

**THE INVESTMENT FUNDS AND
MANAGEMENT COMPANIES ACT - 1**

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Ljubljana, 2003

***The original text of this act is written in the Slovenian language; in case of any doubt or
misunderstanding, the Slovenian text shall therefore prevail.***

1. BASIC PROVISIONS

Contents of the Act

Article 1

The Act provides conditions under which investment funds and investment management companies are founded; it regulates the way they are run and supervised, terms under which investment funds' coupons or, respectively, shares are sold in the Republic of Slovenia, kinds of services rendered on behalf of investment funds by other entities, terms and ways of rendering these services, as well as supervision and terms under which pension funds are run.

Investment Fund

Article 2

(1) An investment fund shall be an undertaking, the sole purpose of which is the public gathering of assets of natural persons and legal entities and investment of these assets in marketable securities and other liquid financial assets in accordance with the principles of risk diversification.

(2) An investment fund can be founded as a mutual fund or constituted as an investment company.

(3) It is allowed to gather assets for the purpose described in the first paragraph of this article only if public sales of units of mutual funds and public sales of shares of investment companies are in compliance with this Act.

(4) With the exception of investment funds, nobody else is allowed to gather assets through public sales or act as an intermediate for gathering assets, or in any other way contribute to gathering assets pursuant to purpose expressed in the first paragraph of this article.

(5) The Government of the Republic of Slovenia shall adjust the tolar amounts laid down in this Act if, according to the exchange rate set by Bank of Slovenia, the exchange rate of the Tolar against the EURO changes by more than 10%.

Definitions and abbreviations

Article 3

(1) Definitions used in this Act have the following meanings:

1. Securities shall be securities pursuant to Paragraphs 1 and 5 in relation to Paragraph 2 of Article 3 of The Securities Market Act-1.
2. Debt securities shall be debt securities pursuant to Paragraph 3 of Article 3 of The Securities Market Act-1.
3. Marketable or non-marketable securities respectively shall be marketable or non-marketable securities pursuant to Paragraph 4 of Article 3 of The Securities Market Act-1.
4. The initial offering of securities, or the secondary offering of securities respectively, shall be the initial offering of securities or the secondary offering of securities pursuant to Article 4 of The Securities Market Act-1.
5. Derivative financial instruments shall be derivative financial instruments pursuant to Paragraph 1 of Article 6 of The Securities Market Act-1 and to indent 7 of Paragraph 1 of Article 64. of this Act.
6. Standardised derivative financial instruments shall be standardised financial instruments pursuant to Paragraph 2 of Article 6 of The Securities Market Act-1.
7. Non-standardised derivative financial instruments shall be derivative financial instruments which are not standardised and not traded on the organised market. They are traded on the market of institutional investors where their holders may sell them at a fair price, or dispose of them in another way, at any time.
8. The organised securities market shall be the organised securities market pursuant to Article 9 of The Securities Market Act-1.

9. The organised market of securities or derivative financial instruments in a Member State shall be the organised securities market in this Member State which is included in the list presented in Paragraph 3 of Article 183 of The Securities Market Act-1.

10. A money market instrument shall be a financial instrument which, instead of being traded on the organised securities market, is typically traded on the money market. Its exact value can be determined at any time, and it is liquid.

11. Liquid assets are assets which have been invested in financial instruments and deposits referred to in Paragraph 1. of Article 64 of this Act, which the owner or he management company can sell at any time, against cash payment.

12. Ancillary liquid assets shall be an investment fund's assets which have not been placed in various investments by the fund, which are not included in the fund's investment policy, and which do not serve as a means towards achieving the fund's investment plans. Their function is to provide sufficient cash with which the investment fund's extra and current expenses could be covered, or, alternatively, to enable the management company to temporarily stop investing in these markets because of extremely unfavourable conditions in the financial instruments market.

13. A Member State is a state belonging to the European Community member states which form the European Union.

14. A foreign state is a state not belonging to these member states.

15. An OECD country is a member state of the Organisation for Economic Co-operation and Development.

16. A person from a Member State shall be an individual with permanent residence in the territory of a Member State, or, respectively, a legal entity with its head office registered in the territory of a Member State.

17. A foreign person shall be a person with headquarters or permanent residence in a foreign state.

18. A well-informed investor is an natural person or a legal entity, which invests its assets with the purpose of maintaining the value of these assets and yielding returns on such investments, and which possess adequate knowledge and experience enabling him to consider risks related to investment in securities and other financial instruments referred to in Article 64 of this Act and who knows how to gain additional information or expert advice about a specific kind of investment or about investing in financial instruments

referred to in Article 64 of this Act. Well informed investors are: states, central banks and local communities, international organisations, banks, brokerage houses, insurance companies, investment funds, management companies, pension funds and managers of these funds, as well as other financial organisations which are subject to supervision of competent bodies, i.e., subsidiaries, issuers of securities traded on the organised market, companies which according to The Companies Act belong to "big companies", and other well informed investors which the management company assumes meet the criteria of knowledge and experience, that they understand the risks they take, and that they are able to gain additional information and expert advice, as well as make their own decisions about investing and which meets the criteria which can be laid down by the Agency.

19. The Directive on Investment Funds shall be the European Council Directive 85/611/EEC which has been amended through Directives 88/220/EC, 95/26/EC, 2000/64/EC, 2001/107/EC and 2001/108/EC;

20. The Agency shall be the Securities Market Agency in The Securities Market Act-1.

21. An authorised investment company shall be an investment company established in line with the stipulations of Article 126 of the Act on Investment Funds and Management Companies.

22. The investment company referred to in The Investment Funds and Management Companies Act shall be an investment company, which was established in accordance to ZISDU as a result of an authorised investment company's transformation.

23. An investment company shall be a joint-stock company with its registered office in the Republic of Slovenia which is:

- a) an investment company pursuant to Chapter 6 of the present Act, or
- b) an investment company whose investments and operations are not as yet in compliance with the provisions of Chapter 4.3 of the present Act which defines investments made by an investment fund, nor are they as yet in compliance with the provisions defining operations of an investment fund. The company will adjust to these provisions within the statutory time limit. This investment company will formerly have been an authorised investment company which has been transformed into an investment company;

24. A mutual fund is:

- a) a mutual fund as defined in Chapter 5 of this Act, or

- b) a mutual fund whose investments and operations are not as yet in compliance with the provisions of Chapter 4.3 of this Act which defines investments made by an investment fund, nor are they as yet in compliance with the other provisions of this Act and which will adjust to these provisions within the statutory time limit and which is a mutual fund established on the basis of ZISDU.
25. An index investment fund shall be an investment fund whose investment policy mirrors the composition of a stock exchange index pursuant to Paragraph 1 of Article 73 of this Act and which has invested most of its assets in securities or financial instruments referred to in Article 64 of this Act which composit such an index.
26. A money market fund shall be an investment fund whose income is mostly realised through investments and which has most of its assets invested in: money market instruments referred to in indents 1, 2, 3 and 8 of Paragraph 1 of Article 64 of this Act, and in deposits referred to in indent 6 of Paragraph 1 of Article 64 of this Act.
27. A "specific purpose" investment fund shall be an investment fund whose operations are in compliance with the provisions of this Act and whose investment policy concentrates on investing in selected economic sectors, industries, geographical areas or in selected securities etc.. It is important that the management company of each such investment fund is specialised, for managing such types of investments or has special skills in the managing of these investments;
28. A fund of funds shall be an investment fund, the goal of which is the investment of assets predominantly in the units or shares of other investment funds in accordance with the provisions of this Act;
29. The institutional investors' market shall be the market of non-standardised derived financial instruments, which operates regularly and publicly, is liquid, transparent, and well known, and which provides at least the same level of security to participants and investors as the regulated market and is included in the list of markets referred to in Paragraph 5 of Article 64 and in point 4 of Paragraph 1 of Article 77; the institutional investors, who may participate in the institutional investors' market, must belong to one of the categories of institutional investors determined by the Agency and subject to supervision;
30. Assets under management are assets which:
- a) are managed by a management company on behalf of investment funds and on behalf of well informed investors,

- b) a management company has transferred from an investment fund or from well-informed investors, on the basis of a contract made in accordance with Article 5 of this Act, to be managed by another fund manager.

Assets under management shall not include assets which the management company received for management from another assets manager or investment fund manager on the basis of a contract referred to in Article 5 of this Act;

31. Mutual pension fund shall be a mutual pension fund pursuant to Article 307 of the Pension and Disability Insurance Act;

(2) Individual abbreviations used in this Act shall have the following meaning:

1. ZBan is the Banking Act (Official Gazette of the RS, Nos. 7/99, 102/2000 and 59/2001),
2. ZGD is the Companies Act (Official Gazette of the RS, Nos. 30/93, 29/94, 82/94, 20/98, 84/98, 6/99, 54/99, 36/2000, 45/2001, 59/2001, 50/2002),
3. ZPIZ-1 is the Pension and Disability Insurance Act (Official Gazette of the RS, Nos. 106/99, 72/2000, 81/2000, 124/2000, 52/2001, 109/2001 and 11/2002),
4. ZPPSL is the Compulsory Composition, Bankruptcy and Liquidation Act (Official Gazette of the RS, Nos. 67/93, 39/97, 52/99, 101/2001 and 42/2002),
5. ZTVP-1 is the Securities Market Act (Official Gazette of the RS, No. 56/99),
6. ZZavar is the Insurance Act (Official Gazette of the RS, Nos. 13/2000, 91/2000, 12/2001, 21/2002, 52/2002),
7. ZISDU is the Investment Funds and Management Companies Act (Official Gazette of the RS, Nos. 6/94, 68/96, 25/97, 32/97, 10/98, 26/99, 56/99),
8. ZPSPID is the First Pension Fund and Transformation of Authorised Investment Companies Act (Official Gazette of the RS, Nos. 6/94, 68/96, 25/97, 32/97, 10/98, 26/99 and 56/99),
9. ZNVP is the Dematerialised Securities Act (Official Gazette of the RS, No. 23/99).

Management Company and Custodian

Article 4

(1) A management company shall mean any company which has its registered office in the Republic of Slovenia and which has acquired the Agency's authorization to carry out the services of managing investment funds.

(2) A management company from a Member State shall be a legal entity which has its registered office in a Member State and which has been granted an authorization by the competent authority

in this Member State to provide the services of managing investment funds in accordance with the Directive on Investment Funds.

(3) A foreign management company shall be a legal entity which has its registered office in a foreign state and which has been granted an authorization by a competent authority in this foreign state to provide the services of managing investment funds.

(4) A custodian shall be a custodian of assets of an investment fund or a mutual voluntary pension fund or of assets covering provisions of a pension company; a custodian may be a custodian bank or other financial institution, whose operation is regulated by the ZTVP-1 and whose main activity are services related to securities business and to exercising the rights arising from these securities in accordance with the ZTVP-1, and which has acquired the authorisation of the Agency to provide custodian services and meets the conditions referred to in Chapters 4.1 and 4.2 of this Act and whose operation is subject to public supervision by the Agency. A custodian bank shall be a bank pursuant to Paragraph 1 of Article 2 of The Banking Act, or a subsidiary of a bank from a Member State which was established in the territory of the Republic of Slovenia in accordance with The Banking Act, and which has acquired Bank of Slovenia's authorization to provide custodian services pursuant to this Act.

Services of Investment Fund Managing

Article 5

(1) Services with regard to managing investment funds comprise:

1. managing investment funds' assets, and
2. other services with regard to managing investment funds:
 - a) marketing investment funds, selling investment coupons or shares of the investment funds
 - b) administration:
 - keeping books of account and preparing business reports of an investment fund,
 - legal services,
 - investor relations,
 - portfolio assessments and other valuations,
 - overview of compliance with regulations and executive regulations,
 - reporting about and publishing information on an investment fund's performance,
 - distribution of profit,
 - investment coupons issuing, collection and purchase value settlement, and other administrative tasks in relation with operations of a mutual fund.

- keeping records,
- statements of account and settlements according to contracts, sending out certificates of holdings of an investment fund's shares or units,
- keeping the registers of an investment fund's unit holders and shareholders
- ensuring conditions for an investment company's operations and administrative tasks relating to an investment company's operations

c) other services necessary for efficient and effective management of investment funds' assets.

(2) A management company must not provide any other services beside in Paragraph 1 of this Article stated services of managing the investment funds which are subject to supervision by the Agency or by a Member State's competent authorities or by competent authorities of a foreign state with which the Agency exchanges, on the basis of reciprocity, data and information.

(3) A management company may perform the services referred to in point 2 of Paragraph 1 of this Article and in Article 8 of this Act provided that it also performs the services referred to in point 1 of Paragraph 1 of this Article.

(4) Services of managing investment funds may be carried out by:

1. a management company which has its registered office in the Republic of Slovenia and which has acquired the Agency's authorization that it may provide these services;
2. a foreign management company's subsidiary which has acquired the Agency's authorization that it may provide these services;
3. a Member State management company which has, pursuant to this Act, established a subsidiary in the territory of the Republic of Slovenia, or which is, pursuant to this Act, authorised to provide services of managing investment funds directly in the territory of the Republic of Slovenia.

(5) With the exception of the entities in Paragraph 4 of this Article, nobody else may provide services of managing investment funds.

(6) Restriction in Paragraph 5 of this Article and Paragraph 4 of Article 2 of this Act does not apply to entities with a written authorisation by a management company from Paragraph 4 of this Article that they may provide, on behalf of the management company in question, any of the services or operations described in the Paragraph 1 of this Article.

(7) In a written contract concluded between a management company and such an entity as described in the previous paragraph, the contracting parties define in detail their mutual liabilities, responsibilities, and rights.

(8) Should the subject of the contract be a transfer of the provision of services referred to in point 1 of Paragraph 1 of this Article, the contract shall enter into force only after the custodian has given its written consent to the contract.

(9) Should it consider that the conditions from indent 3 to item 10 inclusive of Paragraph 1 of Article 6 of this Act are not met, the custodian shall refuse to give its consent on the contract.

(10) Should the subject of the contract be a transfer of the provision of services referred to in point 2(a) and in indents 4, 7, 8, 9 and 10 of point 2(b) of Paragraph 1 of this Article, the contract shall stipulate the right of a custodian to request, at any time, the party, to whom the services are transferred, to provide the data and documents which the custodian may require to assess compliance with the conditions referred to in points 3 to 10 of Paragraph 1 of Article 6 of this Act, while the above-mentioned party shall be obliged to provide the custodian with the required data and documents.

(11) Should the custodian assess that upon the transfer of the provision of services the conditions referred to in points 3 to 10 of Paragraph 1 of Article 6 of this Act are no longer met, it may request the management company to unilaterally withdraw from the contract.

Transfer of the Provision of Individual Services of Managing Investment Funds to Other Entities

Article 6

(1) A management company from Paragraph 4 of Article 5 may issue a written authorisation to an entity referred to in Paragraph 6 of Article 5, authorising this entity to provide, on behalf of the management company in question, one or several services pursuant to Paragraph 1 of Article 5 solely if the following conditions are met:

1. that the management company informs the Agency, in accordance with the instructions obtained from the Agency regarding the method, the contents and the time, about transferring provision of a service or of investment fund portfolio management, as described in Paragraph 1 of Article 5 of this Act, on the basis of its written authorisation, to another entity, as well as submits a photocopy of the contract pursuant to Paragraph 7 of Article 5 of this Act, and

2. that the Agency's efficiency and its ability to supervise the management company is not reduced once the management company has authorised a transfer of the provision of individual services of managing investment funds to another entity, and that the Agency may exercise supervision over the provision of these services in the same way as if the services were performed directly by the management company, and
3. that the management company can, even though provision of one or more services with regard to investment fund management have been transferred to another entity, act and manage these investment funds in the best interest of investors who have holdings in these investment funds, and
4. that transferring provision of one or more services with regard to investment fund management to another entity has had positive effects on the management company's efficiency, and that the company can at any moment prove this to the Agency, and
5. that the entity which has been authorised by the management company to provide one or more services with regard to investment fund management will not transfer provision of these services on to a third party, and
6. that the management company can check at any moment how the services with regard to investment fund management, transferred to another entity by authorisation, are carried out, and
7. that the management company can, regardless of the authorisation given to another entity to provide one or more services in connection with investment fund management, at any moment give further instructions to this other entity regarding provision of these services, and that it can at any moment withdraw its authorisation, whereby the withdrawal takes immediate effect if the management company considers this necessary in order to protect the interests of investors who have holdings in this particular investment fund, and
8. that once the transfer of provision of one or more services to another entity has been effected, this does not have any negative impact on the efficiency of the custodian and its provision of custodian services on behalf of this investment fund; and that the custodian has, notwithstanding the authorisation given by the management company to another entity to provide one or more services in connection with investment fund management, at any moment access to any of the investment company's or the other entity's data and documentation, necessary for the uninterrupted provision of custodian services, and always has insight into operations of the investment fund on behalf of which it performs custodian services, and
9. that the entity authorised to perform one or several services related to investment fund management on behalf of the management company, must have sufficient professional skills and experience, as well as personnel, technical and organisational resources, to be able to render these services efficiently, and,
10. if the management company authorises another entity to perform its principal activity, i.e., managing an investment fund's assets,

- a) this other entity is subject to supervision by the Agency or by a Member State's competent authority or by a competent authority of a foreign state with which the Agency exchanges, on the basis of reciprocity, data and information. This entity has been granted an authorisation by this competent authority for the provision of services comprising portfolio management on behalf of its clients, and
 - b) this other entity must not be an entity that also performs custodian services for that investment fund, or
 - c) this other entity must not be an entity that otherwise performs custodian services, or another entity, should the interest of this other entity be in conflict with interests of investors in that individual investment fund, for which this entity provides individual services according to the authorisation of the management company, and
 - č) if the other entity is from a foreign country, co-operation must be assured between the authority responsible for supervising the management company and the authority responsible for supervising this other entity,
 - d) geographical criteria for investment allocations of an individual investment fund must be taken into account, and
11. that the prospectus of such an investment fund contains a list of management services which the management company has transferred, by authorisation, to be managed by another entity.

(2) It is impossible either to limit or to exclude liability for loss a management company or a custodian have during the provision of the services of managing investment funds, even though one or several services with regard to investment fund management have been transferred to another entity.

(3) If the conditions presented in Paragraph 1 of this Article are at any moment of time not met, the custodian must demand in writing that the management company cancel the contract referred to Paragraph 7 of Article 5. In this case the other entity is not entitled to receive recompensation because of such cancellation of the contract.

Services of Marketing and Selling Investment Coupons or Investment Funds' Shares

Article 7

(1) Investment coupons or investment funds' shares may be advertised in the Republic of Slovenia or in a Member State or in a foreign state only if marketing and selling investment

coupons or investment funds' shares take place in the Republic of Slovenia or in the same Member State or in the same foreign state.

(2) Investment coupons or investment funds' shares shall be marketed and advertised in the Republic of Slovenia only pursuant to the acts and related regulations and/or pursuant to the related regulations applicable in Slovenia and referring to the marketing, advertising, and the investor and consumer protection.

Pursuant to the provisions referred to in the previous sentence, the Securities Market Agency shall by means of a regulation prescribe the method and the conditions for the marketing and advertising of investment funds in the Republic of Slovenia, as well as detailed conditions to be met by entities referred to in point 9 of Paragraph 1 of Article 6 of this Act.

(3) Investment coupons or investment funds' shares may be marketed and advertised in the Republic of Slovenia provided that the investors in these investment funds enjoy at least the same level of protection as do the investors in the investment funds referred to in Chapter 5 or Chapter 6 of this Act.

(4) The entity pursuant to Article 5 of this Act which is marketing and selling investment coupons or investment funds' shares either in the Republic of Slovenia, in a Member State, or in a foreign state, must have sufficient capabilities and financial assets in the state where it is situated as these are required for:

1. payments to holders of investment coupons or shares of investment companies,
2. repurchase or purchase of a mutual fund's units, and
3. disclosure and publication of data and information - according to the present Act this is an obligation a management company and/or the entity from Article 5 of this Act (abstract of the prospectus, prospectus, semi-annual and annual report on the investment fund, the management company's statutes, rules of managing a mutual fund, etc.).

