, was thus also adopted the Regulation (EU) No. 1286/2014 of the European Parliament and the Council of 26 November 2014 on key information documents on package investment products to non-professional investors and insurance products (PRIIP) (OG of RS No.352 of 9. 12. 2014, p. 1), which provides uniform rules on the form and content of a document with key information that needs to be prepare by the providers of packaged retail investment investments for non-professional investors and insurance investment products and uniform rules on the transmission of key information document to non-professional investors. In accordance with the mentioned regulation for management companies, a transitional period of five years, i.e. until 1. 1. 2020, applies. 2015 also saw the adoption of the Regulation (EU) 2015/760 of the European Parliament and the Council of April 26, 2015 on European long-term investment funds (OG of RS no. 123 of 19.5.2015, p. 98), which defines uniform rules on licensing, investment policies and conditions of functioning of the European alternative investment funds, which are in Member States marketed as European long-term investment funds (ELTIF). ELTIF can be, in accordance with the conditions defined in that Regulation, marketed both to professional and non-professional investors. The stated Regulation is used in Member States of 9.12.2015. The Agency shall thus in its work have to further take into account also these regulations and implement tasks derived from them.

Participation in preparation of Acts

In the legislation area, the Agency in 2015 also worked closely with the relevant competent ministries and other participants in the systemic regulation of the capital market of the Republic of Slovenia. As ever was the main purpose of the cooperation a consistent harmonization of domestic legal framework with the European and the ratification of in the practice detected flaws and inconsistencies.

In 2015, ZTFI was not modified or amended, but the Agency actively participated in the preparation of the amended ZTFI - E, which is expected to enter into force in the first half of 2016. The essence of this amended act is the harmonization of Slovenian legislation with the *acquis* of the European Union so that the following shall be transposed to ZTFI:

- Directive 2013/50/ EU of the European Parliament and the Council of October 22, 2013 on amending the Directive 2004/109/EC of the European Parliament and the Council on the harmonization of requirements in relation to transparency of information about issuers whose securities are admitted to trading on a regulated market, Directive 2003/71/EC of the European Parliament and the Council on the prospectus, to be published when securities are publicly offered or admitted to the securities trading and the Directive of the Commission 2007/14/EC on definition of detailed rules for implementing certain provisions of the Directive 2004/109/EC;
- Directive 2013/36/EU of the European Parliament and the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment companies, amending of the Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, to the extent that such elements are used for brokerage companies;
- Directive 2014/51/EU of the European Parliament and the Council of April 16, 2014 amending the Directives 2003/71/EC and 2009/138/EC and the Regulations (EC) No. 1060/2009, (EU) No. 1094/2010 and (EU) No. 1095/2010 regarding the powers of the European Supervisory Authority (The European Insurance and Occupational Pensions) and the European Supervisory Authority (European Securities and Market Authority) to the extent that relates to the amendment of the Directive 2003/71/EC.

In addition to these implementations and the ZTFI - E amending act, the national legislation will be further aligned with the Regulation (EU) No. 909/2014 of the European Parliament and the Council of July 23, 2014 on improving regulation on securities settlement in the European Union and on the Central Securities Depositories and amending the Directives 98/26/EC and 2014/65/EU and the Regulation (EU) No. 236/2012 and the Regulation (EU) No. 575/2013 of the European Parliament and Council of June 26, 2013 on prudential requirements for credit institutions and investment companies and amending of the Regulation (EU) No. 648/2012. The purpose of the amending act is also ratification of identified weaknesses and inconsistencies ZTFI, *inter alia*, also by regulation of reference to the provisions of the new law governing banking.

In the Official Gazette of the RS no. 25/15 of 13.4.2015, the ZBan-2 was in fact published, with the exception of some chapters, invalidating the whole previous ZBan - 1. However, as the ZTFI regulations in many cases refer to the regulations of the ZBan-1, the final provision in the fourth paragraph of Article

405 ZBan - 2 provides that the Banking Act - 1 applies, when ZTFI refers to it. Otherwise the Banking Act – 2 in section 3.6. provides for certain exemptions for banks from ZPre-1 regarding the takeover bids or exercising the voting rights attached to the shares of the Bank, while the Agency in this regard confers certain powers. In addition, the Agency is in the ZBan-2 appointed as a minor offenses authority for violations of banks in relation to informing the Agency in accordance with the above 3.6. chapter of the Act.