(5) Should a management company with its registered office in the Republic of Slovenia begin, directly or indirectly through a branch, to market and sell units or shares of an individual investment fund in another Member State or in a foreign state, or, should a management company with its registered office in a Member State or in a foreign state begin, directly or indirectly through a branch, to market and sell units or shares of an individual investment fund in the Republic of Slovenia, it shall make available all documents and information in this state which it is otherwise obliged to publish in the state of its registered office, in at least one official language of the state in which it intends to market the investment fund.

Managing Assets of Well Informed Investors

Article 8

- (1) A management company may manage the following kinds of financial assets or part of financial assets of well-informed investors:
1. assets of pension funds established in compliance with The Securities Market Act-1,
 2. assets covering provisions of insurance companies, pursuant to Article 120 of The Insurance Companies Act, and funds of assets covering provisions pursuant to the first paragraph of Article 125 of The Insurance Companies Act,
 3. assets of banks and brokerage houses,
 4. assets of other well informed investors.
- (2) A management company may invest the assets from the first paragraph of this article in the following securities and standardised financial instruments:
1. marketable securities pursuant to Article 64 of this Act,
 2. investment coupons of mutual funds pursuant to Chapter 5 of this Act and shares of investment companies pursuant to Chapter 6 of this Act,
 3. money market instruments pursuant to Article 64 of this Act,
 4. financial forward contracts,
 5. interest rate and currency swaps and debt to equity swaps,
 6. forward contracts on interest rates,
 7. options on the financial instruments which are listed above.
- (3) A management company must not invest all or part of assets of well informed investors in shares and/or investment coupons of an investment fund under its management, except if the company has previously acquired a general written authorisation of the client for this investment.
- (4) Prior to starting its services of managing financial assets of well-informed investors, a management company must obtain the Agency's authorisation to perform these services.
- (5) For the authorisation mentioned in the previous sentence, provisions of the second paragraph of the Article 16 and provisions of Article 29 and Article 37 to 39 are to be applied *mutatis mutandis*.

(6) The management company must also enclose with its application for obtaining the above authorisation for managing assets of well-informed investors the general terms and conditions the management company has set forth for its services of managing assets of well-informed investors. These terms and conditions must include provisions about how the rights and obligations are regulated between the management company and the client, as well as a description of risks related with investment in securities.

(7) Articles 136 to 141 incl., 151, 157, 168, 170 to 180 incl. of The Securities Market Act-1 and Article 1 and 29 of this Act shall also apply for a management company managing assets of well informed investors.

(8) When determining the personnel conditions referred to in Article 29 of this Act, the Agency shall prescribe, with regard to the provision of services of managing the assets of well-informed investors by the management company, the same conditions as stipulated for the provision of the same services by the ZTVP-1 and the regulations adopted on that basis.

(9) A management company which also performs services of managing assets of well informed investors must adopt rules which would prevent a clash of interest which could occur upon managing these assets and assets of investment funds. These rules must include sanctions for violation.

(10) The detailed contents of the rules referred to in the previous paragraph shall be laid down by the Agency.

(11) The management company shall submit the rules referred to in Paragraph 9 of this Article to the Agency together with a request for the issue of authorisation to provide the services of managing the assets of well-informed investors.

(12) The authorisation referred to in Paragraph 4 of this Article shall also terminate if the management company's authorisation to perform the activity of managing the investment funds has terminated or been finally withdrawn.

Mutual fund

Article 9

- (1) A mutual fund shall be an investment fund established as a separate fund,
1. which is divided into units. Upon a unit holder's request, the value of his units is payable out of the fund's assets, and

2. the assets of this fund are managed by a management company.

(2) A mutual fund of a Member State shall be a mutual fund managed by a management company from a Member State.

(3) A foreign mutual fund shall be a mutual fund managed by a foreign management company.

(4) In the Republic of Slovenia it is only permitted to sell the following investment coupons:

1. of a mutual fund,
2. of a mutual fund from a Member State, if the management company from this Member State which manages this mutual fund is, pursuant to this Act, authorised to sell units of this mutual fund in the territory of the Republic of Slovenia.
3. of a foreign mutual fund, if the foreign management company which manages this mutual fund has acquired the Agency's authorisation to establish a subsidiary and is, pursuant to this Act, authorised to sell units of this mutual fund in the territory of the Republic of Slovenia.

(5) Nobody is allowed to offer, mediate during the sale, or in any other way provide the conditions for selling a mutual fund's investment coupons if not in compliance with the fourth paragraph of this Article.

Investment Company

Article 10

(1) An investment company shall be an investment fund organised as a joint-stock company which has its registered office in the Republic of Slovenia. Its share capital is divided into shares of the same class which are transferable and traded on the organised securities market.

(2) An investment company from a Member State shall be an investment company which has its registered office in a Member State.

(3) An investment company of a Member State may be either an investment company under management of a management company or an investment company under autonomous management.

(4) In the case of a Member State's investment company under autonomous management, the provisions, to which a management company referred to in Paragraph 2 of Article 4 of this Act is subject, shall apply by analogy also to this investment company.

(5) Other investment company of a Member State shall be an investment company of a Member State, whose management company is not the management company referred to in Paragraph 1 of Article 46 of this Act.

(6) A foreign investment company shall be an investment company which has its registered office in a foreign company.

(7) In the Republic of Slovenia it is only permitted to sell the following shares:

1. of an investment company,
2. of an investment company from a Member State if the management company from this Member State which manages this investment company is, pursuant to this Act, authorised to sell shares of this investment company in the territory of the Republic of Slovenia,
3. of other investment companies of a Member State if the Member State's management company managing this investment company has acquired the Agency's authorisation to set up a branch,
4. of a foreign investment company if the foreign management company which manages this investment company has acquired the Agency's authorization to establish a subsidiary

(8) Nobody is allowed to offer, mediate during the sale, or in any other way provide the conditions for selling shares of an investment company if not in compliance with the Paragraph 7 of this Article.

(9) In the case of other investment company of a Member State referred to in point 3 of Paragraph 7 of this Article, the provisions of Chapter 3.4 of this Act shall apply by analogy.

Generic Name or Company Name of Investment Fund

Article 11

(1) The generic name or company name of an investment fund must contain a denotation whether it is a mutual fund or a special mutual fund or an investment company.

(2) The generic name or company name of other legal subjects must not contain the words "investment fund", "investment company", or other words or connotations which could be misleading in implying that a certain legal subject performs activities of investment funds.

(3) The generic name or company name of an investment fund must contain a denotation from which its investment policy or basic goals of its investment policy are evident and on the basis of which it is clear how the investment fund intends to realise, or actually realises, most of its income (money market, index, equities, bonds, balanced, fund of funds, etc.)

Stakeholding and Qualifying Holding

Article 12

(1) Pursuant to this Act, an entity shall participate in the capital of another entity if it holds, directly or indirectly, shares, holdings or other rights on the basis of which it participates in the management of another entity or in its capital with a stake of 20% or more.

(2) A qualifying holding pursuant to this Act shall be a direct or indirect holding of shares, holdings or other rights on the basis of which the holder acquires 10% of the voting rights or holdings in the capital of a certain legal entity, respectively on the basis of share, which provide the holder with the ability to exercise significant influence over a management company's management board.

Related Parties

Article 13

(1) Related parties pursuant to this Act shall be legally independent persons or entities related in terms of management, capital, or other kinds of relationships; due to these relationships they jointly design their business policy and act towards realising joint business objectives so that one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

(2) Related parties pursuant to this Act shall, in particular, be persons mutually related:

1. as close relatives;
2. in such a way that an entity or entities who are deemed to be related pursuant to the first paragraph of this Article and pursuant to other items of this paragraph, participate in another entity either jointly, directly or indirectly;

3. in such a way that the same entity or entities deemed to be related pursuant to the first paragraph of this Article and pursuant to other items of this paragraph, participate in both entities;
4. by establishing a contractual concern or concern between relations of equal status pursuant to The Companies Act;
5. as members of the management or members of the supervisory boards, or as persons employed on the basis of an employment contract to which the tariff section of the collective contract is not applicable, related to the company in which they perform such a function or in which they are employed; and such person's close relatives.

(3) Pursuant to this Act, close relatives of an individual shall be:

1. that person's spouse or a person with whom this person lives together in a long-term domestic relationship which is, under the law governing marital union and family relations, equivalent in status to marital union;
2. that person's children or adoptive children who do not have full legal capacity;
3. other persons who live together with that person.

(4) Controlled companies and controlling companies shall be, pursuant to this Act, controlled companies and controlling companies under Article 462 of The Companies Act.

(5) Controlling pursuant to this Act shall be the relationship between a controlled company and a controlling company or a similar relationship between any individual and legal entity.

(6) A management company shall prepare a list of natural persons and legal entities, which are considered related to the management company, and shall update the list with any change.

(7) The Agency shall prescribe in detail the contents of the list of related parties pursuant to the sixth paragraph of this article.

Indirect Acquisition

Article 14

(1) An indirect holder of shares, holdings or other rights ensuring participation in the management, or an indirect holder of other securities, shall be a person on behalf of whom another person, as direct holder, has acquired these shares, holdings or other rights ensuring participation in management, or has acquired other securities.

(2) An individual person shall be considered to be an indirect holder of shares, holdings or other rights ensuring participation in management, or other securities, if the direct holder of these is a person related to this person.

2. MANAGEMENT COMPANY

2.1.COMPANY STATUS PROVISIONS

2.1.1. General Provisions

Legal Organisational Form

Article 15

(1) A management company shall be organised either as a joint-stock company or as a limited liability company.

(2) Unless otherwise stipulated by this Act, provisions of The Companies Act apply to management companies.

(3) Provisions of this Act which refer to shares and shareholders of a management company organised as a joint-stock company, shall be applied *mutatis mutandis* to holdings and stakeholdings of a management company organised as a limited liability company.

Management Company's Activities

Article 16

(1) A management company shall not perform any other activity beside services of managing investment funds.

(2) Notwithstanding the provision of Paragraph 1 of this Article, a management company may also provide management services of the financial assets of well-informed investors, provided, however, that it manages also the assets of at least one mutual fund.

Management Company's Share Capital

Article 17

(1) The minimum amount of share capital in a management company shall be SIT 50,000,000.

(2) Should a management company wish to manage several investment funds, the minimum amount of share capital in the first paragraph of this article shall increase by SIT 25,000,000 for each additional investment fund under management.

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(3) Should the total value of assets under management, which a management company manages on behalf of investment funds and well-informed investors, exceed SIT 55 billion, the management company shall increase the minimum amount of the share capital referred to in Paragraph 1 of this Article by not less than an amount equal to 0.02 percent of the difference between the total assets under management and the amount of SIT 55 billion. Should the calculated amount of the required share capital increase be lower than the amount of the increased share capital referred to in Paragraph 2 of this Article, the management company shall not be required to increase the share capital.

(4) A management company's shares or holdings may only be paid-in in cash and full payment must be effected prior to the management company's entry into the Companies Register, or, respectively, prior to the entry of the increased share capital into the Companies Register.

Shares Issued by a Management Company

Article 18

(1) If a management company is organised as a joint-stock company, it shall only issue registered shares of the same class.

(2) Shares of a management company which is organised as a joint-stock company shall be issued in a dematerialised form.

2.1.2. Stakeholders of a Management Company

Authorisation to Acquire a Qualifying Holding

Article 19

(1) The acquisition of shares or a holding in a management company whereby an entity directly or indirectly reaches or exceeds the qualifying holding in a management company, shall be subject to authorisation by the Agency.

(2) Even though an entity has been granted the authorisation referred to in the first paragraph of this article, it is necessary to obtain the Agency's authorisation for any further acquisitions of shares or for a holding in the management company whereby 20, 33 or 50% of voting rights or participation in its capital are either reached or exceeded, or whereby the entity in question becomes its controlling company.

(3) Should an entity who has been granted the authorisation referred to in the first and the second paragraphs of this article dispose of the shares or of the holding, which would result in the holding being reduced below the limit for which the authorisation was granted, the entity in question is obliged to notify the Agency.

(4) The Agency shall specify the method of notification referred to in the third paragraph of this article.

(5) Prior to adopting a decision on granting the authorisation to acquire a qualifying holding or the holding referred to in the second paragraph of this article, the Agency shall be obliged to notify the responsible supervisory authority of an individual Member State if the prospective qualifying shareholder is one of the following entities:

1. an entity referred to in the fifth paragraph of Article 82 of The Securities Market Act-1,
2. an entity referred to in the fifth paragraph of Article 19 of The Law on Banking,
3. an entity referred to in the fifth paragraph of Article 18 of The Insurance Companies Act,
4. a management company which has the right to manage investment funds in this Member State pursuant to the Directive on Investment Funds,
5. a controlling or a controlled company of the management company referred to in item 4 of this paragraph,
6. an entity controlled by the same entity or entities which control the management company referred to in item 4 of this paragraph.

(6) If the prospective qualifying holder is a Member State bank, brokerage house, insurance company, or management company, or a foreign bank, brokerage house, insurance company or management company, the application to acquire a qualifying holding or a holding referred to in the second paragraph of this article must also include the opinion and/or the approval of the responsible supervisory authority.

Adopting Decisions with regard to the Granting an Authorisation to Acquire a Qualifying Holding
Article 20

(1) An application for the granting an authorisation to acquire a qualifying holding or a holding pursuant to the second paragraph of Article 19 of this Act must also include the documents referred to in points 4 and 5 of Article 37 of this Act.

(2) The Agency shall refuse the granting an authorisation to acquire a qualifying holding or the holding referred to in Paragraph 2 of Article 19 of this Act if the data at its disposal shows that:

1. according to the stipulations of this Act, the operation of the investment fund could be threatened because of activities or operations performed by either the prospective qualifying stakeholder or its related parties, or with regard to the practices of the prospective qualifying stakeholder or its related parties, or

2. the exercise of supervision of the management company could be made impossible or considerably hindered because of activities or operations performed by either the prospective qualifying stakeholder or its related parties, or because of the type of relations between those entities.

(3) The Agency shall refuse to grant an authorisation to acquire a qualifying holding or a holding referred to in Paragraph 2 of Article 19 of this Act to a foreign prospective qualifying stakeholder if, taking into account the regulations of the country in which that entity is situated or taking into account the practice usually pursued in applying and implementing the said regulations, it is likely that the exercise of supervision pursuant to the provisions of this Act will be made impossible or considerably hindered.

(4) Prior to adopting a decision on the basis of the second or third paragraphs of this Article, the Agency shall be obliged to grant the entity in question a deadline no shorter than 15 and no longer than 30 days in which that entity may provide its own statement as to why the authorisation was refused.

(5) If a legal entity has submitted an application for authorisation to provide services with regard to management investment funds, the procedure of adopting a decision with regard to the authorisation referred to in Paragraph 1 of this Article shall be joined with that of the adoption of a decision with regard to the authorisation to provide services with regard to investment funds.

**Sanctions for Violations and Withdrawal of the Authorisation to Acquire a Qualifying
Holding**
Article 21

(1) If an entity acquires holdings or shares in a management company, in contravention with Paragraphs 1 and 2 of Article 19 of this Act, on behalf of which it would participate in managing the management company in that portion which constitutes an obligation to obtain an authorisation from the Agency, it shall get no voting rights and must alienate these holdings or shares within 6 months from the date of their acquisition.

(2) The voting rights referred to in Paragraph 1 of this Article shall, for the period during which their holder does not enjoy any voting rights arising from the shares acquired in contravention with Paragraphs 1 and 2 of Article 19 of this Act, be added to the voting rights enjoyed by other shareholders of the management company, in proportion to their participation in the share capital of the management company, so that the holder may only participate in the voting on the basis of shares other than those which are not subject to the authorisation referred to in Paragraphs 1 and 2 of Article 19 of this Act.

(3) The Agency shall withdraw the authorisation to acquire a qualifying holding in the following cases:

1. if the authorisation was obtained by stating false data,
2. if, according to the stipulations of this Act, the operation of the investment funds managed by the management company is threatened because of activities or operations performed by either the qualifying stakeholder or its related parties, or because of the practices of the qualifying stakeholder or its related parties.
3. if the exercise of supervision of the management company is made impossible or considerably hindered because of activities or operations performed by either the qualifying stakeholder or its related parties, or because of the practices of the qualifying stakeholder or its related parties.

4. In the case of a foreign qualifying stakeholder: if, taking into account the regulations of the country in which that entity is situated and the practice usually pursued in applying and implementing the said regulations, it is likely that the exercise of supervision pursuant to the provisions of this Act would be made impossible or considerably hindered.

(4) Upon entry into force of the decision to withdraw the authorisation to acquire a qualifying holding, the legal consequences referred to in Paragraph 1 of this Article shall apply.

(5) If the qualifying holder is a controlling company of a management company, the procedure for withdrawing the authorisation to acquire a qualifying holding could be joined with that of withdrawing the authorisation to provide services of managing investment funds.

(6) The Agency shall prescribe the circumstances and the criteria defining when the investment fund's operation is considered to be jeopardised.

2.1.3. The Management and the Supervisory Boards of a Management Company

A Management Company's Management Board

Article 22

- (1) The management board of a management company must comprise at least two members acting jointly as agent and representative of the management company in legal transactions.
- (2) The management company's members of the management board must have full time employment in that management company, either on the basis of an employment contract with this company, or on the basis of some other legal relationship.
- (3) At least one of the management board members must have a good command of the Slovenian language. At least one of the management board members must regard the Republic of Slovenia as a focus for realizing his/her life objectives.
- (4) The management board shall be obliged to perform the operations of the management company in the Republic of Slovenia.

Conditions for a Management Company's Member of the Management Board

Article 23

- (1) The position of a member of the management board of a management company may be assumed by a person meeting the following conditions:
 1. he/she has corresponding professional qualifications, characteristics and experience needed to manage the operations of a management company,
 2. that he/she has not been sentenced unconditionally, on the basis of a final judgement, to imprisonment of over three months for which the sentence has not as yet been expunged.
- (2) The condition referred to in point 1 of Paragraph 1 of this Article shall be met if the person in question has sufficient theoretical and practical knowledge with regard to the management of management companies. It shall be deemed that the person in question has met the condition in point 1 of this Article if the candidate has at least five years' experience in managing the business of a company comparable in size or activity or in other comparable operations, and at least three years' experience in managing financial investments.

Authorization to Assume the Function of a Management Board Member
Article 24

- (1) Only a person who has been granted an authorisation by the Agency to assume the function of a management board member of a management company may be appointed as a management board member of a management company.
- (2) The candidate for a management board member must enclose with the application from Paragraph 1 of this Article documents proving the meeting of conditions referred to in Articles 22 and 239 of this Act.
- (3) The Agency may decide that, during the procedure for adopting a decision with regard to granting its authorisation, the candidate for a management board member must present his/her concept of managing the operations of the management company in question.
- (4) The Agency shall grant the authorisation referred to in Paragraph 1 of this Article if it assumes from both the documents referred to in Paragraph 2 of this Article, and the presentation referred to in Paragraph 3 of this Article that the applicant meets the conditions set forth for the position of a member of the management board of a management company.
- (5) The Agency shall refuse to grant an authorisation if it appears from the documents at its disposal that, with regard to the activities or practices of that person, the operation of the management company or the investment funds under its management could be threatened, pursuant to this Act and related regulations.
- (6) In case a legal entity has applied for the authorisation to provide services with regard to managing investment funds, the procedure for adopting a decision with regard to the authorisation referred to in Paragraph 1 of this Article shall be joined with that of the adoption of a decision with regard to the authorisation to provide services with regard to managing investment funds.

Obligations of Members of the Management Board
Article 25

- (1) Management board members of a management company shall be obliged to ensure that the management company manages investment funds and operates in compliance with the provisions of this Act and other acts regulating securities business or asset management, as well as with regulations issued on the basis thereof.

(2) Management board members of a management company shall be obliged to ensure that the management company keeps (its own and on behalf of investment funds under its management) accounting books and business documentation, compiles bookkeeping documents, assesses bookkeeping items, composes financial statements, and reports to the Agency in compliance with this Act and the regulations issued on the basis thereof.

Withdrawal of Authorisation

Article 26

(1) The Agency shall withdraw the authorisation to perform the function of a management board member of a management company:

1. if the authorisation was obtained by supplying false data,
2. if the management board member in question has been sentenced, unconditionally on the basis of a final judgement, to imprisonment of over three months,
3. if the management board member in question acts in severe contravention to the obligations referred to in Article 25 of this Act,
4. if the management board member in question violates the prohibition referred to in Article 28 of this Act,
5. if the management board member in question violates the obligation to protect classified data referred to in Article 92 of this Act,

(2) A severe violation with regard to point 3 of Paragraph 1 of this Article shall be:

1. any violation incurring or risking to incur damage to an investment fund under management of the management company in question, or to a holder of a mutual fund's investment coupons or to a holder of shares of an investment company.
2. recurrent violations of obligations of a member of the management board referred to in Article 25 of this Act.

(3) If proceedings for the withdrawal of the authorisation to perform the function of a management board member have been initiated against a management board member because of violations due to which the proceedings for the withdrawal of the authorisation to the

management company to provide services with regard to investment funds, the Agency may join both proceedings.

**Other measures against management board members
of a management company**

Article 27

(1) The Agency may, instead of withdrawing its authorisation, notify the member of the management board in question that the authorisation has been withdrawn conditionally, or it may decide on making a public admonition to the member of the management board.

(2) When applying the measures from preceding Paragraph, the provisions of Articles 206 and 208 of this Act shall apply *mutatis mutandis*.

**Restrictions for a Management Company's
Members of Management and Supervisory Boards**

Article 28

(1) The following persons shall be not allowed to buy, sell or perform other transactions related to the investment funds managed by a management company:

1. the management company's members of the management board, members of its supervisory board and their close relatives, and
2. entities related to the persons in the first indent of this paragraph in terms of capital so that, due to these relationships, they jointly design the business policy and act towards realising joint business objectives whereupon one party has the ability to direct the other party or exercise significant influence over the other party in making financial and operational decisions, or the business decisions or the operations of one party may significantly influence the decision-making process, operations and business results of the other party.

(2) The restrictions in Paragraph 1 of this Article shall not apply to investment coupons or shares of investment funds.

2.1.4. Conditions for Performing Services of Managing Investment Funds

Determination of Conditions for Providing Services of Managing Investment Funds

Article 29

The Agency sets detailed conditions regarding the personnel, technical and organisational requirements which a management company or an entity from Paragraph 6 of Article 5 of this Act must fulfil for performing services of managing investment funds.

2.2. RISK MANAGEMENT

Risk management

Article 30

(1) A management company must ensure, in accordance with Article 17 of this Act, that it will always have sufficient capital at its disposal with regard to the total extent of the assets it has under management (capital adequacy).

(2) The capital of a management company must never be below the lowest amount of the share capital which is defined in Paragraphs 1, 2 and 3 of Article 17 of this Act.

(3) A management company shall respect the rules on risk management and shall, with regard to the total volume of the assets it manages and the types of services it provides, establish a suitable risk management system, which shall facilitate the continuous identification, measuring and monitoring of:

1. the management company's total risk,
2. individual types of risks and the contribution of these risks to the management company's total risk.

(4) A management company shall set up or adopt processes and measures for managing the above-mentioned risks and monitor the consequences of implementing these measures.

(5) The provisions of Paragraphs 1 to 6 of Article 65 of this Act shall apply by analogy to the risk management.

(6) Detailed rules on the risk management referred to in Paragraph 3 of this Article shall be prescribed by the Agency.

Restrictions for Investments Made by a Management Company

Article 31

(1) A management company must not acquire a holding or other rights in a partnership or in another legal entity if the management company risks incurring an unlimited liability to cover obligations of this entity.

(2) A management company is allowed to have a holding in another legal entity, either alone or together with entities to which it is related, only if this legal entity provides an activity the management company is allowed to perform, or if it provides activities related to this activity, or if this legal entity is organised as a capital corporation.

(3) The restriction in Paragraph 1 of this Article does not apply to membership in the Association of Management Companies.

2.3. MANAGENT COMPANY'S BOOKS OF ACCOUNT, BUSINESS REPORTS AND AUDITING

Application of provisions

Article 32

(1) With regard to a management company's business books and business reports, Articles 186 to 189 of The Securities Market Act-1 shall apply.

(2) On the basis of an opinion issued by the Slovenian Auditing Institute, the Agency prescribes:

1. the chart of accounts for management companies
2. types and schemes for the financial statements of management companies
3. detailed contents of enclosures to the financial statements of management companies.

(3) With regard to auditing annual reports of management companies, and with regard to the publication of summary annual reports, Articles 191 to 193 of The Securities Market Act-1 shall apply *mutatis mutandis*.

2.4. BANKRUPTCY OF MANAGEMENT COMPANY

Prohibition with regard to compulsory settlement

Article 33

In the case of the management company, it is not possible to start the procedure of compulsory settlement.

Application of Provisions with regard to Bankruptcy and Liquidation Proceedings

Article 34

Unless otherwise stipulated in this Act, provisions of The Act on Compulsory Settlement, Bankruptcy and Liquidation regulating the bankruptcy procedure and the liquidation procedure shall apply in connection with the management company.

Special Provisions with regard to Bankruptcy of a Management Company

Article 35

(1) Claims against a management company to settle the loss, pursuant to Paragraph 3 of Article 138 and Paragraph 3 of Article 182 of this Act, shall be paid out of the bankruptcy assets as a cost of the bankruptcy procedure, prior to satisfying the claims referred to Paragraph 1 and 3 of Article 160 of The Act on Compulsory Settlement, Bankruptcy and Liquidation.

(2) The decision to initiate bankruptcy proceedings against a management company shall be delivered by the court to the Agency.

3. SERVICES OF MANAGING INVESTMENT FUNDS

3.1. AUTHORIZATION FOR THE PROVISION OF SERVICES OF MANAGING INVESTMENT FUNDS

Types of Authorizations

Article 36

(1) Prior to entering data about its incorporation into the Companies Register, a management company must acquire the Agency's authorization that it may provide services of managing investment funds (hereinafter: "the authorization for the provision of services of managing investment funds").

(2) Before commencing a merger with another management company or legal entity, or before commencing a separation, a management company must acquire the Agency's authorization (hereinafter: "the authorization to merge or to separate").

(3) Prior to establishing a subsidiary abroad, a management company must acquire the Agency's authorization (hereinafter: "the authorization to establish a subsidiary abroad").

(4) Before starting to manage any single investment fund, a management company must acquire the Agency's authorization to manage this investment fund.

Applying for the Authorization to Perform Services of Managing Investment Funds

Article 37

The following must be enclosed with an application for the authorization to perform services of managing investment funds:

1. The management company's statute or instruments of incorporation;
2. Business plan for the first three years of operating which must include details with regard to the volume of managing investment funds operations, a corresponding organisational scheme of the management company, and data about the structure of personnel it employs;
3. A register of shareholders or stakeholders, together with their names and surnames, addresses or company names and registered offices, nominal amount of shares or holdings and percentage of their participation in the share capital of the management company.
4. For shareholders or stakeholders - legal entities who are qualifying stakeholders:
 - a) A copy from the Companies Register or another relevant public register,
 - b) Annual reports for the two most recent business years,
 - c) If it is a shareholder or a joint-stock company, also a list of shareholders taken from the Shareholders' Register, or, if bearer shares were issued, an authenticated copy of a notarial attestation of those present at the last general meeting of shareholders,
5. A list of entities related with qualifying shareholders and a description of the nature of their relationships,
6. Documents to be specified by the Agency on the basis of which it is evident whether the management company is qualified, in terms of personnel, technical issues and organisation, to provide the services of managing investment funds,
7. Documentation on the basis of which it is evident that the registered office of the management company is situated in the Republic of Slovenia, or in the same Member State, or in the same foreign state where the company's principal business is performed

and all the (administrative) documentation of the management company concerning operations of any single investment fund is kept and where its management board is situated.

8. Other documentation, the Agency requires, to make estimation pursuant to point 3 of Paragraph 2 of Article 38 of this Act.

**Adopting Decisions Regarding the Granting of an Authorization to Provide Services of
Managing Investment Funds**
Article 38

(1) The Agency shall grant an authorization to provide services with regard to managing investment funds within 6 months after the receipt of complete applications referred to in Article 37 of this Act, if it is established that the management company in question meets the conditions to the provision of those services.

(2) The Agency shall refuse to grant an authorization to provide services with regard to managing investment funds:

1. If the shareholders or stakeholders in possession of qualifying holdings failed to obtain the authorization referred to in Paragraphs 1 and 2 of Article 19 of this Act,
2. If a management board member failed to obtain the authorization to perform the function of the management board member referred to in Article 24 of this Act,
3. If the Agency estimates that the exercise of supervision of the management company and of the assets under its management would be impossible or considerably hindered because of the nature of the relationships between the management company and the entities related to it in the ways referred to in Articles 12 and 13 of this Act,
4. If the management company fails to meet the other conditions for the provision of services of managing investment funds as defined in this Act.

(3) The Agency must communicate to the applicant the reasons for its decision to refuse authorization.

**Expiration of the Authorization to Provide Services with regard to Managing Investment
Funds**

Article 39

(1) The Authorization to perform services with regard to managing investment funds expires:

1. If a management company fails to start operating within six months after the authorization has been granted,
2. If a management company has ceased to provide the services of managing investment funds for a period of over a year,
3. Upon the beginning of a bankruptcy or compulsory liquidation proceedings against a management company,
4. When a management company's regular liquidation proceedings have been terminated,
5. If a management company merges with another management company or legal entity as a result of its acquisition by that company,
6. If a management company no longer meets the conditions under which the authorization was granted,
7. If a management company submitted incorrect data when applying for the authorization.

(2) Should a reason referred to in Paragraph 1 of this Article arise, the Agency shall issue a decision that the authorization has expired.

Authorization for a Merger or Separation

Article 40

(1) Upon applying for an authorization for a management company to merge with another management company or another legal entity, provisions referred to in Articles 37 and 38 of this Act shall apply *mutatis mutandis*.

(2) When a new legal entity is created as a result of a merger, or when an acquired management company is merged with another legal entity which is not a management company, the Agency shall decide simultaneously on granting the authorization to merge and on granting its authorization to the controlling company to provide the services of managing investment funds.

(3) Upon applying for an authorization for a management company to separate, provisions referred to in Articles 37 and 38 of this Act shall apply *mutatis mutandis*, unless otherwise provided in Paragraphs 4 or 5 of this Article.

(4) When, after the separation, the management company is to become the transferer, the Agency refuses to grant an authorization for the separation even if, as a result of the separation, the management company would fail to achieve the regulatory capital adequacy.

(5) When a new management company is created as a result of a separation, or when a

management company as a transferer is divided into two or more new management companies, the Agency shall decide simultaneously on granting the authorization to separate and on granting its authorization to the new management company to provide the services of managing investment funds.

3.2. PROVISION OF SERVICES WITH REGARD TO MANAGING INVESTMENT FUNDS OUTSIDE THE TERRITORY OF THE REPUBLIC OF SLOVENIA

Provision of Services in a Member State

Article 41

A management company may provide services with regard to managing investment funds on the territory of a Member State either through a branch or directly, if it meets the conditions stipulated in the regulations of that Member State.

Provision of Services in a Member State through a Branch

Article 42

(1) A management company planning to open a branch in a Member State shall be obliged to notify the Agency about this intention and to specify the Member State in which it plans to open a branch. The notification must include:

1. General data about the branch, which comprise:
 - a) A description of services to be provided by the branch and its business plan,
 - b) The names of persons authorized to manage the branch's operation,
 - c) The address of the branch in the Member State, at which documentation with regard to that branch's operations will be available.
2. Data on mutual funds or investment companies under management of this management company, investment coupons or shares of which the management company intends to market in the Member State. The required data shall comprise:
 - a) A detailed description of the planned marketing activities and business relationships the management company has established with regard to the marketing of investment coupons or shares of investment funds,

- b) For each investment fund: fund rules or the investment company's statute, prospectus, the most recent annual report and, if possible, subsequent semi-annual report, and

(2) Within three months at the latest after receipt of the notification referred to in Paragraph 1 of this Article, the Agency must submit to the competent supervisory authority of the Member State the notification together with enclosures, and notify the management company accordingly.

(3) Together with the notification referred to in Paragraph 2 of this Article, the Agency must also submit the following to the competent supervisory authority of the Member State:

1. Data on the amount of capital and capital adequacy of the management company,
2. An attestation that it meets the conditions set by the Directive on Investment Funds, for each of the investment funds or investment companies referred to in the notification in Paragraph 1 of this Article.

(4) Notwithstanding the provision from Paragraph 2 of this Article, the Agency shall refuse to submit the notification to the supervisory authority of the Member State if it is established, on the basis of the data available and documents referred to in Paragraph 1 of this Article and taking into consideration the planned volume of the business, that reasonable doubt exists as to whether the organisation and management of the branch or the management company's financial standing are adequate.

(5) The management company must notify the Agency of any change to the data referred to in Paragraph 1 of this Article at least one month prior to the planned change.

(6) With regard to the notification on the change referred to in the previous paragraph, the provisions laid down in Paragraphs 1 to 4 of this Article shall apply *mutatis mutandis*.

Direct Provision of Services in a Member State

Article 43

(1) A management company planning to start direct provision of services with regard to managing investment funds on the territory of a Member State must notify the Agency accordingly and specify the Member State in which it plans to render its services directly. It must enclose with the notification:

1. A programme of planned activities,

2. Data and documentation referred to in point 2 of Paragraph 1 of Article 42 of this Act.

(2) Within one month at the latest after receipt of the notification referred to in Paragraph 1 of this Article, the Agency must submit the notification together with the enclosures to the competent authority of the Member State, and notify the management company accordingly.

(3) Together with the notification referred to in Paragraph 2 of this Article, the Agency must also submit to the competent authority of the Member State:

1. Data on the amount of capital and capital adequacy of the management company,

2. An attestation that it meets the conditions set by the Directive on Investment Funds for each of the investment funds or investment companies referred to in the notification in Paragraph 1 of this Article.

(4) The management company must notify the Agency of any planned change referred to in Paragraph 1 of this Article at least one month before the planned change takes place.

(5) With regard to the notification on the change referred to in the previous paragraph, the provisions laid down in Paragraphs 1 to 3 of this Article shall apply *mutatis mutandis*.

(6) The provisions referred to in Paragraphs 1 to 5 of this Article shall apply also when the management company authorises another entity to provide individual services for the managing of investment funds in a Member State.

Supervision of the Provision of Services in a Member State

Article 44

(1) The Agency shall exercise supervision over the branch of a management company operating in a Member State.

(2) The Agency may request that the competent supervisory authority in the Member State where the management company provides the services of managing investment funds exercise supervision over the operations of the management company's branch if the supervision procedure is thereby made faster and simpler and if this is in line with the principles of efficiency, simplicity, speed and cost-effectiveness of the procedure. Authorized persons from the Agency may, under the same conditions, take part in the supervisory procedure exercised by the competent supervisory authority of the Member State.

(3) If a management company which provides services with regard to managing investment funds in a Member State, violates the regulations of that Member State, despite a warning of that Member State's competent supervisory authority, the Agency shall take supervisory measures pursuant to this Act. The Agency must notify the competent supervisory authority in the Member State immediately of the measures it has adopted.

(4) Should the Agency withdraw its authorization to provide services with regard to managing investment funds to a management company, or temporarily prohibit the provision of these services, the Agency must immediately submit a written notification about this to the competent supervisory authorities in the Member States in which the management company in question provides services of managing investment funds.

Provision of Services in a Foreign State

Article 45

(1) A management company shall only be allowed to provide services of managing investment funds in a foreign country through a branch.

(2) The setting up of a branch by the management company in a foreign state shall be subject to authorisation to be granted by the Agency.

(3) With regard to making decisions on the authorisation to set up a branch, provisions of Paragraphs 1 and 4 of Article 42 of this Act shall apply *mutatis mutandis*.

(4) The Agency shall also refuse to grant authorisation to set up a branch in a foreign state if it is likely that the exercise of supervision over the management company will be considerably hindered.

(5) The provisions referred to in Paragraphs 1 to 4 of this Article shall also be applied when the management company authorises another entity to provide one or several services of managing investment funds under its management in a foreign state.

3.3. BRANCHES AND FREE PROVISION OF SERVICES BY MANAGEMENT COMPANIES FROM MEMBER STATES

Member State Management Companies

Article 46

(1) A management company, entitled to manage individual investment funds in a Member State so that their operation is in accordance with the Directive on Investment Funds, shall be allowed to provide services also in the territory of the Republic of Slovenia either through a branch or directly, but only for such funds.

(2) If investment coupons or shares of investment funds with a registered office in a Member State have been subject to suspension of marketing or selling within the territory of this Member State, the management company which manages these investment funds must not market these investment coupons or shares of investment funds or sell them directly or indirectly through its branch within the territory of the Republic of Slovenia.

(3) With regard to the management company referred to in Paragraph 1 of this Article providing the services of managing investment funds through a branch, the following provisions of this Act and regulations adopted on the basis hereof shall apply:

1. Article 32 of this Act,
2. Articles 7, 86 and 88 of this Act,
3. Articles 91 to 105 of this Act,
4. Articles 106 to 108 of this Act,
5. Articles 109 to 111 of this Act, and

(4) With regard to the management company, which provides the services of managing investment funds directly, the provisions referred to in points 2 to 5 of Paragraph 3 of this Article and the regulations adopted on the basis hereof shall apply.

(5) The provisions hereunder regarding direct provision of services shall apply also when a management company authorizes another entity to provide one or several services with regard to managing the investment fund under its management in the Republic of Slovenia.

Commencement of operation

Article 47

(1) The management company from a Member State, referred to in Paragraph 1 of Article 56 of this Act, may commence operating through a branch two months after the Agency receives a notification by the supervisory authority from this Member State containing data specified in Paragraphs 1 and 3 of Article 42 of this Act.

(2) The management company from the Member State, mentioned in Paragraph 1 of Article 56 of this Act, may commence with the direct provision of its services of managing investment funds, immediately after the Agency receives a notification by the supervisory authority from this Member State containing data specified in Paragraphs 1 and 3 of Article 43 of this Act.

(3) The management company from the Member State referred to in Paragraph 1 of this Article must notify the Agency about any planned change of data specified in Paragraph 1 of Article 42 of this Act, at least one month before the planned change.

Supervision of a Branch of a Member State Management Company

Article 48

(1) A Member State competent supervisory authority or persons authorized by it may, within the territory of the Republic of Slovenia, exercise supervision of operations of a branch of a management company from that Member State.

(2) In the event referred to in Paragraph 1 of this Article, the competent supervisory authority or persons authorised by it shall, pursuant to the provisions in Articles 344 to 348 of The Securities Market Act-1, have the same responsibilities as the Agency.

(3) At the request of a Member State competent supervisory authority, the Agency shall be obliged to examine the operation of a branch of that Member State management company within the territory of the Republic of Slovenia.

(4) Notwithstanding the provisions of Paragraphs 1 to 3 of this Article, the Agency shall be competent to examine the operation of a branch of a Member State management company within the territory of the Republic of Slovenia pursuant to the provisions in Articles 344 to 348 of The Securities Market Act-1, to find out whether the branch is acting in compliance with the provisions referred to in Paragraph 3 of Article 46 of this Act.

Supervisory Measures Taken against a Member State Management Company

Article 49

(1) If a Member State management company operating within the territory of the Republic of Slovenia violates the provisions referred to in Paragraph 4 of Article 46 of this Act, or if a Member State management company's branch operating within the territory of the Republic of

Slovenia violates the provisions referred to in Paragraph 3 of Article 46 of this Act, the Agency shall issue an order to eliminate the violation.

(2) If a Member State management company or its branch fails to comply with the order referred to in Paragraph 1 of this Article within the deadline set in that order, the Agency shall notify the competent Member State supervisory authority accordingly.