As already mentioned, a new ZNVP – 1, which was published in the Official Gazette of RS, no. 75/15, entered into force on 23.10.2015. With the enactment of this Act, the ZNVP expires, except from the regulation of Article 18 and Article 82, the use of which was provided until the January 31, 2016. With the ZNVP - 1, inter alia, a legal environment that allows T2S technical solutions in Slovenia (T2S-TARGET2-Securities is a project of the Eurosystem, the aim of which is to establish uniform technical solutions for the settlement of securities transactions, which the CSDs will transpose to the settlement of securities transactions, and central banks for the settlement of capital part of securities operation) was established.

This Act also stipulates that the fulfilment to the person who is as the holder of securities registered in the Central register, always considers as valid fulfilment of the issuer's obligations, and that in the Republic of Slovenia securities may be issued even if foreign law applies to the obligations of the issuer of the security. Moreover, ZNVP – 1 is ceasing the so called registration accounts, and instead of the term Clearing Securities Depository, uses CSD. Compared with ZNVP, the ZNVP - 1 contracted third party rights on dematerialized securities which may be entered in the central register so, that it only allows entry of pledge and attachment securities, and no longer allows entry of usufruct, redemption and pre-emption rights.

With the primary aim of establishing a legal environment, which allows the use of T2S technical solutions in the Republic of Slovenia and the harmonization of ZNVP – 1, 2015 also saw changes and amendments of ZPre - 1. The Official Gazette of the RS, no. 75/15 also published the Law on changes and amendments to the Takeover Act (ZPRre - 1G), which in addition to the mentioned changes contains also other changes and supplements. A compulsory minimum performance threshold in case of a mandatory takeover bid was defined, furthermore was, as the condition for issuance of authorization for a mandatory takeover bid, defined the acquirer's obligation in order to prove that for the payment of securities of the target company securities did not give or commit to pledge or collateral assets of the target company. Also amended was the regulation regarding notification of the target company management on arrangements, which includes a statement about the possible pledges and collateral assets of the target company, given to the benefit of the acquirer. The amendment act also changed the regulations on legal consequences of unsuccessful takeover bid and the legal basis for the Agency's decisions on termination of the suspension of voting rights to persons, whom the Agency has already issued a prohibition to exercise voting rights in the target company, and also adopted were some other solutions for rectification of shortcomings and ambiguities of existing arrangements.

Amendment act ZPIS-2B was adopted at the end of 2015 which, inter alia, redefined business operating of the fund for compulsory supplementary pension insurance (SODPZ). In accordance with the regulations of the ZPIZ-2, the Agency is responsible for supervising management of SODPZ investments. There were

no other legislative changes in the field of mutual pension funds which would be the responsibility of the Agency.

Although the ZPZPŠ was only published in 2014, with which the Agency was granted new powers and tasks, related to supervision of the management of investments of the Fund for bridging insurance of professional athletes, and then the Agency, on the basis of that law, at the end of 2014, issued a Decision on the certificate of the state of personal account, certificate of payments by the paying Sports Association and the form for the requirement for redemption of units, entered in the personal account of the insured person (OG of the RS, no. 89/14). The Act was in 2015 first amended, namely by the Act amending the Act on bridging insurance of professional athletes (Official Gazette, 47/15), which has extended the deadline by which the manager forms the Fund for bridging insurance of professional athletes, and later replaced with a new ZPZPŠ - 1, which was published in the Official Gazette, No. 82/15. The adoption of the final is due to the conclusion that the regulations of ZPZPŠ are unclear, incomplete and partially contrasting, and therefore the institutions, to which the Act applies, are unable to implement or the implementation of such vague regulations of the law would present great legal and financial risks. ZPZPŠ - 1 follows the example of the institute ZPIZ - 2 and at the same time refers to that Act. Powers and tasks of the Agency, have with the new Act that otherwise applies from September 2016, not changed.

The Agency in 2015:

- participated in the drafting of the new ZPPDFT;
- participated in the preparation of the Regulation of the Government of RS on implementing the Regulation (EU) No. 909/2014 of the European Parliament and the Council of 23 July 2014 on improving securities settlement arrangements in the European Union and the Central securities depositories and on amending the Directives 98/26 / EC and 2014/65 / EU and the Regulation (EU) No. 236/2012 (the CSDR Regulation); the draft of the text is ready, but still uncoordinated between relevant entities; this Regulation will determine the supervisory authority and powers of the supervisory authority for the purposes of CSDR, and these powers are expected to be divided between the Bank of Slovenia and the Agency;
- proposed an amendment to the Regulation on the implementation of the Regulation (EU) No. 648/2012 of the European Parliament and the Council of 4 July 2012 on OTC derivative, central counterparties and trade repositories (EMIR Regulation).