(3) The Agency may, with regard to violations committed within the territory of the Republic of Slovenia, impose on the Member State management company or on its branch a temporary suspension on the provision of services or a ban on the provision of services, should the conditions stipulated in points 2 and 3 of Paragraph 1 of Article 203 of this Act, or point 4 of Paragraph 1 of Article 205 of this Act, be met.

(4) Prior to imposing the measure referred to in Paragraph 3 of this Article, the Agency shall be obliged to notify the competent Member State supervisory authority.

(5) Notwithstanding the provision referred to in Paragraph 4 of this Article, the Agency may, without previously notifying the competent Member State supervisory authority, impose on a Member State management company or its branch a temporary suspension on the provision of services, if the delay caused by the notification would be harmful for the investors' interests.

(6) In the event referred to in Paragraph 5 of this Article, the Agency shall be obliged to notify the competent Member State supervisory authority and the European Commission about the temporary suspension on the provision of services at its earliest convenience.

3.4. PROVISION OF SERVICES BY FOREIGN MANAGEMENT COMPANIES

Provision of Services of Managing Investment Funds

by Foreign Management Companies

Article 50

(1) A foreign management company may provide services with regard to managing investment funds within the territory of the Republic of Slovenia only through a branch.

(2) The provisions hereunder shall also apply when a foreign management company authorizes another entity to provide one or several services with regard to managing an investment fund under its management in the Republic of Slovenia.

Authorisation to Establish a Branch

Article 51

(1) A foreign management company shall be allowed to establish a branch within the territory of the Republic of Slovenia if it obtains an authorisation by the Agency. A foreign management company shall be allowed to market and sell solely investment coupons or shares of those investment funds which are stated in the authorisation referred to in the previous sentence.

(2) An application for authorisation to establish a branch must include data on the investment funds coupons or shares of which the foreign management company's branch intends to market and sell within the territory of the Republic of Slovenia.

(3) The following shall be enclosed with the application for authorisation to establish a branch:

1. Instruments of incorporation of the branch,
2. A copy from the Companies Register or another relevant register kept in the country where the parent management company has its registered office,
3. The parent management company's statute and rules,
4. The parent management company's audited annual reports for the last three business years,
5. If the copy referred to in point 2 does not state the owners of the parent management company: a document giving an authentic record of the owners and their shares in the management of the parent management company,
6. A copy from the Companies Register or another relevant register kept in the country where the legal entities holding more than 10% of the parent management company are registered.
7. A description of services which will be provided by the branch, and its two-year business plan,
8. Documents, to be specified by the Agency, on the basis of which it is evident whether the branch is qualified, in terms of personnel, technical issues and organisation, to provide the services of managing investment funds,
9. A detailed description of the planned marketing activities and business relationships the foreign management company has established with regard to the marketing of investment coupons or shares of investment funds within the territory of the Republic of Slovenia, and other data referred to in Article 7 of this Act,
10. For each investment fund referred to in the requirement in Paragraph 2 of this Article:
 - a) fund rules or investment company's statute
 - b) prospectus

- c) the most recent annual report and
- č) if possible, subsequent semi-annual report and
- d) other documents stipulated by the Agency, on the basis of which it shall be possible to assess whether the holders of investment coupons or investment fund shares, to whom the request in Paragraph 2 of this Article refers, will enjoy at least the same level of protection as the other investors in investment funds pursuant to this Act.

11. the data on the members to the management and supervisory bodies of the parent management company,

12. a statement of the parent management company stating that the branch shall keep all documents referring to its operation in the Slovene language at the branch's head office

(4) As a condition for granting an authorisation for the establishment of a branch of a foreign management company, the Agency may request that the foreign management company deposits in the Republic of Slovenia a specified sum or other adequate financial assets on the account referred to in Paragraph 1 of Article 63 of this Act, as security against the liabilities with regard to the holders of the investment coupons and investment funds' shares which were sold in the territory of the Republic of Slovenia.

(5) The Agency shall grant an authorisation to constitute a branch of a foreign management company, if the following is established on the basis of the data at its disposal and documentation enclosed to the application:

1. That the branch is qualified, in terms of its finance, management, organisation, personnel and technical issues, to operate in compliance with the provisions in this Act,
2. That the prospective holders of investment coupons or investment funds' shares, referred to in the requirement in Paragraph 2 of this Article, shall, upon taking into account the rules set by these funds, the regulations laid down by the foreign state, and by taking into account the practice usually pursued upon implementing these regulations, enjoy at least an equal level of protection as investors in investment funds pursuant to this Act, and
3. That the investment coupons or shares of investment funds referred to in Paragraph 2 of this Article are not subject to a ban on marketing or selling within the territory of their country of origin.

(6) In its authorisation for establishing a branch of a foreign management company, the Agency must stipulate the investment funds under management of the foreign management company to which this authorisation applies.

(7) The Agency shall refuse to grant an authorisation to establish a branch:

1. If the branch managers failed to obtain an authorisation pursuant to Article 24 of this Act (Paragraph 4 of Article 52 of this Act);
2. If the foreign management company failed to obtain an authorisation to publish its prospectus and abstract from prospectus, referred to in Article 96 of this Act, for each of the investment funds referred to in the requirement in Paragraph 2 of this Article.

(8) The Agency shall also refuse to grant authorisation to set up a branch of a foreign management company if it is likely that the exercise of supervision over the management company will be considerably hindered.

Application of Provisions

Article 52

(1) The provision referred to in Paragraph 3 of Article 191 of Securities Market Act in connection with Paragraph 3 of Article 32 of this Act shall apply to any foreign management company which has established a branch within the territory of the Republic of Slovenia.

(2) With regard to a branch established by a foreign management company, the following provisions of this Act and regulations issued on the basis hereof shall apply:

1. Article 32 of this Act,
2. Articles 7, 86 and 88 of this Act,
3. Articles 91 to 94 and 96 to 105 of this Act,
4. Articles 106 to 108 of this Act,
5. Articles 109 to 111 of this Act, and

(3) With regard to supervision of a foreign management company's branch, provisions of Chapter 8 of this Act shall apply *mutatis mutandis*.

(4) With regard to the management of a foreign management company's branch, provisions in this Act referring to the management board of a management company shall apply.

(5) The Agency shall also withdraw the authorisation for establishing a branch of a foreign management company if the supervisory authority responsible for supervision of a foreign

management company has withdrawn this company's authorization to provide services of managing investment funds.

4. COMMON PROVISIONS ON MANAGING INVESTMENT FUNDS

4.1. CUSTODIAN SERVICES WITH REGARD TO MANAGING INVESTMENT FUNDS

Contract on Providing Custodian Services

Article 53

(1) A management company shall, for the account of the investment funds it manages, make a contract with a custodian for the provision of custodian services. An individual investment fund shall not have more than one custodian of its assets.

(2) Based on an contract on providing custodian services on behalf of investment funds, the custodian shall be liable to:

1. Provide the services of keeping accounts of dematerialised securities, pursuant to Paragraph 4,5 and 6 of Article 61 of this Act,
2. Provide the services of safekeeping securities, pursuant to Paragraphs 7,8 and 9 of Article 61 of this Act,
3. Keep a special money account, pursuant to Article 63 of this Act, and ensure that only those payments are debited from this account which, according to this Act and a mutual fund's rules or an investment company's statutes, are allowed to be debited from the assets of the investment fund in question,
4. Ensure that the obligations arising from deals which the management company makes on behalf of an investment fund shall be met in due time and in accordance with good business practices, unless the deal or obligation conflicts with the provisions in this Act or with a mutual fund's rules or an investment company's statutes,
5. Ensure that an investment fund's net asset value shall be calculated in compliance with this Act, with rules issued on the basis hereof, and with a mutual fund's rules or an investment company's statute,
6. Ensure that the fee which a management company is entitled to receive shall be calculated in compliance with this Act and with a mutual fund's rules or an investment company's statutes, and
7. Provide other services pursuant to the provisions in this Act.

(3) On behalf of a mutual fund, in addition to providing the services referred to in Paragraph 2 of this Article, the custodian must:

1. Ensure that sale, issue, re-purchase, redemption and temporary suspension of re-purchase or redemption of units or investment coupons of a mutual fund is in compliance with this Act and with the mutual fund's rules,
2. Ensure that the unit value of a fund assets is calculated in compliance with this Act, the regulations issued on the basis hereof, and the mutual fund's rules,
3. Ensure that the income of a mutual fund is used in compliance with this Act or with executive regulations adopted on the basis hereof, as well as in accordance with the rules and prospectus of the mutual fund,
4. Ensure that an investment fund's total expenses and total expenses of a unit holder, expressed as % (percentage) of the investment fund's net asset value, shall be calculated in accordance with the methodology prescribed by the Agency, and
5. Follow the instructions of the management company, unless they conflict with the laws and mutual fund's rules.

(4) On behalf of an investment company, in addition to providing the services referred to in Paragraph 2 of this Article, the custodian must also:

1. Ensure that the initial and secondary offerings and issues of the investment company's shares is in compliance with the provisions of this Act and with the investment company's statute, and
2. Ensure that repurchase of the investment company's own shares is in compliance with this Act and with the investment company's statute.

(5) The custodian is entitled to receive a fee for the provision of custodian services. This fee must be expressed as a percentage of the investment fund's net asset value.

(6) Along with the fee referred to in Paragraph 5 of this Article, it is only allowed to refund the following expenses from the investment fund's assets to the custodian:

1. Costs with regard to effecting payment orders pursuant to the Paragraph 6 of Article 61 of this Act,
2. Costs with regard to safekeeping the investment fund's securities with other banks or financial institutions referred to in Paragraph 9 of Article 61 of this Act,
3. Costs with regard to the procedures referred to in Paragraph 2 of Article 58, Paragraph 4 of Article 138, and Paragraph 4 of Article 182 of this Act.

Restrictions Imposed on a Custodian with regard to its Deals and Investments

Article 54

(1) A management company and the party related to the management company may not in its own name and for its own account and for the account of the investment fund it manages enter into transactions comprising the purchase or sale or other business, the object of which is investments of investment funds managed by the management company, with a custodian providing custodian services for its funds and the parties related to this custodian.

(2) A custodian and its related parties are not allowed to acquire investment coupons or shares of an investment fund on whose behalf they provide custodian services.

(3) A natural person, who manages the custodian's assets, shall not at the same time provide custodian services.

(4) A custodian shall adopt the rules of procedure which regulate restrictions on the transfer of information among the parties referred to in Paragraph 3 of this Article referring to the assets of an investment fund, a mutual pension fund or to the assets covering provisions of a pension company, and curb possible conflicts of interest, which might arise during the provision of the custodian services for an investment fund with regard to the other services and activities and the custodian's assets as well as with regard to the capital relation of the custodian to other entities and the ownership structure of the custodian.

(5) On the custodian's investments and operations, the object of which is investment of the investment funds, for which the custodian provides the custodian services, shall be reported by the custodian to the Agency according to the form, method and deadlines laid down by the Agency.

(6) A management company shall not, for the account of the investment funds it manages, acquire a qualifying holding in the custodian referred to in Paragraph 2 of Article 12, on the basis of which it could exert significant influence on the custodian's management.

Authorization for Providing Custodian Services

Article 55

(1) Custodian services referred to in Article 48 of this Act may only be provided by:

1. A bank referred to in Paragraph 1 of Article 2 of The Law on Banking which has been issued an authorisation by the Bank of Slovenia for the provision of custodian services,
2. a Member State bank branch established in the Republic of Slovenia in accordance with the ZBan, which has acquired authorisation from the Bank of Slovenia for the provision of the custodian services,

3. a financial institution, whose operation is regulated by the ZTVP-1 and whose main activity pursuant to the said Act is services related to securities business and to exercising the rights arising from these securities and which has acquired authorisation of the Agency to provide custodian services,
4. a branch of a financial institution referred to in point 3, established in the Republic of Slovenia, which has acquired authorisation of the Agency to provide

(2) For the provision of custodian services, a custodian bank shall meet personnel, technical and organisational conditions stipulated by the regulations issued on the basis of Paragraph 1 of Article 38 of the ZBan, whereas the financial institution referred to in point 3 of Paragraph 1 of this Article or its branch shall meet personnel, technical and organisational conditions stipulated by the Agency; until then, the provisions of Article 89 of the ZTVP-1 and regulations issued on that basis shall apply by analogy.

(3) The Bank of Slovenia shall issue authorisation to the custodian bank for the provision of custodian services following the Agency's opinion. The institutions referred to in point 3 of Paragraph 1 of this Article shall be issued authorisation for the provision of custodian services by the Agency.

(4) With regard to the authorisation granted by the Bank of Slovenia for the provision of custodian services, the provisions of the ZBan regarding the authorisation to provide other financial services shall apply. With regard to the Agency's opinion and authorisation referred to in Paragraph 3 of this Article, the provisions of the ZTVP-1 on the authorisation for the provision of services related to securities or on the authorisation referred to in Article 263 of the ZTVP-1 shall apply.

(5) Should the services referred to in point 1 of Paragraph 1 of Article 260 of the ZTVP-1 be provided as custodian services, the restriction on the provision of these services referred to in Paragraph 3 of Article 260 of the ZTVP-1 shall not apply.

(6) With regard to the termination of the authorisation for the provision of custodian services, Article 41 of the ZBan shall apply by analogy to the custodian bank, and the ZTVP-1 shall apply to the financial institutions referred to in point 3 of Paragraph 1 of this Article.

(7) In addition to the cases prescribed in Paragraph 1 of Article 41 of the Zban, the custodian bank's authorisation to provide custodian services shall also terminate if the authorisation to provide bank services terminates, and the authorisation of the financial institution referred to in point 3 of Paragraph 1 of this Article shall terminate if its authorisation to provide services related to securities business pursuant to the ZTVP-1 terminates.

Supervision over a Custodian

Article 56

(1) The Agency shall exercise supervision over a custodian in order to verify whether the custodian adheres to the provisions of this Act and the provisions of other Acts and regulations governing the provision of custodian services for investment funds, for mutual pension funds and for assets covering mathematical provisions of a pension company.

(2) For the supervision exercised by the Agency referred to in Paragraph 1 of this Article, the provisions of the ZTVP-1 on the supervision over a bank or a brokerage house, which provides services related to securities, and the provisions of this Act shall apply by analogy.

(3) When exercising the supervision referred to in Paragraph 1 of this Article, the Agency shall, pursuant to Article 181 of the ZTVP-1 and pursuant to the Rules on Mutual Co-operation of Supervisory Bodies (Official Gazette of the RS, Nos. 55/99, 87/2000) co-operate with the Bank, which exercises supervision over the custodian's bank operation pursuant to the provisions of the ZBan on supervision over the provision of custodian and other financial services.

Professional Care of a Custodian

Article 57

(1) When rendering custodian services, a custodian shall act in compliance with this Act, the ZBan, and the rules of the profession on the provision of custodian services, and shall take special care that the interests of the holders of mutual funds' investment coupons or investment companies' shares are protected.

(2) A custodian shall be liable to holders of investment coupons of a mutual fund on behalf of which it provides custodian services, or to the investment company, on behalf of which it performs custodian services, for any loss suffered by them as a result of the custodian's actions conflicting with this Act or with the professional rules of custody.

(3) To recover the loss referred to in Paragraph 2 of this Article, the management company is entitled to take legal action on behalf of its mutual fund or investment company.

(4) Within thirty days after receiving a written request either from a unit holder, from a supervisory board member, or from an investment company shareholder, should the management company fail to take the legal action referred to in Paragraph 3 of this Article, such legal action may be taken on behalf of a mutual fund or an investment company by any holder of a mutual

fund's investment coupons, by a supervisory board, or by any shareholder of an investment company.

(5) The two provisions in Paragraphs 3 and 4 of this Article do not exclude the right of each individual holder of a mutual fund's investment coupons or shareholder of an investment company to recover the loss suffered by them as a result of the custodian's failure to meet its obligations or failure to properly meet its obligations referred to in Paragraphs 3 and 4 of Article 48 of this Act.

(6) A custodian's liability for loss referred to in Paragraphs 2 and 5 of this Article can be neither excluded nor limited.

Relationship Between a Custodian and a Management Company

Article 58

(1) A management company and a custodian must act independently and in a way to ensure the largest possible benefit to holders of mutual funds' investment coupons or to holders of shares of investment companies.

(2) A custodian and a management company are authorised to enforce claims and objections on behalf of a mutual fund or an investment company in all court procedures and procedures involving other government authorities dealing with an investment fund's rights, liabilities or assets.

(3) In case the activities referred to in Paragraph 2 of this Article of a custodian and of a management company conflict, those more favourable for the investment fund in question shall be valid.

(4) A management company shall immediately notify the custodian of the initiation of every procedure referred to in Paragraph 2 of this Article, and shall keep it informed as to developments in the procedure.

(5) During the procedures referred to in Paragraph 2 of this Article, the management company cannot enforce claims, compromise in court, or withdraw a legal means without the custodian's consent.

Authorization to Conclude a Contract on Providing Custodian Services

Article 59

(1) A management company must obtain an authorisation of the Agency prior to making a contract on providing custodian services.

(2) The following shall be enclosed with the application for an authorisation to make a contract on providing custodian services:

1. the wording of the contract
2. an authorisation granted by the Bank of Slovenia pursuant to Paragraph 3 of Article 55 of this Act.
3. evidence that the custodian or the custodian's branch is established in the same country as the management company managing the investment fund, for which the custodian will provide custodian services.

(3) The Agency shall issue the authorisation to conclude a contract on the provision of custodian services if the contract is in compliance with this Act and if the custodian bank has the authorisation of the Bank of Slovenia, or if the institution referred to in point 3 of Paragraph 1 of Article 55 of this Act has the authorisation of the Agency referred to in Paragraph 3 of Article 55 of this Act, and if the custodian or custodian's branch is established in the same country as the management company managing the investment fund, for which the custodian will provide custodian services.

(4) If a management company has applied for an authorization to manage a mutual fund or an investment company, the procedure of deciding on the authorization to conclude a contract on providing custodian services shall be joined with the procedure on deciding on the authorisation to manage a mutual fund or an investment company.

(5) Provisions pursuant to Paragraphs 1 and 4 of this Article shall be applied *mutatis mutandis* also for any alteration of the contract on providing custodian services.

4.2. SEPARATION OF AN INVESTMENT FUND'S ASSETS FROM A MANAGEMENT COMPANY'S ASSETS

Legal separation of assets

Article 60

A management company must separate an investment fund's assets from its own assets or assets of other investment funds under its management or from the assets pursuant to Paragraph 2 of Article 16 of this Act, in a way determined in Articles 61 to 63 of this Act.

Separation of investments into securities

Article 61

(1) A management company and a custodian shall conclude a contract with a clearing and depository house, on the basis of which the management company shall become a member of the clearing and depository house.

(2) The contract referred to in the previous paragraph shall, pursuant to the provisions of this Act, regulate the relations, rights and obligations between the management company, the investment fund's custodian and the clearing and depository house, with regard to the opening of the account of securities traded on the organised market, as well as securities not traded on the organised market, provided they have been issued in dematerialised form, for an individual investment fund, with regard to the right of insight into the balance and transactions of securities in this account, with regard to entering orders related to the disposing of securities on the accounts of investment funds, and financial settlement of purchases and sales of securities for the account of an individual investment fund, and the like.

(3) A management company shall be obliged to submit its orders with regard to purchase or sale of securities or financial instruments pursuant to Article 64 of this Act separately for each investment fund under its management.

(4) The custodian shall be obliged to open a special custodian (sub)account for each investment fund on behalf of which it shall provide custodian services; in this account balances of securities pursuant to Paragraph 1 of this Article shall be kept separately for each investment fund.

(5) A management company shall have the right to direct access to the balance and transactions of securities on the accounts of the investment funds it manages, but it shall not have the right to enter orders related to the disposing of securities on these accounts.

(6) The authorisation for entering and execution of orders related to the disposing of securities referred to in Paragraph 2 of this Article for the account of an individual investment fund shall be held only by the custodian providing custodian services for this investment fund.

(7) A management company shall, for the account of the investment funds it manages, deliver securities issued as written instruments and not held as a collective deposit with a clearing and depository house to the custodian for safekeeping.

(8) The custodian shall keep the securities of an individual investment fund referred to in the previous paragraph separately from the securities of another investment fund and other kept securities.

(9) The custodian may submit, on behalf of an investment fund for which it provides custodian services, the securities traded on organised markets of Member States or on organised markets of foreign states, as well as other securities issued in Member States or in foreign states, into the custody of a bank or institution entitled to provide custodian services for securities in this country, but only under the conditions which shall ensure legal separation of investments in the securities of each individual investment fund on behalf of which it provides custodian services.

Separation of other assets

Article 62

(1) With regard to a mutual fund's or investment company's bank deposits, the management company shall be obliged to make a contract with the bank, in its own name and on the behalf of the mutual fund or in the name and on behalf of the investment company in question. It must be clearly evident from the contract that it has been concluded on behalf of the mutual fund or in the name and on behalf of the investment company.

(2) The provision referred to in Paragraph 1 of this Article shall be applied *mutatis mutandis* also for a mutual fund's or investment company's investments in other kinds of liquid financial investments which are not securities.

A special money account

Article 63

(1) A management company must open for each investment fund under its management a special money account through which incoming and outgoing cash payments shall be made for deals concluded by the management company for the account of each of these investment funds.

(2) Where the custodian of an investment fund is a custodian bank, the company managing this fund shall open a special account for the investment fund with this custodian bank.

(3) Where the custodian of the investment fund is an institution referred to in point 3 of Paragraph 1 of Article 55 of this Act, the management company shall open a special account of the investment fund with the bank authorised to provide payment transfer services pursuant to the ZBan.

(4) In the case referred to in the previous paragraph of this Article, the management company shall submit the order to debit the money account of the investment fund to the fund's custodian, who shall submit this order to the bank, with which the investment fund has said account.

(5) The bank referred to in the previous paragraph, with which the investment fund has opened its account, must not execute an order to debit a special money account of the investment fund if this order has been submitted by the management company managing this fund and not the custodian.

(6) A mutual fund's special money account, opened pursuant to Paragraph 1 of this Article, shall also serve for depositing the payments received on behalf of the sale of its investment coupons and for settling the repurchases of investment coupons.

(7) An investment company's special money account, opened pursuant to Paragraph 1 of this Article, shall also serve for depositing the payments for shares received on the basis of the investment company's initial offering of shares.

(8) A custodian bank is not allowed to execute an order given by a management company to debit a special money account if the execution of the payment in question would conflict with this Act and a mutual fund's rules or an investment company's statutes.

(9) A custodian, which is an institution referred to in point 3 of Paragraph 1 of Article 55 of this Act, must not submit an order given by a management company to debit a special money account of the investment fund to the bank, which provides payment transfers for this investment fund, if such execution of the payment would conflict with this Act and mutual fund rules or an investment company statute.

4.3. INVESTMENTS MADE BY INVESTMENT FUNDS

Types of permitted investments

Article 64

(1) Assets of investment funds may only be invested in the following types of investments:

1. marketable securities and money market instruments admitted to or traded on the organised market which is defined in Article 9 of The Securities Market Act and in Paragraph 1 of Article 183 of the Securities Market Act, or which meets the conditions set forth in Paragraph 5 of this Article, and/or

2. marketable securities and money market instruments traded on another regulated securities market, either in the Republic of Slovenia or in a Member State, which operates regularly and is recognised and open to the public, and/or

3. marketable securities and money market instruments traded (to be deleted: solely) on an organised securities market of a foreign state if the following conditions are met:

a) if an investment fund's rules or statutes include in their investment policy that investment in securities traded on this organised securities market of a foreign state, and

b) if the organised securities market of the foreign state in question is included in the list in Paragraph 5 of this Article, and/or

4. securities acquired by a management company on behalf of an investment fund during the procedure of the initial offering, provided the following conditions are met:

a) if it is determined in the prospectus on the basis of which the initial offering of these securities is being carried out that the issuer will apply for the admission of these securities to the organised securities market pursuant to the indent c),

b) if investment in the securities traded on this organised securities market is included in the investment policy outlined in the rules or statutes of an investment fund,

c) if the choice of the organised market referred to in Paragraph 1 of Article 183 of The Securities Market Act-1, or in Paragraph 6 of this Article, is approved by a competent authority.

č) if these securities are admitted to the organised securities market referred to in the previous indent within one year after their issue,

and/or

5. units or shares of other investment funds, pursuant to Articles 9 and 10 Article of this Act, if the following conditions are met:

a) that this investment fund's management company has been issued an authorisation for the management by competent authorities,

b) that the management and operations of this investment fund shall be subject to supervision deemed by competent supervisory institutions to be, in quality and with regard to its contents, equal to the supervision stipulated by this Act and The Securities Market Act-1, and that sufficient cooperation between supervisory authorities shall be ensured,

c) that the level of the security which investors in these investment funds enjoy shall be equal to the level of the security stipulated by this Act and The Securities

Market Act-1 and, above all, that the rules with regard to the borrowing, lending, and sales of transferable securities and uncovered money market instruments and with regard to alienation of an investment fund's assets shall match the requirements in this Act.

- č) that operations of these investment funds shall be subject to reporting in annual and semi-annual reports in which assets, liabilities and income from operations of an investment fund within the reporting period shall be disclosed.
- d) that no more than 10% of an investment fund's assets or of assets of an investment fund, units and/or shares of which this investment fund wishes to acquire, shall be collectively invested in units and/or shares of investment funds.
- e) if the investment policy in a mutual fund's rules or an investment company's statutes provides for making such investments,
- f) other conditions in the provision referred to in Article 77 of this Act,

and/or

6. money deposits with credit institutions if the following conditions are met:

- a) that with regard to a credit institution headquartered in the Republic of Slovenia, or a Member State credit institution, or a credit institution from a foreign country, at least equally stringent rules regulating risk management, prudent operations and security of depositors shall apply as those stipulated by The Banking Act.
- b) that the deposits shall be sight, call, or time deposits and that the contracts on making these deposits shall be concluded in a way to give the depositor the right to prematurely withdraw the deposit, and that the deposits shall mature within 12 months at the latest.
- c) that an investment fund's deposits meet the conditions with regard to the rights and guarantees stipulated in the regulation referred to in Article 77 of this Act, and
- č) if the investment policy in a mutual fund's rules or an investment company's statute provides for making investments in bank deposits,

and/or

7. derivative financial instruments as defined in the Securities Market-1 Act and instruments equivalent to these instruments the settlement of which is done through a cash payment, whereupon the following conditions shall be met:

- a) that their basis shall be composed of: financial instruments referred to in this paragraph, financial indices, interest rates, exchange rates or foreign currencies,

- b) that the investment policy in a mutual fund's rules or an investment company's statute shall provide for making investments in individual types of derivative financial instruments,
- c) that the derivative financial instruments shall meet the conditions with regard to the liabilities and rights and other characteristics stipulated in the regulation referred to in Article 77 of this Act, and
- č) that the derivative financial instruments shall be traded on the organized market referred to in points 1, 2 and 3 of this Paragraph, and/or on an institutional investors' market which is listed in Paragraph 5 of this Article or in point 4 of Paragraph 1 of Article 77 of this Act,
- d) that in deals with derivative financial instruments concluded on an institutional investors' market counter-parties shall be institutions the operations of which are subject to a detailed supervision and which belong to one of the categories of institutional investors stipulated by the Agency.
- e) that the investment fund may, at any time and at a fair value, sell or collect in some other way, close or offset the balance of derivative financial instruments, or neutralise the exposure arising from such an instrument, through an offsetting counter-transaction;

and/or

8. money market instruments, as defined in the Securities Market Act-1 which are not traded on an organised securities market but are typically traded on the money market, provided the following conditions be met:
- a) that these instruments are liquid and have a value that can be accurately defined at any time, and
 - b) that with regard to each individual issuer or issue of these instruments at least equally stringent rules regulating risk management and safe and prudent operations shall apply as those stipulated by The Banking Act or The Securities Market Act-1, and
 - c) that they have been issued or are guaranteed by the Republic of Slovenia or a local, regional community within the Republic of Slovenia, a Member State or a local, regional Member State community, or, respectively, Bank of Slovenia or a Member State central bank or European Central Bank, the European Union, European Investment Bank or a federal bank in the case of a state which is a member of this federation, or another international financial organisation to which one or more member states belong, or a foreign state, or
 - č) that they have been issued by a company with previous issues of securities already traded on the organised securities market in the Republic of Slovenia, or in an organised market referred to in points 1, 2 and 3 of this paragraph, or

d) that they have been issued or are guaranteed by an institution or by an entity of public law the operations of which are subject to detailed supervision conducted according to the criteria stipulated by the laws of the Republic of Slovenia or the European Union; or

e) that they have been issued or are guaranteed by an institution or by an entity of public law to which, according to the opinion of competent authorities, equally stringent rules regulating risk management and safe and prudent operations shall apply as those stipulated by the regulations with regard to prudent and careful supervision stipulated by the legislation of the Republic of Slovenia and that of the European Union, or

f) that they have been issued by a bank or another entity belonging to one of categories stipulated by the Agency, under the condition that investments in such instruments shall ensure an equal level of security for investors as the protection referred to in previous indents, whereas the issuer shall be:

g) a legal entity, the share capital and reserves of which together shall amount to at least SIT 2,230,000,000, and which shall publish and present annual business reports in a way and with the contents stipulated by specific laws and executive regulations and in accordance with Slovenian accounting standards and the Companies Act and in accordance with other laws and by-laws, covering this field, or

h) an entity which together with other entities forms a group and whose task is to finance the other entities or companies in the group, whereby at least one company in the group shall be a joint-stock company with shares which have been admitted to the organized market; or

i) an entity whose sole activity is to finance instruments of securitization, advantages of which are connected with higher liquidity of banks,

j) that the investment policy in an investment fund's statute shall provide for making investments in this type of money market instruments.

(2) An investment fund may have, in addition to investments referred to in Paragraphs 1 and 2 of this Article, also ancillary liquid assets. The type and volume of ancillary liquid assets shall be specified by the Agency.

(3) In addition to the investments referred to in Paragraph 1 of this Article, a mutual fund may have not more than 10 percent and the investment company may have not more than 20 percent of their assets invested in other transferable securities and money market instruments.

(4) An investment fund shall be not allowed to invest in precious metals or certificates representing precious metals.

(5) With the aim to define in more detail the characteristics of types of permitted investments, the Agency shall specify in a regulation in Article 77 of this Act a list of organised markets of marketable securities in foreign countries, markets of money market instruments in foreign countries and markets of derivative financial instruments in foreign countries. This regulation must take into account the rules for the admission of marketable securities, money market instruments, and derivative financial instruments to these markets, the rules of trading on these markets, and the rules of meeting obligations for deals concluded on these markets in a way that these rules shall ensure an equal level of security as investments in marketable securities, money market instruments or derived financial instruments traded on organised markets in the Republic of Slovenia or in Member States.

Techniques and Tools for Managing an Investment Fund's Risks

Article 65

(1) A management company shall determine and implement, for each individual investment fund, measures regarding risk management which are specified in this Act or in regulations made on the basis hereof, and shall determine also other measures which are, with regard to the nature and type of risks, necessary for managing these risks.

(2) When managing investments of each individual investment fund, a management company must use techniques and tools intended for risk management which shall enable it to control and measure at any time:

1. the risks arising from each individual exposure of an investment fund, and
2. the impact these risks could have on the total riskiness of the investment fund's investments

(3) In order to detect, measure and manage the risks related to an investment fund's investments, in particular in derivative financial instruments, a management company shall prepare, on the basis of an appropriate application of the rules set out in point 3 of Paragraph 1 of Article 77 of this Act, a plan defining the following:

1. procedures or methods for detecting and measuring the risks,
2. measures for managing the risks and procedures for the implementation of these measures,
3. procedures for monitoring the implementation of the measures for managing the risks.

(4) The measures for managing risk and the procedures for implementing and monitoring these measures shall be in the plan, referred to in Paragraph 3 of this Article, determined for every type of risk an investment fund is exposed to when making each single investment, especially with

investments in individual types of derivative financial instruments, and for the risks to which the investment fund is exposed, with regard to all investments in derivative financial instruments combined and to all investments of the investment fund taken together.

(5) The plan referred to in Paragraph 3 shall also determine in more detail the type of derivative instruments, the risks connected with it, restrictions as to the quantity and methods chosen for measuring and assessing the risks connected with transactions with derivative financial instruments performed for the account of an individual investment fund.

(6) The management company must report to the Agency, for each individual investment fund under its management, about the data from the plan defined in Paragraphs 3 and 5, by taking into account the method, deadlines and contents of these reports which shall be specified in more detail by the Agency.

(7) A management company shall, for an individual investment fund under its management, ensure an exact and independent valuation estimate according to the individual types of financial instruments referred in Paragraph 1 of Article 64 of this Act.

Investment Techniques and Tools with regard to Managing Investments of an Investment Fund

Article 66

(1) The Agency may issue to a management company its consent that it may actually use, for the purposes of efficient management of a particular investment fund's assets, investment techniques and tools in connection with marketable securities and money market instruments, under the conditions and within the restrictions specified by the Agency in the rules referred to in Paragraph 3 of Article 77 of this Act. When the activities include derivative financial instruments, those conditions and restrictions must comply with the provisions of this Act.

(2) The Agency shall decide on the consent referred to in Paragraph 1 of this Article simultaneously with its decision on granting an authorization to establish a mutual fund or changing a mutual fund's rules or establishing an investment company or changing an investment company's statute.

(3) Activities referred to in Paragraph 1 may under no condition cause an investment fund to deviate from its investment goals as determined either in its rules on investments, its statutes or prospectus.

An Investment Fund's Exposure with regard to Derivative Financial Instruments

Article 67

(1) A management company shall, with regard to every investment fund's investment into derivative financial instruments, ensure that the investment fund's total exposure related to investments in derivative financial instruments shall not exceed the total net value of this investment fund's assets, and that these assets shall, both according to their type as well as their value, ensure sufficient coverage throughout the period against possible liabilities which might arise for the account of the investment fund on the basis of such investments.

(2) When calculating the total exposure, the present value of assets placed in derivative financial instruments which were issued on the basis hereof is taken into account, as well as the risk exposure with regard to each individual entity, future movements in the market, and the time available for balancing the exposed assets in the balance sheet.

(3) An investment fund may invest in derivative financial instruments if they are included in its investment policy and within the limits set in Paragraph 11 of Article 68, whereby it must ensure that its total exposure with regard to items from which the financial instruments in question are derived, shall not exceed the restrictions for investments referred to in Paragraphs 1 to 12 inclusive of Article 68, and in Paragraphs 1 and 3 of Article 69 of this Act.

(4) The Agency may prescribe the conditions which must be met by each individual investment fund in order to obtain a consent that, in the case it invests in derived financial instruments on an index basis, these investments shall not be required to be included in the calculation of investments defined in Paragraphs 1 to 12 inclusive of Article 68 of this Act and in Paragraphs 1 and 3 of Article 69 of this Act.

(5) Until the Agency has prescribed the said conditions it shall be understood that the investment fund in question must include these investments in the calculation of investments defined in Paragraphs 1 to 12 inclusive of Article 68 of this Act and in Paragraphs 1 and 3 of Article 69 of this Act.

(6) An investment fund must state in its rules or statutes and in its prospectus whether the derivative financial instruments on an index basis are included in the calculation of its exposure or not.

(7) If derived financial instruments are inseparable from marketable securities or money market instruments, on the basis of which they have been issued, the management company must take into account also these securities or instruments when harmonizing the operations of the investment fund with the requirements of Articles 65, 66 and 67 of this Act.

(8) The Agency must submit to the European Commission, by 13 February 2004 at the latest, complete and comprehensive information on the legislation with regard to the methods which are

in use for calculating the risk exposures referred to in Paragraph 1 of this Article, together with the exposure to a single entity in transactions with derivative financial instruments performed on the institutional investors' market, and all the changes relating to the said information. The Commission will pass this information on to the other Member States.

The Highest Exposure to an Individual Entity

Article 68

(1) An investment fund's total exposure to a single entity is a sum of its total investments in securities, money market instruments, and derivative financial instruments referred to in Article 64 of this Act which have been issued or guaranteed by the entity in question, and of other claims not arising from investment in securities which this investment fund has with regard to the said entity.

(2) When calculating an investment fund's exposure to a single entity, two entities shall be also taken into account if they are related in such a way that they represent one single risk for the investment fund. The same applies also in the case when two or more entities are linked into a group which is, according to The Companies Act and the Slovenian Accounting Standards, or, respectively, with the recognized International Accounting Standards liable to prepare a consolidated decision with consolidated financial statements.

(3) Mutual fund may not have more than 5% of assets and investment company may not have more than 10% of assets placed in securities or money market instruments referred to in Article 64 of this Act which have been issued by a single issuer.

(4) An investment fund may not have more than 20% of its assets placed in deposits with a single entity.

(5) An investment fund's exposure to a single entity when making transactions with derivative financial instruments on the institutional investors' market must not exceed:

1. 10% of the investment fund's assets, if the entity in question is a credit institution referred to in point 6 of Paragraph 1 of Article 64, or
2. 5% of the investment fund's assets in other cases.

(6) Notwithstanding the restrictions referred to in Paragraphs 3, 4 and 5 of this Article and provided that the fund rules or the investment fund statute lay down such investment policy:

1. a mutual fund may invest up to no more than 10 percent of its assets and an investment company may invest up to no more than 20 percent of its assets into securities or money market instruments of an individual issuer,
2. an investment fund may invest up to 10 percent of its assets in derivative financial instruments traded on an institutional investors' market in the case the entity to which the investment fund is exposed when making transactions with derivative financial instruments, is not a credit institution.

(7) In cases referred to in the previous paragraph of this Article, the fund rules or the investment fund statute shall also prescribe which types of investments allow the investment fund to exceed the restrictions referred to in Paragraphs 3, 4 and 5 of this Article.

(8) Should a mutual fund in accordance with Paragraph 6 of this Article place more than 5% of its assets, investment company place more than 10% of its assets in securities and money market instruments referred to in Article 64 of this Act, issued by single issuers, the total value of these investments must not exceed 40% of total assets of the investment fund in question.

(9) Limit prescribed in previous paragraph shall not apply to marketable securities and money market instruments referred to in Paragraphs 1 and 3 of Article 69 of this Act.

The 40% limit shall also not apply to deposits and transactions with derivative financial instruments on an institutional investors' market which a management company performs, for the account of its investment fund, with financial institutions which are subject to supervision.

(10) Notwithstanding the limits referred to in Paragraph 3, 4 and 5 of this Article, a mutual fund must not be exposed to a single entity or have in excess of 20% of its assets, investment company must not be exposed to a single entity or have in excess of 30% of its assets placed in combinations of the following types of investments:

- a) securities or money market instruments referred to in Article 64 of this Act, issued by a single entity
- b) deposits with that single entity, and/or,
- c) exposures arising from or taking place in the case of transactions with derivative financial instruments on an institutional investors' market which were concluded between an investment fund and a single entity

(11) The limits referred to in Paragraphs 3 to 10 inclusive of this Article and the limits referred to in Paragraphs 1, 3 and 5 of Article 69 of this Act may not be combined, therefore investments of an investment fund in securities or in money market instruments referred to in Article 64 of this Act, issued by a single entity, or in deposits with, or derivative financial instruments created by a single entity, and which are in accordance with Paragraphs 1 to 10 of this Article and Paragraphs

1, 3 and 5 of Article 69, shall be not allowed to exceed, under any conditions or circumstances, 35% of the assets of a mutual fund or, respectively 45% of the assets of an investment company.

(12) The Agency may issue its consent that an individual investment fund place up to 20% of its total assets in securities and money market instruments of several issuers linked in a group referred to in Paragraph 2 of this Article.

(13) Notwithstanding the limits set in Article 70, the Agency may grant its consent to an individual investment fund, provided that the goal declared in its investment policy is mirroring the composition of a certain index of equities or of debt instruments, that it may, regardless of the limits referred to in the previous paragraphs of this Article, invest up to 20% of its assets in shares and/or debt securities issued by a single entity.