In 2015, there were no changes or amendments to the Minor offences Act (ZP - 1), however, the Agency participated in the preparation of amendments and supplements to this Act (ZP - 1J), which should be implemented in June 2016. Among the solutions that the amendment act provides, is for the Agency essential the regulation which excludes ZP - 1 regulations for a special law (i.e. a regulation that obliges the Agency) imposes an administrative sanctioning of legal entities.

Following the introduction of new laws on the basis of which the Agency performs supervision and executes other tasks and powers, it was necessary to adopt changes and amendments to the tariffs which were published in the Official Gazette no. 59/15, dated 7.8.2015. The larger part of changes and amendments of Tariff was the consequence of ZISDU - 3 and the ZUAIS, with which it was necessary to

harmonize the existing Tariff. In addition, taxes and lump-sum compensation costs for the operation and competence of the Agency on the basis of the new amendment and ZPZPŠ and the Regulation (EU) No. 345/2013 of the European Parliament and the Council of April 17, 2013 on European Venture Capital Funds (OG of the RS, no. 115 dated 25. 4. 2013, p. 1) and the Regulation (EU) No. 346/2013 of the European Parliament and Council of April 17, 2013 on the European Social Entrepreneurship Funds (OG of the RS, no. 115 of 25. 4. 2013, p. 18) were defined.

Position and recommendations of the Agency

Despite that the efforts of the Agency are primarily focused on preparation of regulations that are as much as possible to understand, their growing volume and complexity raises new questions and demands for additional notes and opinions.

In order to increase legal certainty, the Agency adopted one position, namely in relation to the management services in financial instruments of customers. By adopting and publishing positions, the Agency increases the predictability of the business environment and thus facilitates the operations of financial organizations which it supervises.

The Agency in 2015 began with the preparation of recommendations relating to trading for a joint account. In this regard, it conducted several discussions with brokerage companies and banks engaged in investment services and activities, as well as with providers of information technology.

VII. MINOR OFFENCE PROCEEDING

MINOR OFFENCE PROCEEDINGS OF THE AGENCY AS MINOR OFFENCE AUTHORITY

In 2015, the Agency as a minor offenses authority under ZP – 1, issued 15 minor offence decisions, namely:

- 8 decisions in respect of violation of ZPre - 1, where were in connection with the alleged violations imposed on offenders 14 fines and 11 warnings, while 1 minor offence proceeding of ZPre – 1, was, on the grounds that the collected facts and evidence showed that the act was not an offence, suspended;
- 2 decisions relating to violations of Chapter 3 ZTFI on obligations to disclose regulated information, where 2 fines and 2 warnings were imposed;
- 3 decisions due to violations of the ZTFI regulation on market abuse and other liabilities for the prevention and detection of market abuse, with which 6 fines were imposed and
- 1 decision due to violations of a management company under ZPPDFT, which imposed on offenders 3 fines and 3 warnings.

In all the above decisions on minor offences the Agency altogether imposed a total of 25 fines and 16 warnings and with a decision suspended the process of 1 offense.

In addition, the Agency has imposed a total of 38 warnings, of which were 11 for breaches of the ZPre - 1, 24 for violations of ZTFI and 3 warnings for violations ZISDU – 2.

For (alleged) violation of the ZTFI Regulations, the Agency in 2015 issued 6 official notes, because either acts were not offenses or they were petty and the process would not be prudent, or the procedure fell under the statute of limitation. On the grounds that the act is not an offense or that it is a petty offence and therefore the process would not be prudent, the Agency also issued 4 official notes due to (alleged) violation of ZPre-1. 2 official notes were issued due to (alleged) ZPPDFT violation as the prosecution fell under the statute of limitation or was the offense petty and prosecution would not be reasonable.

At the same time, the Agency as a minor offence authority initiated in 2015 ex officio another 5 procedures, regarding which the decision has not yet been made. Three cases involve procedures relating to violations of the regulations of the ZPre-1 and two of them relate to the violation of the ZTFI regulations.

As at January 1, 2015 there were in progress 4 more minor offenses proceedings before the competent courts in order to decide on requests for court action and no proceedings before the competent higher courts for deciding on appeals against the judgment of the District Courts.

In 2015 there were before the relevant District Courts 2 completed proceedings with regard to the requirements for judicial protection filed against the Agency's decisions.

In 2015 there were 2 lodged requests for judicial protection against the Agency's decisions before district courts, however, on appeal of perpetrators of legal entity and the person in charge were not initiated new proceedings before a higher court.

Thus on December 31, 2015, there were 4 minor offenses proceedings before the relevant District courts in order to decide on requests for judicial protection. On this day there were not any other open proceedings before the competent High Court by reason of an appeal against the judgment of the district courts or before the Supreme Court of the RS in order to decide on the request for protection of legality.

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

VIII. COURT PROCEEDINGS

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

As at January 1, 2015, there were 4 actions of judicial protection against decisions of the Agency pending before the Administrative Court of the Republic of Slovenia and 1 procedure for the application of review before the Supreme Court of the Republic of Slovenia.

In 2015, the Agency received 10 lawsuits, disputing its decision and gave them an answer. 6 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. 1 action was brought against the decision of the Agency on payment of fines for failure to submit the information requested within the renewed deadline, fixed for their submission, against the decision of the Agency, 1 against the decision of the Agency regarding the rejection of the complaint against the decision of the Agency, with which it has been imposed on the plaintiff to publish inside information, 1 against the Agency's decision to reject the complaint against the decision of the Agency to rectify breaches of prohibited market manipulation and 1 against the decision of the Agency to establish the existence of grounds for liquidation of a legal entity. Along with the recent action, the Agency in response received a request for interim decision, to which it has made the appropriate response.

During the same period, the Agency received 5 decision of the Administrative Court of the Republic of Slovenia in relation to the filed actions and 1 decision relating to the request for interim decision. The latter was dismissed by the court, and in connection with all five requests decisions of rejection were issued. In one of these cases, the applicant filed for an audit to the Supreme Court of the Republic of Slovenia. The Agency responded to the review in time.

In 2015, the Supreme Court of the Republic of Slovenia also decided on the audit, lodged in 2014, and dismissed it.

As at December 31, 2015, there were 9 open procedures of judicial protection before the Administrative Court of the Republic of Slovenia and 1 open procedure before the Supreme Court of the Republic of Slovenia due to audit.

COURT PROCEEDINGS BEFORE THE CONSTITUTIONAL COURT OF THE RS

On December 31, 2015, there are no procedures before the Constitutional Court of the Republic of Slovenia which would involve the Agency.

LITIGATION PROCEDURE BEFORE THE DISTRICT COURT OR HIGHER COURTS

As at January 1 2015, the Agency was not involved in litigation.

In the period from January 1, 2015 to December 31, 2015, there were before the competent district courts newly opened 2 procedures due to abrogation of decisions on the basis of proposals of the Agency on execution based on credible documents. In both cases, in this period the judgements were already issued. In one case the competent District Court fully upheld the Agency, in the second only partly. It is against that judgment that the Agency filed an appeal, on which the higher court has not yet ruled.

As at December 31, 2015, the Agency thus participated in 1 litigation procedure before the competent higher court.

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

The Agency in 2015 submitted to the competent prosecutor 1 announcement in relation to suspicion of criminal offense of market abuse in financial instruments.

PROPOSAL FOR LEGAL ENTITIES LIQUIDATION

In November 2015, the Agency received a decision of the district Court of initiation of compulsory liquidation of legal entities procedure, which was the same month proposed by the Agency. On December 31, 2015, that legal entity has not yet been erased from the business register of the Republic of Slovenia.

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

As at January 1, 2015 was the Agency involved in 1 procedure before the higher Labour and Social Court due to a complaint against the Agency against a negative judgment of Labour and Social Court in Ljubljana.

In 2015, the Higher Labour and Social Court decided on the above complaint of the Agency and rejected it. Against this judgment the Agency appealed, but the Supreme Court of the Republic of Slovenia 2015 has not ruled yet.

In the same period, the worker against the negative judgment of the Labour and Social Court in Ljubljana from 2014 appealed to Higher Labour and Social court. The letter gave a negative judgment of the appeal.

As at December 31, 2015, the Agency thus participated in 1 proceeding before the Supreme Court of the Republic of Slovenia due to audit.

IX. COOPERATION WITH DOMESTIC AND FOREIGN SUPERVISORY AUTHORITIES

COOPERATION WITH SUPERVISORY AUTHORITIES AND INSTITUTIONS IN THE RS

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

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

The Agency in 2015 with the Bank of Slovenia participated in supervisory procedures, in which the entity of supervision was a bank, authorized by the Bank of Slovenia for the provision of investment services and activities. The agency has cooperated with the Bank of Slovenia also in other cases specified by law. The cooperation between the two institutions took place also in other professional fields.

In 2015, the Agency cooperated with the AZN, the Bank of Slovenia and the Ministry of Finance also during the operations in the Commission for the mutual cooperation of authorities.

The Agency in 2015, together with the Bank of Slovenia and AZN, also participated in the Financial Stability Board. The meetings of the Committee attend also representatives of the Ministry of Finance.