(14) The Agency shall grant the said consent if the following conditions are met:

1. the said goal declared in the investment policy and the index of securities which is being mirrored must be expressly stated in the rules or statutes of the investment fund,
2. the index of securities which is being mirrored must be recognised by the Agency which shall take into consideration the following criteria:
 - a) sufficient dispersion as to the index composition,
 - b) the index must be sufficiently representative and must reflect the conditions in its market,
 - c) the index shall be published adequately,
3. other conditions specified by the Agency.

(15) The Agency may grant to a management company, for an individual investment fund which has declared in its investment policy that its goal is mirroring the composition of a certain index of equities or of debt instruments, its consent that the said investment fund may, regardless of the 20% limit referred to in Paragraph 13 of this Article, invest up to 35% of its assets in shares and/or debt instruments issued by a single entity, provided that the management company in question can prove that this is adequate in view of the exceptional market circumstances, especially on organised markets where certain marketable securities or money market instruments prevail. Placements of assets up to the said limit shall be allowed only for an individual issuer.

(16) The Agency shall grant its consent referred to in Paragraphs 12, 13, 14 and 15 of this Article simultaneously with its decision on granting an authorisation to establish a mutual fund or changing a mutual fund's rules or establishing an investment company or changing an investment company's statutes.

The Highest Exposure to Certain Entities

Article 69

(1) Notwithstanding the limit to single investments referred to in Paragraph 3 of Article 68 of this Act, an investment fund may have up to 35% of assets placed in marketable securities or money market instruments of a single issuer if the issuer or the guarantor is the Republic of Slovenia or its local, regional community, a European Union Member State or its local, regional community, a foreign state, or an individual international public organisation to which one or several Member States belong.

(2) An investment fund may, notwithstanding the provisions pursuant to Paragraph 3, 4 and 5 of Article 68 and Paragraph 1 of Article 69, and provided it has obtained the Agency's consent, place in accordance with the principle of risk dispersion, up to 100% of assets in various marketable securities and money market instruments, issued or guaranteed by the Republic of Slovenia or its local, regional community, a European Union Member State or its local, regional community, a foreign state, or an individual international public organization to which one or several Member States belong, in the case the said placements are in accordance with the following limits:

1. the investment fund in question must place its assets in at least six different issues of marketable securities and money market instruments, and
2. the value of investment in a single issue of marketable securities and money market instruments, made by the investment fund, must not exceed 30% of the value of the investment fund's assets

(3) Notwithstanding the limit to single investments referred to in Paragraph 3 of Article 68 of this Act, an investment fund may have up to 25% of assets placed in certain types of bonds issued by credit institutions which have a registered office in the Republic of Slovenia or in a Member State and which are by law subject to special public supervision necessary for the protection of the rights of bond holders.

(4) Such a credit institution must place its monetary assets or the assets gathered with the sale of bonds expressly in such placements which would over the entire period of validity, up to the time the bonds shall mature, enable the issuing institution to pay its obligations arising from these bonds and which shall be used to purchase the principal and repay the accrued interest in the case of the issuer's default.

(5) In the case a mutual fund places over 5% of its assets, or respectively investment company places over 10% of its assets in bonds from previous paragraph of this Article issued by single issuers, the total value of such placements must not exceed 80% of the investment fund's assets.

(6) An investment fund may place its assets within the limits set out in Paragraph 2 or 3 of this Article if it meets the following conditions:

1. that such investment policy has been determined in the investment fund's rules, statute, or prospectus, and
2. that the issuers and holdings of securities in which the investment fund in question intends to place or has placed in excess of 35% of its assets are expressly defined in the investment fund's rules or statutes, prospectus and promotional literature, and that these issuers are states, regional and local communities, or public international organizations, and
3. that categories of issuers of bonds/credit institutions referred to in Paragraph 3 of this Article are presented in the rules or statutes, prospectus and promotional literature, and
4. that the Agency has granted its consent to this investment policy, rules or statutes and prospectus of the investment fund in question, and
5. that it is clearly stated in the prospectus and in the promotional literature of each investment fund referred to in Paragraph 2 of this Article that the consent referred to in the previous indent has been granted.

(7) The Agency decides on the consent referred to in indent 4 of Paragraph 6 of this Article simultaneously with its decision on granting an authorization to establish a mutual fund or changing a mutual fund's rules or establishing an investment company or changing an investment company's statutes.

(8) The Agency shall grant the consent referred to in indent 4 of Paragraph 6 of this Article, should it estimate that the level of security for the holders of units or shares of the investment fund in question will be at least equal to the level of security enjoyed by the holders of units or shares of an investment fund which invests its assets within the limits on exposure set in Article 68 of this Act.

(9) The Agency must submit to the European Commission a list of categories of bonds referred to in Paragraph 3 of this Article, together with categories of issuers to which it has granted its approval, in compliance with the Act and the provisions on supervision referred to in the Paragraph 3 of this Article, that they may issue bonds which meet the above-stated conditions and criteria. A notification with the status of guarantees granted should be enclosed with the said list. The European Commission will pass this information on to the other Member States without delay, together with its opinion, and will notify the public about the information.

Prohibition of Acquiring Significant Influence over the Issuers

Article 70

(1) A management company shall not be allowed to acquire, for the account of the mutual funds it manages, a stake in the shares if the voting rights would give it significant influence over the management or over the management board of the issuer, while, for the account of the investment companies it manages, it shall not be allowed to acquire a stake in the shares, which represent more than 20 percent of all voting rights or participation in the capital of the issuer.

(2) The Agency shall prescribe more detailed criteria and conditions as to when it shall be considered that an individual entity has acquired, on the basis of voting rights acquired through ownership of shares, ability to exercise a significant influence over the management of an issuer, whereupon also the legislation of other Member States shall be taken into account.

(3) Considering the provisions referred to in Paragraph 1 of this Article, a management company may acquire, for the account of an individual investment fund under its management, in total:

1. a stake in shares, without the voting rights, representing in total a 10% stake in the share capital of a single issuer,
2. a stake in a single issuer's debt securities not exceeding in nominal value 10% of the total nominal value of all issued and unmatured debt securities of this issuer,
3. a stake in a single issuer's money market instruments not exceeding in nominal value 10% of the total nominal value of all unmatured money market instruments of this issuer,
4. up to 25% of units in circulation issued by a single mutual fund referred to in Article 9 of this Act, or a shareholding in shares issued by a single investment company referred to in Article 10 of this Act representing up to 25% holding in the share capital of this investment company.

(4) An investment fund is not required to adhere to the limits referred to in points 2, 3 and 4 of the previous paragraph of this Article when acquiring the mentioned securities and money market instruments only in the case if it is not possible to calculate the gross amount of debt securities or money market instruments or the net amount of securities for which the procedure of issue and offering has not as yet been concluded.

(5) The provisions in Paragraphs 1 and 3 of this Article shall not apply to marketable securities and money market instruments issued or guaranteed by the Republic of Slovenia or regional, local communities of the Republic of Slovenia, a Member State or regional, local communities of its communities, a foreign state listed in Paragraph 5 of Article 64 of this Act, or an individual international financial organisation to which one or several Member States belong.

(6) The provisions referred to in Paragraphs 1 and 3 of this Article shall not apply also in the following cases:

1. shares, owned by investment funds, representing a holding an investment fund has in the capital of a company established in a foreign state which invests its assets primarily in securities of issuers headquartered in this country, if, according to the legislation of this country, such capital holding represents the only way for investment funds to invest in securities of issuers from that country. The mentioned deviation from the provisions in Paragraphs 1 and 3 of this Article shall apply only if investments of a company which was established in a foreign country, are in accordance with the limits referred to in Paragraphs 3 to 12 inclusive of Article 68 of this Act, with the limits referred to in Paragraphs 1, 3 and 5 of Article 69 of this Act, with the limits referred to in Article 71 of this Act, and with the provisions referred to in Paragraphs 1, 3 and 4 of this Article. Should the investments made by an investment fund in question exceed the limits referred to in Paragraphs 3 to 12 inclusive of Article 68, and Paragraphs 1, 3 and 5 of Article 69 and the limits in Article 63 of this Act, the provisions referred to in Article 61 of this Act shall apply *mutatis mutandis*; and
2. shares, owned by an investment company or investment companies, representing a holding in the capital of a subsidiary active exclusively in asset management, consulting services and marketing from the perspective of re-purchasing units upon the request of unit holders, in the country where the subsidiary is situated.

Investments into Units or Shares of Another Investment Fund

Article 71

- (1) An investment fund may invest no more than 10 % of the assets value into units or shares of an individual investment fund referred to in Point 5 of Paragraph 1 of Article 64 of this Act.
- (2) By means of the regulation laid down in Article 77of this Act, the Agency may:
 1. determine the share of allowed investments into units or shares of other investment funds, which is higher than the share referred to in Paragraph 1 of this Article, however, not higher than 20 % of the assets value of the investment fund,
 2. determine that the investment fund, whose operations are in accordance with the provisions of this Act, after it has acquired the units or shares of another investment fund, does not need to sum up or take into account the assets of the other investment fund when calculating the compliance with the restrictions referred to in Article 64, Paragraph 1, Point 5, Indent d of this Act,
 3. determine additional conditions with regard to investments into units or shares of other investment funds.

(3) Investments of an investment fund into units or shares of other investment funds, whose operations are not in accordance with the provisions of the Directive on Investment Funds, shall not exceed 30 percent of the investment fund assets.

(4) When an investment fund, whose operations are in accordance with the provisions of this Act, invests the assets into units or shares of other investment funds which it manages directly or indirectly by delegating the management to third parties, the same management company, or any other legal entity, with which the management company is linked, a management company or a legal entity, with which the management company is linked in the manner defined in Article 9 of this Act, may not, for the account of the investment fund which invests its assets into such types of investments, charge the costs of subscription or payment-in and the repurchase (subscription and redemption fees) of units or shares of other investment funds it manages.

(5) A fund of funds shall:

1. have at least 90 percent of its asset value invested in investment coupons or units of mutual funds and/or shares of investment companies,
2. have such goal of the investment policy clearly stated in the fund rules or the statute as well as in the prospectus and abstract from the prospectus of the investment fund,

other provisions of this Act shall also apply to the fund of funds.

(6) Investment funds, whose operations are in accordance with the provisions of this Act and which invest a substantial part of their assets into other investment funds, shall state the highest amount of the management fees which can be charged to:

1. the investment fund itself, and
2. other investment funds, into units or shares of which the investment fund referred to in the previous indent intends to invest.

(7) An annual report of such an investment fund shall contain information on the highest ratio between the management fee charged to the investment fund itself and the management fee charged to an investment fund, into units or shares of which the investment fund invests its assets.

Investments into Derivative Financial Instruments

Article 72

When an investment fund within the framework of the investment policy invests its assets into derivative financial instruments, the fund rules or the investment fund statutes and other

documents, intended for the sale of units or shares of the investment fund, shall contain a clear notice that:

1. the investment policy of the investment fund is the investment of assets into derivative financial instruments, and
2. the investment into units or shares of the investment fund is suitable only for experienced subscribers and for subscribers, whose financial position allows them to assume considerable investment risks related to such investments.

Index Investments

Article 73

(1) An investment fund, whose investment policy's goal is to mirror the composition of a certain index, shall:

1. have at least 90 % of the assets value in investments referred to in Article 64 of this Act, which compose the above-mentioned index,
2. explicitly state such goal of the investment policy and the index, which it mirrors, in the fund rules or the statutes and the prospectus of the investment fund,
3. mirror (follow) the index recognised by the Agency; in this regard the Agency takes into account the following criteria:
 - a) sufficient diversification of index composition,
 - b) the index has to be sufficiently representative and has to reflect the market to which it refers,
 - c) the index is composed by internationally recognised institutions and organisations,
 - č) the index is published in a suitable way so as to make it available to a wider public,
 - d) other conditions stipulated by the Agency.

(2) An index investment fund shall at any time ensure that the structure and the ratio of its investments do not deviate from the composition and the ratios of the index it is bound to.

(3) In case of a change in the structure and ratios of investments in the index, which the index investment fund is bound to, the structure and the ratio of investments of the index investment fund shall be adjusted within one month upon the notification of the change in the index ratio.

(4) Minor deviations from the index ratios shall not be taken into account.

(5) As minor deviations shall be considered deviations of up to +/- 5 % of the index ratios.

Money Market Fund

Article 74

A money market fund shall:

1. have at least 90 % of the assets value invested in the money market instruments referred to in Article 64, Paragraph 1, Points 1, 2, 3 and 8, and the deposits referred to in Point 6 of Paragraph 1 of Article 64 of this Act, and
2. have the investment policy referred to in the previous point clearly stated in the fund rules or the statutes and the prospectus of the investment fund.

"Specific Purpose" Investment Fund

Article 75

(1) A "specific purpose" investment fund shall be subject to the provisions of this Act regulating the investment funds.

(2) A "specific purpose" investment fund may define its purpose in the company name only if, in the procedure of acquiring the authorisation for formation or management, the Agency has granted an approval for the use of such expression.

(3) The Agency shall grant the approval referred to in the previous paragraph if it has established that a "specific purpose" designation corresponds to the investment policy of this investment fund.

(4) A "specific purpose" investment fund, which intends to define the purpose of focusing on or specializing in the investments of a certain economic activity, sector or geographical area, etc., after the establishment or formation, must obtain the approval from the Agency. The provisions applying to the granting of authorisation for formation or management of an investment fund shall by analogy apply to the granting of approval.

Derogations from the Rules on Investment Shares

Article 76

(1) When managing the investment funds, a management company shall not be obliged to take into account the rules on the maximum or the minimum allowed shares of individual types of investments, stipulated in this Chapter, when for the account of the investment fund, from the securities owned by the investment fund, it exercises:

1. the right to new shares which belong to the shareholders on the basis of the increase in the share capital of a joint-stock company from the assets of the company, or
2. the preferential right to the subscription of new securities and money market instruments.

(2) Investments of an investment fund, for which the management company has within the last 6 months obtained the authorisation for management referred to in Article 116 or, respectively Article 171 of this Act, may derogate from the provisions of Paragraphs 3 to 15 of Article 68 of this Act and the provisions of Articles 69 to 71 of this Act, however, the management company shall harmonise them with the provisions of the above-mentioned articles within six months upon obtaining the authorisation for mutual fund management or upon the entry of the investment company into the Companies Register.

(3) Should the investments of an investment fund exceed the maximum or the minimum allowed shares of individual types of investments stipulated in Chapter 4.3. "Investments of Investment Funds" as a result of a merger or separation of issuers of securities or out of other reasons which are beyond the influence of the management company which manages the investment funds, or should the violations be a consequence of the exercise of rights referred to in Paragraph 1 of this Article, the management company shall:

1. immediately notify the Agency, enclose with the notification a description of the measures it shall take to harmonise the investments of the investment fund with the provisions of the above-mentioned Chapter, and the time limits, within which it shall take these measures,
2. follow the principle of risk spreading, adopt as a priority goal of its transactions the abolition of this state along with taking into account the interests of unit holders and share holders, and immediately begin to harmonise the investments with the provisions of this Act on allowed investment shares,
3. harmonise the investments within six months upon the violation of restrictions in case of violation of restrictions, which are the result of exercising the rights referred to in Paragraph 1 of this Article, or in cases referred to in Paragraph 2 of this Article. In other cases of violation of restrictions, the Agency shall prescribe the time limit within which to adjust the investments with the restrictions laid down in Chapter 4.3 of this Act.

(4) The investments of an authorised investment company may exceed the maximum allowed shares of individual types of investments stipulated in the ZISDU only in case of a merger or joining of securities issuers or of a transfer of companies' business shares, which form the investments of this authorised investment company, over which the management company managing this investment company has no influence.

(5) In the case referred to in Paragraph 4 of this Article, the management company shall immediately report the violation to the Agency. Said notification shall be accompanied by a detailed description of the reasons for the violation proved by documents.

Regulation on Investments of an Investment Fund

Article 77

(1) The Agency shall lay down more detailed rules on investments of an investment fund by determining in particular the following:

1. with regard to the investments into units or shares of other investment funds referred to in Point 5 of Paragraph 1 of Article 64 of this Act:
 - a) the conditions to be met by these investments with regard to the contents of the rights and other characteristics,
 - b) more detailed shares of investments and conditions referred to in Points 1 to 3 of Paragraph 2 of Article 71 of this Act;
2. the conditions to be met by bank deposits referred to in Point 6 of Paragraph 1 of Article 64 of this Act with regard to the contents of rights and guarantees;
3. with regard to the investments into derivative financial instruments referred to in Point 7 of Paragraph 1 of Article 64 of this Act:
 - a) the type of derivative instruments and the conditions to be met by these investments with regard to the contents of rights and obligations and other characteristics,
 - b) the risks arising from individual types of derivative financial instruments,
 - c) the methods of identifying, measuring and managing the risks related to transactions with derivative financial instruments,
 - č) a more detailed method of valuation and inclusion of individual active (balance sheet) items of derivative financial instruments when calculating the exposure of an investment fund,

- d) the conditions for introduction, trading and discharge of liabilities arising from trading in derivative financial instruments,
 - e) more detailed rules on the required cover according to Paragraph 1 of Article 67 of this Act and the method of calculation of this cover, and
 - f) the method, time limits and the contents of reporting referred to in Paragraph 65 of this Act;
4. a list of organised securities markets, organised markets of derivative financial instruments, and money markets referred to in Paragraph 5 of Article 64 of this Act;
5. more detailed criteria for taking into account the groups of entities referred to in Articles 69 and 70 of this Act when calculating the exposure and more detailed rules on calculation of the exposure according to Article 69 of this Act;

(2) On the basis of an opinion from the Bank of Slovenia on characteristics of money market instruments and the conditions to be met by these instruments with regard to the contents of rights and obligations and other characteristics required for the protection of subscribers, the Agency may lay down more detailed rules on investments of investment funds into money market instruments.

(3) The Agency shall lay down the rules, with which it shall define the conditions and restrictions, within which a management company may, for the account of an individual investment fund it manages, in order to ensure efficient management of investments, actually use the methods and instruments related to marketable securities and money market instruments.

4.4. GENERAL OBLIGATIONS OF INVESTMENT FUNDS

Borrowing

Article 78

(1) A management company or a custodian may not raise a credit or contract a debt for the account of the investment fund, for which it performs management services or custodian services.

(2) Notwithstanding the provisions referred to in Paragraph 1 of this Article, an investment fund may obtain a loan in foreign currency as a method of exchange risk management, if the investment fund has granted, in order to provide a loan security, a loan to the lender in the same counter value in another (domestic) currency.

(3) A management company shall for an individual investment fund keep a record on the nature, suitability and amount of exchange risks, the method of their management by the obtained loan, and the amount and the conditions of the obtained loans and the related granted loans.

(4) The Agency may lay down more detailed contents and the method of keeping the record.

(5) Notwithstanding the provisions referred to in Paragraph 1 of this Article, the investment fund may contract a debt of up to 10 %:

1. of assets in case of an investment company, provided that the maturity of contracted debt is up to 5 years, or
2. of assets value in case of a mutual fund, provided that this is short-term borrowing with the maturity of maximum 6 months;

(6) Borrowing by investment funds shall be along with the fulfilled conditions referred to in Paragraphs 1, 2 and 3 of this Article allowed only if so provided by the fund rules or the investment fund statute and if the borrowing conditions are in accordance with the usual market conditions.

Securities and Granted Loans

Article 79

(1) Notwithstanding the provisions of Articles 64, 65, 66 and 67, a management company and a custodian may not, for the account of an investment fund, provide a security or other type of guarantee to third parties and grant loans other than those referred to in Paragraph 2 of Article 78.

(2) Legal transactions, which are contrary to the provisions of this paragraph on securities and guarantees, shall have no legal effect for the investment fund.

(3) Notwithstanding the provisions referred to in the previous paragraph, an investment fund may obtain transferable securities, money market instruments and other financial instruments referred to in Points 5, 7 and 8 of Paragraph 1 of Article 64, which have not yet been fully paid.