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

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

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

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

The Agency also cooperates with the Association of Members of Securities Stock Exchange - GIZ, the Association of companies for management of investment funds – GIZ and the section of custodian banks at the Bank Association of Slovenia. It thus, in 2015, continued with the practice of regular annual meeting with the management of supervised entities and with the representatives of the industry organized a few joint meetings. The Agency's representatives also participated in various lectures, organized by different interest groups.

EU AND INTERNATIONAL COOPERATION

EUROPEAN SECURITIES AND MARKETS AUTHORITY – ESMA

In 2015, ESMA continued to work on the so far most extensive projects in the field of preparation of proposals for technical standards and advice on the basis of the mandate from the Commission, namely in the field of MiFID II / MiFIR and MAD II / MAR, which has until September 2015 also been successfully fulfilled with these documents and other proposals, that were prepared in other fields of its competences (EMIR, CRAR, field of alternative investment funds, field of central registers and settlements and others). It has contributed proposals for change of EMIR at the invitation of the Commission. ESMA regularly acquainted participants in financial markets and other stakeholders with the obligations and the planned deadlines to be met from the new EU directives and regulations.

In 2015, the Commission prepared a Green Paper with proposals on the creation of capital Union, on the model of the Banking Union. The document contains proposals for the future regulation of financial markets, which would reduce the role of the banking sector, whereas a greater role would be obtained by other forms of financing, namely the capital markets. Special emphasis is laid on encouraging of access to new sources of financing for small and medium-sized companies, with proposals for amended disclosure rules, accounting requirements and others. Other fields include the proposals for investment funds of various forms, requirements for a more uniform disclosure, changes in corporate and tax legislation and others.

As always, the Agency participated in the work of ESMA in certain technical areas, first of all those where the active participation is compulsory; for example, in the Review Panel Group (which will henceforth be titled Supervisory Convergence Standing Committee) in peer reviews, Board of Supervisors, Asset Management Group (IMSC – Investment Management Standing Committee), Group for mutual cooperation and exchange of information (MISC - Market Integrity Standing Committee), IPIISC (Investor Protection and Intermediaries Standing Committee) and IT Group.

The basic tasks of ESMA are:

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

In the past year, the Agency actively participated in data preparation and peer reviews in several areas, two reports were also published, namely on how supervisors oversee the requirements of MiFID Best Execution (performance of the order under conditions that are most favourable for the client), and in the field of ESMA guidelines for automated trading.

The Agency has joined two important IT projects, which take place under the auspices or with coordination of ESMA, namely one for EMIR or access to trade repositories, and the second on MiFIR regarding information on financial instruments.

ESMA in 2015, adopted a medium-term strategy of work for 2016-2020 and intensively monitored risk in financial markets and informed the public in the form of its own reports on trends, risks and vulnerabilities on financial markets, as well as in joint reports or warnings in cooperation with EBA and EIOPA. It has published two new guidelines, to which all members, including the Agency, had to state on their (non) compliance, which is in accordance with the regulations of the i.e. ESMA Regulation (1095/2010), and prepared some other that by the end of the year have not yet been harmonized or translated.

In 2015, the Chair and Executive Director of ESMA received confirmation for a second mandate.

In the following years, there are, based on numerous, complex and very comprehensive proposals of technical standards and already adopted implementing provisions in many areas of ESMA, a lot of tasks awaiting the Agency, mainly in the areas of MiFID II / MiFIR and MADII / MAR, AIFMD and UCITS, CSRD. However, in view of the structure and activities of the domestic financial market, there will be somewhat less work in the areas of EMIR, credit rating agencies, reference rates and other regulations, in the areas of which are some of the other members of ESMA very active.

Due to the fact that supervisory convergence, that is, approximation and harmonization of supervisory practices of EU members, is becoming an increasingly important area of ESMA work, the Agency will in this area in the future be more active. Within this framework, it can be expected also the assessment of the work of the Agency through control of concrete work.

In 2015, the Agency also actively participated in the expert group for Asset Management (IMSC - Investment Management Standing Committee), which operates within the framework of ESMA. IMSC has in 2015, inter alia, prepared a wide range of views and recommendations in the form of questions and answers (Q & A), namely with regard to the uniform implementation of AIFM Directive and in relation to custody services and a wide range of views and proposals relating to professional advice for regarding passports for operators of alternative investment funds in third countries and alternative investment funds of a third country.

In the previous year the Agency regularly exchanged supervisory information with the members of ESMA, as well as also with third-country supervisors, in accordance with the received information requirements and regulations of agreements and the law, where the regulations of these activities are regulated. It also forwarded ESMA the required information and data.

INTERNATIONAL ASSOCIATION OF SECURITIES COMMISSIONS– IOSCO

IOSCO, which brings together regulators from more than 120 countries, which together represent over 90 per cent of all global capital markets, in 2015 also promptly responded to sudden changes in global financial systems. The operation of the organization is focused on in-depth cooperation with State members and stakeholders, in particular in determining the IOSCO standards, information exchange and education and the protection of investors. IOSCO, as the key point of reference for financial markets and their regulation, with its main tasks, such as identification of emerging global risks, development of guidelines and standards for the prevention and understanding of risks and by supporting the member states in developing, monitoring and enforcement of legislation, contributed to the maintenance of stable financial markets.

The organization, led by IOSCO Board (the Board), consists of 34 regulators, it reviews and discusses issues faced by international securities markets, and coordinates practical answers to many areas of the market securities. Eight expert committees (C1 - accounting and auditing, C2 – regulation of secondary markets, C3 - regulation of market intermediaries, C4 - enforcement and exchange of information on the

basis of the memorandum on information exchange MMoU, C5 - investment management, C6 – credit rating agency, C7 – commodity derivative markets, C8 – retail investors) covers all these areas and reports to the board of the IOSCO. In 2015 IOSCO Board issued a number of reports and recommendations from various areas of the market in securities, which are available on their website www.iosco.org.

IOSCO has, in the past year, started to develop tools for online education. This will allow the IOSCO members to take part in free online seminars, and namely in those areas for which the members express the most interest.

Within IOSCO Foundation the IOSCO Board established Special Committee (IOSCO Board Capacity Building Committee), headed by the President of the IOSCO board, which deals exclusively with fundraising by IOSCO members and other institutions, to strengthen the Foundation's objective of providing technical assistance and training of regulators to improve the quality of implementation of supervision at the global level. These resources will provide IOSCO members with superior technical assistance, education and training programs, with the aim of strengthening the global role of the IOSCO in protection of investors / consumers, market capacity building and addressing systemic risks.

IOSCO has on its website established a rubric for posting of workers or exchange of employees (Secondment Program) between the members and at the headquarters of the IOSCO organization (in technical committees). The system offers based on supply and demand for work in the securities market exchange of employees for a limited time.

The Agency is an active IOSCO member, present in three committees, namely the Presidents Committee (includes all IOSCO Member States), Growth and Emerging Markets Committee (GEM) and the European Regional Committee (ERC). As an active member it attends the annual conferences of the organization and the annual conferences of the largest GEM board, and twice annually the European regional meeting.

Employees have attended a few training seminars within ESMA and IOSCO (annual seminar in October at the IOSCO headquarters) and regular meetings of working groups in the ESMA.

In 2015, representatives of the Agency as observers participated in two meetings of the Executive Board of the ESRB (European Systemic Risk Board).

At the end of 2015, IOSCO Board appointed a new Secretary General of the Organization, namely, Paul P. Andrews, the Vice-President of the US Financial Industry Regulatory Authority (FINRA). He will take office of his 3-year mandate with possibility of extension in March 2016, when the mandate of the current Secretary-General David Wright expires.

The Agency in 2015 in the framework of the Declaration on Cooperation among supervisors of financial markets in the region, organized education of Macedonian colleagues on the implementation of EU legislation into national legislation, especially in the field of MiFID II

X. REPORT ON OTHER ACTIVITIES

Investor protection

With the focus on raising awareness and educating the investors, the Agency in early 2015 established a special website for training <http://vlagatelj.atvp.si/> investors. The purpose of these contents is greater financial awareness and, consequently, discouragement of investors from suspicious investments.

On this website there are collected all the information on investment in financial instruments, risks, functioning of financial markets, participants and supervisors of financial markets, as well as publications for more general financial education. The website is also available in English.

Issuing warnings of the Agency and foreign supervisors

In 2015, the Agency continued publishing on its website warnings of the Agency and warnings of other supervisors on. It thus, in 2015:

- in the Warnings section the Agency issued 3 warnings and
- in the section Warnings by other supervisors 250 warnings.

REGISTER KEEPING AND PUBLICLY AVAILABLE LISTS

On the basis of the regulations ZTFI, ZISDU - 3 and the ZUAIS, the Agency keeps a register of licenses for the provision of investment services and activities, Register of tied agents, Register of licenses for the provision of investment fund management services and Register of alternative investment funds operators. All registers are publicly available on the website of the Agency.

REGISTER OF AUTHORIZATIONS TO PERFORM INVESTMENT SERVICES AND ACTIVITIES

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

In 2015, the Agency has not issued any licenses for provision of investment services and operations, it did, however, erase from the register one bank due to merger with the second bank.