Uncovered offerings of securities

Article 80

(1) A management company and a custodian may not, for the account of an investment fund, conclude a contract on the offering and selling of marketable securities, money market instruments and other financial instruments referred to in Points 5, 7 and 8 of Paragraph 1 of Article 64, if at the time of concluding the contract or a transaction the investment fund is not the owner of the financial instruments which are the subject of the offering, and does not have a sufficient cover on the account of securities or financial instruments which are the subject of the offering.

(2) Actions contrary to the prohibition referred to in the previous paragraph shall have no effect on the validity of a legal transaction.

Pledge and Lending of Assets

Article 81

(1) The assets of an investment fund may not be pledged nor encumbered in any other way.

(2) Notwithstanding the previous paragraph, a management company may, for the account of the investment fund it manages, pledge its assets as security against obligation to repay the credit referred to in Article 78 of this Act, whereby the value of the pledged assets, according to which these assets are presented in the balance sheets of the investment fund, shall not exceed the restrictions referred to in Paragraph 5 of Article 78 of this Act.

(3) The Agency may lay down the conditions and criteria under which management companies may, for the account of the investment funds they manage, lend securities or financial instruments referred to in Article 64 of this Act from the assets of these investment funds to the other contracting party.

(4) Until the Agency has laid down the conditions and criteria from the previous paragraph of this Article, it shall be considered that the management company may not lend securities or financial instruments referred to in Article 64 of this Act from the assets of the investment fund it manages.

(5) Legal transactions, which are contrary to Paragraphs 1 and 2 of this Article, shall have no legal effect for the investment fund.

Repurchase of Investment Fund Units

Article 82

- (1) A mutual fund shall repurchase its units upon request of any unit holder.
- (2) Notwithstanding the provisions referred to in Paragraph 1:
 1. a mutual fund may temporarily stop the repurchase of its units in exceptional cases and if so required by special circumstances (e.g. liquidity problems), due to the protection and interests of subscribers in a manner, under conditions and in cases provided for in the rules referred to in Paragraph 3 of this Article and in fund rules;
 2. the Agency may, in the interest of unit holders or in the interest of the public, require an individual mutual fund to temporarily stop the repurchase of units.
- (3) In the rules referred to in Point 1 of Paragraph 2 of this Article, the Agency shall in more detail define the cases or the circumstances, procedures and other conditions that have to be fulfilled by a mutual fund which wants to temporarily stop the repurchase of units.
- (4) In cases referred to in Point 1 of Paragraph 2 of this Article, a mutual fund shall immediately notify its decision to the Agency and the bodies of all Member States where it trades its units, together with the assessment of the duration of a stop.
- (5) The Agency may request the mutual fund provide it with the documents and the data which it requires for the assessment of fulfilment of conditions, circumstances and procedures of a temporary stop of unit repurchase in accordance with the rules referred to in Point 1 of Paragraph 2 of this Article.

Collection of Receivables

Article 83

An investment fund may have assets in the form of receivables, which arise during normal operation of the investment fund, whereby the management company shall ensure the receivables to be collected within the usual time limits which apply to immediate (simultaneous) fulfilment of obligations.

4.5. BOOKS OF ACCOUNT AND BUSINESS REPORTS OF AN INVESTMENT FUND AND AUDITING

Books of Account and Business Reports of an Investment Fund

Article 84

(1) For each of the investment funds it manages, the management company shall:

1. keep books of account, draw up bookkeeping documents, value bookkeeping items and draw up annual and other reports in accordance with the provisions of this Act and the provisions of regulations issued on its basis,
2. organise operations and regularly keep books of account, business documentation and other administrative or business records so as to allow at any time the verification of whether the investment fund operates in accordance with the provisions of this Act and the provisions of the regulations issued on its basis.

(2) For each of the investment funds it manages, the management company shall keep a record of investment coupon holders.

Annual and Half-Yearly Report of an Investment Fund

Article 85

(1) An annual report of an investment fund shall include:

1. a balance sheet,
2. a profit and loss statement,
3. an annex from point 3 of the first paragraph of Article 89 of this Act, with explanations to the statements,
4. a capital flow statement of the investment company or a statement of movement of units value in circulation,
5. a structure of investments,
6. a business report, and
7. a full report of the auditor.

(2) For the purposes of an annual report of an investment fund, general rules on annual reports of large companies shall apply unless otherwise provided for by this Act or a regulation issued on its basis.

(3) In the application of the rules referred to in the previous paragraph with regard to the balance sheet of a mutual fund, the item "equity" (liabilities) and further breakdowns of this item shall be replaced by the item "statement of movement of units value in circulation".

(4) A management company shall draw up an annual report of an investment fund for a period equivalent to a calendar year as well as a half-yearly report covering the first six months of an individual year and including a balance sheet, a profit and loss statement, and annexes with explanations to the statements.

Calculation of Net Asset Value of an Investment Fund

Article 86

(1) A management company shall calculate the net asset value of an investment fund on the last working day of a period determined for calculation of this value in the fund rules or the statute of an investment company (hereinafter referred to as: accounting period).

(2) The accounting period for calculation of the net asset value of an investment fund shall not exceed half of a month.

(3) The accounting period shall last from the first to the fifteenth day in a month and from the sixteenth to the last day of this month unless shorter accounting periods are provided by the fund rules or the statute of an investment company.

Distribution of Net Profit of an Investment Fund

Article 87

A mutual fund shall lay down whether the net profit shall be distributed to subscribers or investment coupon holders or retained by the mutual fund in the fund rules. Distribution or retention of mutual fund's net profit shall be carried out in accordance with the regulation of the Agency and in accordance with the fund rules.

Monthly Report on Operations of an Investment Fund

Article 88

(1) For each of the investment funds it manages, the management company shall report to the Agency on a monthly basis on:

1. the type and structure of investments of the investment fund, and
2. the net asset value of the investment fund.

(2) For each of the mutual funds it manages, the management company shall report to the Agency on a monthly basis also on:

1. the unit value of the mutual fund,
2. the number of units in circulation at the end of a month and on changes during a month.

(3) For each of the investment companies it manages, the management company shall report to the Agency on a monthly basis also on:

1. the book value of the investment company share,
2. the repurchase of the investment company's own shares or on the paying-in of new shares of the investment company and on other capital flows of the investment company.

A rule on Annual and Business Reports of Investment Funds

Article 89

(1) Following an opinion from the Slovenian Institute of Auditors, the Agency shall lay down detailed rules on annual and business reports of investment funds, in particular:

1. an analytical chart of accounts for investment funds,
2. schemes of annual and half-yearly financial statements of investment funds,
3. the contents of the annex with explanations to annual or half-yearly statements of investment funds,
4. rules on valuation of items in financial statements of investment funds,
5. rules on calculation of the net asset value of investment funds.

(2) The Agency shall also lay down:

1. more detailed contents and the method of keeping records referred to in Paragraph 2 of Article 84 of this Act,

2. more detailed contents of monthly reports referred to in Article 88 of this Act and the method and time limits of reporting,
3. more detailed contents of rules on distribution or retention of net profit or income of a mutual fund.

Auditing of an Annual Report

Article 90

(1) An annual report of an investment fund shall be audited by an auditor in a manner and under conditions laid down by the Act regulating the auditing of companies' annual reports unless otherwise provided by this Act or a regulation issued on its basis.

(2) The auditor shall audit and report in particular on the following:

1. the financial statements of an investment fund,
2. the regularity and completeness of disclosures in the annex to the financial statements of an investment fund,
3. the compliance with the rules of this Act and regulations on investment fund management issued on its basis,
4. the regularity and completeness of notifications and reports submitted to the Agency and publications of information on investment fund operations,
5. the regularity and completeness of the list of related entities referred to in Paragraph 6 of Article 13 of this Act.

(3) Following an opinion from the Slovenian Institute of Auditors, the Agency shall lay down a more detailed form and the minimum extent and the contents of an audit and an audit report.

(4) The Agency may request additional explanations from the auditor with regard to the audit performed.

(5) If the audit has not been conducted or the audit report has not been drawn up in accordance with Paragraphs 2 and 4 of this Article or in accordance with the provisions of the regulation referred to in Paragraph 3 of this Article, the Agency shall reject the report and require that the audit be conducted by another auditor at the expense of the management company.

4.6. REPORTING AND PUBLICATION OF INFORMATION ON INVESTMENT FUND OPERATIONS

4.6.1. General rule

Contents and Method of Reporting and Publication

Article 91

(1) A management company shall report on the financial standing, legal status and operations of the investment funds it manages:

1. by submitting to the subscribers and by publishing a prospectus for public offering of mutual fund investment coupons or investment company shares (hereinafter referred to as: prospectus) and an abstract from the prospectus,
2. by publication of the audited annual report of an investment fund and half-yearly report of an investment fund and the summary of these reports,
3. by regular announcement of all business events which could have a significant effect on the price of mutual fund investment coupons or on the price of investment company shares,
4. by publication of the data on the type and structure of investments of an investment fund,
5. by publication of the data on the unit value of a mutual fund or on the net asset value per an investment company share or on the book value and stock market price of an investment company share,
6. by publication of the data on rescission of the contract concluded with a custodian and signing of a contract with a new custodian.

(2) When this Act lays down that a management company shall publish certain legal or other facts and circumstances, the fund management shall publish them in a newspaper circulated in the whole territory of the Republic of Slovenia or in another suitable way and within the time limits stipulated by the Agency unless this Act provides other method of publication with regard to an individual case.

4.6.2. Prospectus and Abstract from the Prospectus

Prospectus Contents

Article 92

(1) A prospectus shall contain all information and data on the financial standing and legal status of an investment fund, on operations of the investment fund, on transferability of mutual fund investment coupons and on rights arising from mutual fund investment coupons or investment company shares, on conditions and the method of replacement of a management company or a

custodian, on the provision of protection of subscribers to an investment fund in such a case, as well as other data required by a subscriber to assess the suitability of investment into mutual fund investment coupons or investment company shares.

(2) A prospectus of an investment fund which complies with the provisions of this Act shall indicate the types of investments for which the Agency grants approvals. It shall also state whether the investment fund has authorisation for transactions with derivative financial instruments. In such a case, the prospectus shall contain an explicit statement making clear whether these operations can be carried out for the purposes of insurance against risks or with the aim of attaining the investment goals, as well as probable consequences of the use of derivative financial instruments for risk management.

(3) When the investment fund which operates in accordance with this Act invests the assets, especially in any type of investments defined in Article 64, other than in marketable securities or money market instruments or securities which follow the index of equities or the index of debt securities in accordance with Paragraphs 13, 14 and 15 of Article 68, the prospectus of this investment fund and, where necessary, also all promotional literature shall contain an explicit statement on such investment policy of the investment fund.

(4) When the net asset value of an investment fund which operates in accordance with this Act substantially fluctuates as a result of the structure of investments and used methods of management of investment fund assets, the prospectus of the investment fund and, where necessary, also all promotional literature shall contain an explicit statement on characteristics of these investment fund assets.

(5) Upon the request of subscribers, the investment company or the management company shall also provide additional information with regard to the restrictions of investments, on methods used in investment fund risk management, and on current changes with regard to the risks and rate of return according to the main types of financial instruments.

(6) The prospectus shall, either as a part of the text in the prospectus or as a special supplement, contain the fund rules or the investment company statutes.

(7) Notwithstanding the provisions referred to in the previous paragraph, the investment company statutes or fund rules shall not be included in the text of the prospectus or attached to the prospectus as a special supplement if the subscribers to the investment fund have been notified of the fact that the statutes or the fund rules shall be sent to them upon their request or if they have been notified that these shall be available to them free of charge at places where units or investment fund shares are sold.

(8) The prospectus shall, as a component part of the text in a visible place, clearly state into which legal entities related to the management company and to what extent the management company shall invest the assets of this investment fund and the reasons for such investments.

(9) The prospectus shall, as a component part of the text in a visible place, clearly state with which legal entities and natural persons related to the management company and to what extent the management company shall make deals with the assets of this investment fund it manages and the reasons for such deals.

(10) Apart from the contents referred to in Paragraph 1 to Paragraph 9 of this Article, the prospectus shall contain also other data, the contents of which shall be determined by the Agency.

Contents of an Abstract from the Prospectus

Article 93

(1) An abstract from the prospectus shall contain a summary of relevant data referred to in Paragraph 1 of Article 92 of this Act, including data on the investment coupon transferability, the data referred to in Paragraphs 8 and 9 of Article 92 of this Act, and the notice to the subscribers on the right to request a delivery of prospectus in accordance with Article 99 of this Act.

(2) The text of the abstract from the prospectus shall be unambiguously formed, clearly structured and composed so as to be understandable to an average subscriber.

(3) Apart from the contents referred to in Paragraph 1 this Article, the abstract from the prospectus shall contain also other data, the contents of which shall be determined by the Agency.

Common Rules on Prospectus and Abstract from the Prospectus

Article 94

(1) A prospectus and an abstract from the prospectus shall be made in a written form.

(2) A prospectus and an abstract from the prospectus shall be written and published in the Slovene language.

(3) At the beginning of a prospectus and an abstract from the prospectus, the date of the last change or supplementation shall be indicated.

Special Rules on Prospectus and Abstract from the Prospectus of a Member State's Investment Fund

Article 95

(1) A management company of a Member State which is, according to the provisions of this Act, authorised to sell investment coupons or shares of a Member State's investment fund in the Republic of Slovenia, may instead of a prospectus and an abstract from the prospectus with the contents stipulated in Articles 92 and 93 of this Act and in the regulation issued on the basis of Article 105 of this Act, make and publish a certified translation of the prospectus and the abstract from the prospectus of the Member State's investment fund, authorised by a competent supervision body of the Member State, supplemented with the data relevant to the sale of investment coupons or shares in the territory of the Republic of Slovenia.

(2) The first paragraph of this Article shall by analogy apply also to the change of prospectus and abstract from the prospectus according to Paragraph 4 of Article 96 of this Act and to the supplementation of prospectus according to Paragraph 1 of Article 79 of this Act.

Authorisation for Publication of Prospectus and Abstract from the Prospectus

Article 96

(1) Prior to the beginning of public offering of mutual fund investment coupons or prior to the beginning of the first public offering of investment company shares, the management company shall acquire the authorisation of the Agency for publication of prospectus and abstract from the prospectus.

(2) The request for granting the authorisation for prospectus and abstract from the prospectus shall be accompanied by the text of prospectus and abstract from the prospectus.

(3) The Agency shall issue the authorisation for publication of prospectus and abstract from the prospectus if their contents are in accordance with the contents defined in Articles 92 and 93 of this Act and in the regulation issued on the basis of Article 105 of this Act.

(4) Paragraphs from 1 to 3 of this Article shall by analogy apply to each change or

supplementation of prospectus and abstract from the prospectus unless otherwise provided by Paragraph 5 of this Article.

(5) Should the Agency in 30 days since it has received the request for granting the authorisation for the change of prospectus or, respectively abstract from the prospectus not decide on the request and not issue a decision which obliges the management company to correct or complete the request within fifteen days upon the reception of the request, the authorisation shall be considered given.

(6) When the management company has filed a request for authorisation for mutual fund or investment company management, the decision-making process on authorisation for publication of prospectus and abstract from the prospectus of this mutual fund or investment company shall be joined with the decision-making process on authorisation for mutual fund or investment company management.

Supplementation of Prospectus and Abstract from the Prospectus

Article 97

(1) A management company shall, within the time limits stipulated by this Act for submission of an audited annual report or half-yearly report to the Agency, supplement the prospectus and abstract from the prospectus with the data from the annual report or half-yearly report.

(2) A management company shall, within the time limits referred to in Paragraph 1 of this Article, provide the Agency with the text of prospectus and abstract from the prospectus supplemented in accordance with Paragraph 1 of this Article.

(3) The supplementation of prospectus and abstract from the prospectus in accordance with Paragraph 1 of this Article shall not be subject to the application of Paragraphs 4 and 5 of Article 96 of this Act.

Delivery of Abstract from the Prospectus

Article 98

A management company shall deliver a free abstract from the prospectus to a subscriber prior to the accession to the fund rules or prior to the subscription or paying-in of investment company shares.

Availability of Prospectus

Article 99

(1) A management company shall upon the request of a subscriber provide him with a free prospectus and the last published annual and half-yearly reports at its headquarters and in every office where it accepts the subscribers' statements on accession to the fund rules or on subscription of investment company shares, prior to his accession to the fund rules or the subscription and paying-in of investment company shares.

(2) When the management company employees or other persons authorised by the management company accept the subscribers' statements on accession to the fund rules or on subscription of investment company shares outside the management company, the management company shall ensure that these persons provide the subscriber with a free prospectus, the last published annual and half-yearly reports of the investment fund.

(3) Each publication, which contains an invitation to the paying-in of mutual fund investment coupons or investment company shares or other types of announcements and invitations to these payments-in, shall contain a notice to the subscribers on the right to request a delivery of prospectus, the last published annual and half-yearly reports of the investment fund according to Paragraphs 1 and 2 of this Article.

**Liability for Loss of the Management Company in Respect of Truthfulness and
Completeness of Data**

Article 100

(1) A management company shall be objectively liable to the holder of a mutual fund investment coupon or holder of investment company shares for the loss he has incurred due to the paying-in or cashing of mutual fund investment coupons, or due to subscription, purchase or sale of investment company shares, or due to the omission of cashing of mutual fund investment coupons or the omission of sale of investment company shares, if the holder of the mutual fund investment coupon or holder of investment company shares has performed these acts or omissions on the basis of a prospectus or an abstract from the prospectus containing untruthful or incomplete data and information.

(2) A management company shall be free from the liability for loss referred to in Paragraph 1 of this Article if it proves that the holder of an investment coupon or the holder of investment company shares knew or should have known that information in the prospectus or the abstract from the prospectus was untruthful or incomplete.

(3) Paragraphs 1 and 2 shall apply to the liability for loss of the management company if the investment coupon holder or holder of investment company shares has performed the acts or omissions referred to in Paragraph 1 of this Article on the basis of untruthful or incomplete data or misleading information in other publications or announcements of the management company

or on the basis of such data and statements forwarded to the investment coupon holder or the holder of investment company shares by the persons under Paragraph 2 of Article 99 of this Act.

4.6.3. Publication of an Audited Annual Report or Half-Yearly Report and Other Business Events

Submission and Availability of Audited Annual or Half-Yearly Reports

Article 101

- (1) A management company shall submit to the Agency an audited annual report of the investment fund it manages within fifteen days upon the reception of the audit report and not later than by 30 April of the following year, and a half-yearly report not later than by 15 August of an individual year.
- (2) A management company shall provide the mutual fund investment coupon holder or investment company shares holder upon his request with a free copy of the audited annual or half-yearly report.
- (3) When the investment company shares are traded on an organised securities market, the management company shall submit the audited annual and half-yearly reports of the investment company within the time limit stipulated in Paragraph 1 of this Article also to the organiser of such market.
- (4) The annual and half-yearly business reports of an investment fund shall be available to the public at places and/or in other media approved by the Agency and indicated in the abstract from the prospectus and the prospectus of the investment fund.

Publication of Audited Annual or Half-Yearly Reports

Article 102

- (1) A management company shall within fifteen days upon the expiry of the time limit referred to in Paragraph 1 of Article 101 of this Act publish an abstract from the audited annual report which shall contain:
 1. an abstract from financial statements with an opinion from the auditor,
 2. an indication of relevant changes of the data contained in the prospectus, and

3. a notice to the mutual fund investment coupon holders or investment company shares holders on the right to request a delivery of the audited annual report pursuant to Paragraph 2 of Article 101 of this Act.

(2) A management company shall submit the text of the abstract from the audited annual report referred to in Paragraph 1 of this Article to the Agency together with the audited annual report and prior to the publication of the abstract according to the Paragraph 1 of this Article.

(3) Paragraphs 1 and 2 shall apply by analogy to the publication of the abstract from the half-yearly report.

(4) A management company shall within fifteen days upon the expiry of the time limit referred to in Paragraph 1 of Article 101 of this Act publish a complete annual report with the opinion from the auditor as stipulated in the Companies Act.