REGISTER OF TIED AGENTS

According to the ZTFI, an investment firm may authorise a tied agent to perform on its behalf the activities stipulated by the first paragraph of Article 238 of the ZTFI. A tied agent shall be entered in the register of tied agents kept by the Agency if he/she has good reputation and adequate general, professional and business knowledge needed for appropriate intermediation of all information regarding the services offered to his/her clients or potential clients. In 2015, the Agency registered in the register of tied agents 4 subjects, while 2 were erased from that register.

REGISTER OF AUTHORIZATIONS TO PERFORM INVESTMENT FUND MANAGEMENT SERVICES

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

In 2015 the Agency did not issue any authorisation for the provision of investment fund management services.

REGISTER OF ALTERNATIVE INVESTMENT FUND MANAGERS

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

In 2015 the Agency discussed 7 requests for entry into the register of managers of alternative investment funds.

PUBLIC LISTS

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

- list of public companies,
- list of issued authorisations for public offerings of securities with prospectuses,

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

FINANCIAL, GENERAL, PERSONNEL AND OTHER MATTERS

The Agency in 2015, as mentioned above, got new leadership, since on 4.5.2015 Miloš Čas, MSc, assumed his 6-year term of office. In 2015 the Agency recruited 1 new person (temporarily), 2 people were terminated. In both cases the employment was terminated on the basis of consensual termination of employment. At the end of 2015 the Agency had 43 employees; one person was employed temporarily and 42 persons permanently. Under the quota are 42 employees employed for an indefinite period, 3 work part-time (disabled workers). As at 31.12.2015 3 employees were absent from work due to the onset of maternity leave and utilization of leave for child care.

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

In 2015, the Agency amended or supplemented in particular the following general acts:

- Rules of the Agency (7 October 2015)
- Rules of operations of the Agency's Council (10 February 2015),
- Rules on internal organization and systematization of jobs (March 27, 2015 and October 7 2015),

- Rules on the composition and functioning of the collegiate body (7 October 2015)
- Rules laying down working time (13 October 2015),
- Rules on salaries and other remuneration from employment (19 October 2015)
- Rules on the content and method of keeping public relations in the Agency (21 October 2015)
- Rules on procedure for publishing information on the website of the Agency (21 October 2015)
- Rules on establishing a management system for information security (SUVI) (23 June 2015).

In addition to labour-law relations and internal relations, the Agency independently handles other contractual relations and relations with different entities in connection with its operations, including public procurement procedures (preparation of the relevant documentation at the beginning of the procedure, evaluation and selection of bids, drafting of various contracts, handover records [38] 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 in 2015 saw to it also that its employees underwent the necessary medical examinations (preventive, periodical, target), and organized the training of security and health at work and fire protection.

In accordance with the Integrity and Prevention of Corruption Act provides timely monitoring to exercise the plan the integrity of the Agency. In 2014 entered into force the guidelines for production, introduction and implementation of integrity plans therefore, in accordance with Article 9 of the Guidelines for the production, introduction and implementation of integrity plans, the Agency in 2015 reappointed a work group which prepared amendments and annexes to the integrity plan of the Agency.

By the end of February 2014, the Agency prepared and sent to Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES) its annual report for the year 2014, including the company report, as prescribed by the Accounting Act and Public Finance Act. By the prescribed deadline on March 31, 2015, the Council adopted the Agency's annual statements of accounts for 2014 and financial plan for 2015, together with the Work plan of professional services. The government of the RS confirmed the annual statements of accounts for 2014 on 2.4.2015 and the financial plan for 2015 on 16.4.2015.

In accordance with Articles 472 and 473, the Agency prepared for the National Assembly the Annual Report of the Work of the Agency in 2014 and the Report on the Situation on the Market in Financial Instruments in 2014, which were examined by the Committee on Finance and Monetary Policy.

In early September 2015, the Agency also prepared Proposal of the financial plan for the years 2016 and 2017 as required by Article 13 of ZJF and Decree on Development Planning Documents and Procedures for the preparation of the state budget. Indirect budget users in the context of the preparation of the National Budget receive a call and instructions from the Ministry of Finance for the preparation of the financial plan for the next two years.

In addition, the Agency promptly and timely prepared various other compulsory reports and data (the Agency's balance sheet for 2014, corporation tax for 2014, reports in relation to salaries, quarterly reports for statistics of financial accounts and on government revenue, semi-annual report for 2015, etc.) and prepared different internal reports and accounting statements.

The Agency has its own accounting, but has, on 1.1.2004, transposed a part of accounting tasks, especially in the field of salaries, to an external contractor. In the context of accounting, which keeps books and other accounting records and performs the tasks of budgeting, control and analysing, 2015 recorded 18.434 entries (on the basis of accounting documents carried out entry from business events to the appropriate account or the account book, where they are recorded). 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 2015, the Agency received 897 invoices from the suppliers, which were paid by the set due dates. In 2015, the Agency recorded 459 notifications on the obligation to pay annual compensation costs carrying out of supervision for the year 2015 under the Tariff and 11 notices of payment obligations under other bases, charged by the Agency in accordance with the tariff. In addition, the Agency prepared several other documents, such as IOP forms, warnings, interest calculations.

As a rule, the Agency independently handles its own debt collection, using reminders and then lodging of motions for enforcement at local courts or FURS. Insofar as proceedings are initiated against the debtor based on ZFPPIP, the Agency lodges its claims. In 2015 the Agency lodged 11 proposals for enforcement at FURS and 9 lodgements of claims in bankruptcy proceedings at the district courts.

As of 31.12.2015 the Agency had outstanding receivables for accrued interest, taxes and fees under the Tariff, lump-sum court fees from minor offences procedures, refunding of compensation for sickness and disability of its employees and other in total amount of 1,421,948 EUR, of which were 274,376 EUR doubtful and questionable receivables.

Pursuant to Articles 9 and 12 of the Decree Establishing Employment Quota for Disabled Persons (Official Gazette of RS, No. 21/14), the Agency of April 2014 can no longer assert the right to incentive (the right to exemption from contributions for pension and disability insurance for the disabled who are employed above the prescribed 2% quota and the reward for exceeding the quota).

The outsourcer of internal audit for the year 2015 carried out the annual internal audit of the Agency, which included the verification of procedures in the process of acquisition, verification of recovery procedures and evaluation of the performance thereof and verification of method of flow of information between General sectors and other sectors within the Agency.

Information technology

NRS

In 2015, the Agency continued with the amendments and adaptations of the system for electronic collection and data transmission NRS, where it carried out the following changes:

- prepared a modified functional specification of the electronic reporting under EMIR on unconfirmed transactions and dispute settlements,
- prepared an amendment to the reporting of Trustees IS, which now includes reporting also for the sub-funds and master pension funds,
- carried out the separation of production and test environment of the reporting system on different servers,
- implemented the transition of the reporting systems onto Technology Platform Windows 2012,
- prepared amendments to functional specifications for the reporting of management companies in the part that refers to the code list of non-numeric reports,
- prepares a functional specification for reporting of managers of alternative investment funds
- established reporting of alternative managers of investment funds.

TREM

In 2015, the Agency continued with amendments and adjustments of the system for data exchange between the Agency and the supervisory authorities of other EU members (TREM), where it established a reporting on net short positions in government securities.

ESMA

In 2015 at the ESMA:

- established reporting of alternative managers of investment funds; the project started in July 2013 and continued in 2014 and was completed in June 2015;
- established two delegated projects, namely the so called TRACE (Access to information of trade repository) and FIRDS (System of reference data for financial instruments); the projects began in

September 2015 and are currently in progress; TRACE project will be completed in July 2016 and FIRDS project is scheduled for December 2017;

- a new system of exchanging of confidential documents with other supervisory authorities of other EU Member States;
- established a new MiFID database, which will replace the old MiFID database in April 2016 and
- an update of the reporting system ESMA Registers, which provides one-stop publishing of information from all of the EU regarding MiFID, UCITS and MAD directives; added areas have been the following: EuSEF / EuVECA register, EMIR notification; updated was also SARIS register.

APPLICATIONS

In the field of applications, the Agency in 2015:

- successfully updated IISA which allows more efficient IT support of the Agency's business process; update of sections of reports, analyses, registers, lists of staff and search engines, and added the Finance module, which allows sending notifications on payments to persons of reporting;
- technical and substantive update of the document managing system with the aim to improve the functioning of the document managing system and faster and better responsiveness to customers;
- transition from Office applications Office 2007 to version Office 2013
- carried out quite a few modernizations, adaptations and changes in the system software (mail server, database servers, print server, operating systems, antivirus software equipment, infrastructure), both on primary as well as backup location, and application software (websites, application e-sessions, SOAP, ISPO, Špica) at the primary location.

SYSTEMS

In the area of server infrastructure, the Agency in 2015:

- completed the transition from Windows Server 2003 to Windows Server 2012;
- successful set up of a surveillance system over the operation of the server infrastructure at the primary location; in 2016 the control system will be extended to the entire infrastructure, both at the primary and the backup location;
- purchased of hardware capacity to increase the capacity of data transfer on the internal network of the Agency with the aim to improve the functioning of the Agency's infrastructure and

- successful upgraded of disk capacity at the backup location and modernization of the system of data replicas.