Announcement of Legal and Business Events

Article 103

(1) A management company shall immediately make a public announcement of each legal or business event related to the investment fund it manages or the management company which could have a significant effect on the unit value of this mutual fund or on the price the investment company shares.

(2) A management company shall notify the Agency of the legal and business events referred to in Paragraph 1 of this Article not later than together with the announcement, while in the case of the investment company, the shares of which are traded on an organised market, it shall also notify the organiser of this market.

4.6.4. Publication of Other Information

Publication of Other Information on an Investment Fund

Article 104

A management company shall also publish the following data and information on the investment fund it manages:

1. the type and structure of investments of the investment fund;
2. in case of a mutual fund also:

- a) the unit value of the mutual fund,
 - b) the unit value movement of the mutual fund, and
 - c) the purchase and the sales values of a unit of the mutual fund,
3. in case of an investment company also:
- a) the book value of a share,
 - b) the market price of a share, and
 - c) the movement of the market price of a share.

4.6.5. Regulation on Publication of Information on Operations of an Investment Fund and on Branches of an Investment Fund and a Management Company

Regulation on Publication of Information on Operations of an Investment Fund and on Branches of an Investment Fund and a Management Company

Article 105

(1) The Agency shall lay down:

1. more detailed contents of prospectus referred to in Article 92 of this Act and abstract from the prospectus referred to in Article 93 of this Act,
2. more detailed contents of the data with which the management company of a Member State has to supplement a certified translation of the prospectus and abstract from the prospectus referred to in Paragraph 1 of Article 95 of this Act,
3. more detailed rules for implementation of the right of a subscriber or an investment coupon holder or an investment fund shares holder referred to in Article 98, Article 99 and Paragraph 2 of Article 101 of this Act,
4. more detailed contents of the abstract from the annual or half-yearly reports referred to in Paragraphs 1 and 3 of Article 102 of this Act,
5. more detailed contents and time limits for publication according to Paragraph 1 of Article 103 of this Act,
6. more detailed contents and time limits for publication according to Article 104 of this Act, whereby it shall take into account that the data on the unit value of a mutual fund and the purchase and the repurchase values of a unit of a mutual fund must be published at least twice a month, i.e. on the working day following the last day of the period determined for calculation of these values,
7. more detailed rules on other publications and announcements, which the management company or other persons authorised by the management company forward in any way to the

possible subscribers or holders of mutual fund investment coupons or investment company shares,

8. the method, contents and time limits of publication of information referred to in Points 1 to 7 of this Article on operations of an investment fund,

9. the method, contents and time limits of reporting of:

- a) branches of a management company headquartered in the Republic of Slovenia, operating in a Member State or a foreign country, and
- b) branches of investment funds headquartered in the Republic of Slovenia, operating in a Member State or a foreign country.

4.7. PROHIBITION OF TRADING IN INVESTMENT COUPONS OR INVESTMENT COMPANY SHARES ON THE BASIS OF INSIDE INFORMATION

Inside information

Article 106

(1) Inside information under this Act shall be any precise information relating to an investment fund or mutual fund investment coupons or investment company shares which has not been made available to the public and which could, if made known to the public, have a significant effect on the unit value of a mutual fund or on the price of investment company shares.

(2) An entity who has a direct access to the inside information referred to in Paragraph 1 of this Article with regard to the investment funds managed by the management company shall be:

1. this management company,
2. a qualifying shareholder in this management company,
3. a member of the Management Board or the Supervisory Board of this management company.

(3) An entity who has a direct access to the inside information referred to in Paragraph 1 of this Article with regard to an individual investment company shall also be a member of the Supervisory Board of this investment company.

Application of Provisions of the Securities Market Act

Article 107

(1) With regard to the prohibition of the use of inside information referred to in Paragraph 1 of Article 106 of this Act, the reporting on transactions with mutual fund investment coupons or investment company shares, and the supervision of violations of the prohibition of the use of inside information referred to in Paragraph 1 of Article 106 of this Act, the provisions of Articles 276 to 278 of the Securities Market Act-1 and the regulations issued on its basis shall apply.

(2) Notwithstanding Paragraph 1 of this Article, an entity who has direct access to inside information concerning the investment fund of a Member State shall not be obliged to report to the Agency on those transactions referred to in Paragraph 1 of this Article, on which it reports to the supervisory body of the Member State.

Reporting on Transactions to a Management Company

Article 108

(1) Entities referred to in Points 2 and 3 of Paragraph 2 of Article 106 of this Act and entities referred to in Paragraph 3 of Article 106 of this Act shall report on transactions with mutual fund investment coupons or with investment company shares to the Supervisory Board of the management company.

(2) The provisions of Paragraphs 2 and 4 of Article 277 of Securities Market Act-1 shall by analogy apply to the reporting referred to in Paragraph 1 of this Article.

4.8. PROTECTION OF CONFIDENTIAL DATA

Obligation to Protect Confidential Data

Article 109

(1) A management company and a custodian shall keep as confidential all data on mutual fund investment coupon holders and investment company shares holders which it came to know through the management of an investment fund.

(2) Data on investment company shares holders which are public in accordance with the rules on keeping a share register of registered shares shall not be regarded as confidential according to Paragraph 1 of this Article.

(3) A management company and custodian may not forward the data referred to in Paragraph 1 of this Article to other entities nor use them itself or allow other entities to use them.

(4) The obligation to protect confidential data shall apply also to the members of the bodies of the management company and custodian, the employees with the management company and custodian, other entities carrying out individual services for the management company and custodian, also upon the termination of their functions or labour relations or other legal relations.

(5) In protection of confidential data, the custodian bank shall act in accordance with the provisions of the ZBan and the custodian which is not a bank shall act in accordance with the provisions of the ZTVP-1 .

Measures for Protection of Confidential Data

Article 110

A management company and a custodian shall organise their operations so as to provide for efficient protection of confidential data and for protection against possible misuse of these data.

Communication of Confidential Data

Article 111

(1) A management company shall communicate the confidential data referred to in Paragraph 1 of Article 109 of this Act only:

1. on the basis of a written authorisation of the holder,
2. upon a written request of the court or other competent state body, should the court or the competent state body require these data in proceedings conducted within the framework of their competence,
3. upon a written request of the Agency, the Bank of Slovenia, or other competent supervisory body, should the Agency, the Bank of Slovenia, or other competent supervisory body require these data in proceedings conducted within the framework of their competence.

(2) The court, other competent state body, the Agency, the Bank of Slovenia or other competent supervisory body may use the data acquired according to Paragraph 1 of this Article exclusively for the purpose for which the data were acquired.

5. MUTUAL FUND

5.1. BASIC PROVISIONS

Mutual fund as Separate Assets

Article 112

- (1) A mutual fund represents assets which are separate from the assets of the management company managing this fund and are owned by the holders of investment coupons of the mutual fund.
- (2) A mutual fund is not a legal entity.
- (3) It shall be deemed that a mutual fund is located in the country in which the registered office of the management company managing this mutual fund is located.
- (4) An individual or a legal entity shall become the holder of a proportionate part of mutual fund assets by paying for the mutual fund investment coupon.
- (5) A mutual fund shall be formed and managed exclusively for the benefit of investment coupon holders.
- (6) Execution on the mutual fund assets shall not be permitted.

Unit of Mutual fund Assets

Article 113

The mutual fund assets shall be divided into equal units.

Unit Value

Article 114

The unit value shall equal the net value of mutual fund assets divided by the number of units in circulation.

5.2. FORMATION OF A MUTUAL FUND

Formation of a Mutual fund

Article 115

- (1) A mutual fund may only be formed by a management company.
- (2) The management company shall form a mutual fund by adopting fund rules and by concluding a contract on the management of custodian services with the custodian.

Authorization for Mutual fund Management

Article 116

Prior to accepting the payments for mutual fund units, the management company shall acquire the authorization for mutual fund management from the Agency.

Request for the Issue of the Authorization for Mutual fund Management

Article 117

The request for the issue of the authorization for mutual fund management shall have enclosed the following:

1. evidence on the level of equity capital and on the capital adequacy of the management company,
2. completion of the business plan of the management company pursuant to point 2 of Article 37 of this Act,
3. documentation stipulated by the Agency on the basis of which it is possible to find out whether the management company is capable of managing the mutual fund from the personnel, technical and organizational point of view.

Deciding about the Authorization for Mutual fund Management

Article 118

(1) The Agency shall issue the authorization for mutual fund management, if it is established that the management company fulfils the conditions for managing the mutual fund to which the request for the issue of the authorization is related.

(2) The Agency shall refuse the request for the issue of the authorization for mutual fund management, if:

1. the management company failed to obtain from the Agency the authorization for the conclusion of the contract on providing custodian services for the mutual fund pursuant to Article 59 of this Act,
2. the management company failed to obtain from the Agency the authorization for the publication of a prospectus and an abstract from the prospectus of the mutual fund pursuant to Article 96 of this Act,
3. the management company failed to obtain the Agency's consent to the fund rules,
4. the management company failed to fulfil other conditions for mutual fund management stipulated pursuant to this Act or a regulation issued on the basis of this Act.

5.3. FUND RULES

Fund Rules

Article 119

(1) Fund rules shall regulate the contents of legal relationships between the management company managing the mutual fund and the holders of mutual fund investment coupons.

(2) The fund rules shall comprise:

1. the name of the mutual fund,
2. the investment policy of the mutual fund,
3. the level of subscription and redemption charges to which the management company is entitled and the method of calculation and payment of these charges,
4. the level of management fee to which the management company is entitled and the method of calculating and accounting this fee,
5. several other costs, to the reimbursement of which the management company is entitled to the debit of mutual fund assets, and several other costs directly burdening the mutual fund,
6. the level of commission to which the custodian is entitled and the method of calculating this commission,

7. several other costs to the reimbursement of which the custodian is entitled to the debit of mutual fund assets,
 8. total costs of the mutual fund expressed as a percentage of the net value of the fund assets and total costs of the subscriber who invested in the units of a mutual fund, expressed as a percentage of the net value of the fund assets, incurred in the previous year,
 9. total costs of the mutual fund expressed as a percentage of the net value of the fund assets and total costs of the subscriber who invested in the units of a mutual fund, expressed as a percentage of the net value of the fund assets in the current year, whereby the fund rules shall state that the amount of these costs may change due to events not dependent on the management company,
 10. description of the method for the calculation of costs referred to in points 8 and 9,
 11. a statement of the employment (retaining or distribution) of income or net earnings of the mutual fund and, in the case of the distribution of income to unit holders, also the following: description of time limits and of the method of covering the unit holders, the description of the method of distributing these earnings, tax consequences of such distribution for unit holders and for the mutual fund, as well as the influence of the distribution on the unit value on the day following the distribution and redemption of these incomes in cash or in the form of bonus units,
 12. the method of informing investment coupon holders regarding the financial and legal situation of the mutual fund, its operation and the change of the custodian,
 13. in a visible place: list of legal entities and natural persons related to the management company,
 14. the volume of investments of assets of the investment fund into legal entities which are related to the management company, and the reasons for such investments,
 15. the type and volume of transactions that will be conducted by the management company for the account of this investment fund with legal entities and natural persons related to the management company, and the reasons for such transactions,
 16. the procedure for changing the fund rules,
 17. the method of calculating the purchase value of the investment coupon and the procedure of paying for and issuing the investment coupons,
 18. the method of calculating the investment coupon repurchase value and the procedure of realizing and redeeming the value of the investment coupon,
 19. conditions and circumstances in which the mutual fund may temporarily stop the repurchase of the investment coupon, the method of executing such stoppage, as well as the method of informing holders with regard to the stoppage of repurchase and the period of duration of this stoppage,
 20. the liquidation procedure of the mutual fund, and
 21. other rights of investment coupon holders and the way of realizing these rights.
- (3) The fund rules shall also have appended the text or forms of the declarations of accession

pursuant to Paragraph 1 of Article 131 of this Act, and the text or forms of requests for the redemption of investment coupons pursuant to Paragraph 1 of Article 133 of this Act.

(4) The Agency shall prescribe the more detailed contents of the fund rules.

Consent to the Fund Rules

Article 120

(1) The fund rules shall enter into force when the management company acquires consent to these rules from the Agency.

(2) The request for the issue of the consent to the fund rules shall have enclosed the text of the fund rules.

(3) The Agency shall issue the consent to the fund rules, if their contents are in accordance with the provisions of this Act and the regulations issued on the basis of this Act.

Changes to the Fund Rules

Article 121

(1) To change the fund rules, the management company shall acquire the consent of the Agency.

(2) Should the management company wish to substantially modify the mutual fund's investment policy, it shall acquire the Agency's authorisation to do so. The Agency shall be deemed to have granted the authorisation to the management company for substantial modification of its investment policy when it has given consent to the mutual fund's fund rules.

(3) The request for the issue of the consent to the fund rules shall have enclosed:

1. the text of the changes to the fund rules,
2. the final text of the fund rules including the changes,
3. the text of the communication to investment coupon holders pursuant to Paragraph 5 of this Article, and
4. the text of the publication pursuant to Paragraph 6 of this Article.

5. explanation of the effect of the modified investment policy on the existing mutual fund's subscribers,

6. other documents prescribed by the Agency on the basis of which it can assess the effect of the modified investment policy on the existing mutual fund's subscribers.

(4) Together with the request for the consent to change the fund rules, the management company shall also enclose the request for the publication of the modification of the prospectus and the abstract from the prospectus due to the change of the fund rules.

(5) The Agency shall decide about the request referred to in the Paragraph 4 of this Article simultaneously with the decision about the consent to the change of the fund rules.

(6) When deciding about the request referred to in the Paragraph 4 of this Article, Paragraph 5 of Article 96 of this Act shall not be applied.

(7) The Agency shall issue the consent to the change of the fund rules, if:

1. the contents of these rules, the contents of the communication for the holders and the contents of the publication comply with the provisions of this Act and the regulations issued on the basis of this Act, and

2. the authorization under Paragraph 3 of this Article has been issued by the Agency,

3. it assesses that the substantial modification of the mutual fund's investment policy is justified in terms of contents and time.

(8) The management company shall within fifteen days as of the receipt of the Agency's consent to the change of the fund rules inform the holders of mutual fund investment coupons about the change of these rules.

(9) Together with the communication from the previous paragraph, the management company shall also send to the holders the text of the changes to the fund rules and the final text of the changed fund rules.

(10) The management company shall within eight days as of the receipt of the Agency's consent to the change of the fund rules make public the communication about the changed fund rules.

(11) In the publication of the changed fund rules, the management company shall also inform the investment coupon holders about the right to receive the text of the changes to the fund rules and the final text of the changed fund rules pursuant to Paragraph 9 of this Article.

(12) Changes to the fund rules shall enter into force after the expiration of three months as of the publication referred to in Paragraph 10 of this Article, unless the fund rules stipulate a longer deadline for the implementation of their changes.

(13) The Agency shall prescribe detailed contents of the communication referred to in Paragraph 8 of this Article and detailed contents of the publication referred to in Paragraph 10 of this Article.

5.4. COMMISSIONS AND COSTS

Subscription and Redemption Charges

Article 122

(1) The management company shall be entitled to the reimbursement of subscription and redemption charges at the level stipulated by the fund rules.

(2) The subscription and redemption charges shall be expressed as a percentage of the value of the mutual fund investment coupons.

(3) Where the investment coupon holder, upon accession to the fund rules, committed himself to invest the monetary assets into the units of the mutual fund within a certain longer period of time (hereinafter: the saving period), the management company may, if so stipulated by the fund rules, charge from the assets, paid-in during the first year after the access, the subscription charges in the amount stipulated by the fund rules which may not exceed 30 % of the value of the assets paid-in during the first year. In the case referred to in the previous sentence, the management company may from the subsequent payments for investment coupons only charge the proportionally lower subscription charges so that the subscription charges of the payments for the entire saving period do not exceed the level of the subscription charges stipulated by the fund rules.

(4) The management company shall charge the subscription charges as a percentage of the amount of the payment for investment coupons upon their payment.

(5) The management company shall charge the redemption charges as a percentage of the amount of the redemption for investment coupons upon their redemption. Upon the redemption for an individual investment coupon, the redemption charges may not exceed 3 % of the value of the investment coupon upon their redemption.

Management fee

Article 123

- (1) For the provision of services of mutual fund management, the management company shall be entitled to the payment of the annual management fee in the amount stipulated by the fund rules.
- (2) The annual management fee shall be expressed as a percentage of the average net annual value of mutual fund assets.
- (3) The management fee shall be paid to the management company from the mutual fund assets for the periods and within the time limits stipulated by the fund rules.

Costs of the Management Company Related to the Mutual fund Management

Article 124

- (1) Aside from the commission for management, the management company shall only be entitled to a special payment from the mutual fund assets for those types of costs related to the mutual fund management which are stipulated by the fund rules.
- (2) The fund rules may stipulate that the management company shall, aside from the commission, also be entitled to a special payment from the mutual fund assets for all or some of the below enumerated types of costs which incur to the management company in connection with the provision of services of mutual fund management:
 1. costs of mediation in purchase and sale of securities on organized securities markets (commissions and other costs that have to be paid in connection with the purchase or sale to the organizer of the securities market, to the clearing and depository house and to the stock broker),
 2. costs of commissions and other costs that have to be paid to a clearing and depository house on the basis of the contract referred to in Paragraph 1 of Article 61 of this Act,
 3. costs of payment transactions,
 4. costs of auditing the annual report of the mutual fund,
 5. costs of informing the investment coupon holders pursuant to this Act,
 6. costs related to the procedures referred to in Paragraph 3 of Article 57 and Paragraph 2 of Article 58 of this Act,
 7. taxes and other duties related to the mutual fund assets or to the transactions in these assets,

8. costs of custodian services by the custodian.

(3) For the payment of costs referred to in the previous paragraph, the management company shall submit an order for the payment from the mutual fund's assets to the custodian, while the latter shall submit it to the bank, where this mutual fund has opened its money account.

Mutual fund Costs and Costs of Mutual fund Subscribers

Article 125

(1) The total costs of a mutual fund expressed as a percentage of net value of the mutual fund assets are defined as total costs of the mutual fund burdening the mutual fund, including the management fee, divided by the average net value of the mutual fund assets.

(2) The management company shall calculate the total costs of an individual mutual fund this company manages in accordance with the methodology stipulated by the Agency.

(3) The total costs of a unit holder shall be the total costs which this holder may expect upon the purchase and during the period of owning the units, all through until receiving the redemption for these units upon their sale, and which shall burden the holder directly (subscription and redemption commissions, etc) or indirectly out of his share in the mutual fund assets (mutual fund costs).

(4) The total costs of the holder shall be calculated by the management company for the individual mutual fund it manages, pursuant to the methodology stipulated by the Agency, whereby the management company shall consider the highest subscription and redemption commissions of an individual mutual fund and the average period of owning the units by subscribers.

(5) The total costs of unit holders shall be expressed as a percentage of the average annual net value of the unit-fund assets.

(6) The management company shall also state in the management rules and in the prospectus of the mutual fund, as well as shall publish in the manner and within the time limits stipulated by the Agency the following data:

1. types of costs burdening the mutual fund,
2. total costs of the mutual fund in the previous year, expressed as a percentage from net value of the mutual fund assets,

3. total costs of the unit holder in the previous year, expressed as a percentage from net value of the mutual fund assets,
4. total costs of the mutual fund in the present year calculated on the yearly basis, expressed as a percentage from net value of the mutual fund assets,
5. total costs of the mutual fund holder in the present year calculated on the yearly basis, expressed as a percentage from net value of the mutual fund assets,
6. the methodology for the calculation of costs from the first to the fourth point of this paragraph, and
7. the lowest amount which shall be paid by the subscriber into the mutual fund so as the investment is profitable to him from the viewpoint of total costs of a unit holder that burden the subscriber.

5.5. MUTUAL FUND INVESTMENT COUPONS

5.5.1. Investment Coupon as a Security

Investment Coupon as a Security

Article 126

(1) An investment coupon is a security issued by the management company and registered on one or several units of mutual fund assets, giving the following rights to the investment coupon holder:

1. the right to request from the management company the redemption of the value of units on which the investment coupon is registered,
2. the right to be redeemed the proportionate share of the liquidation estate in the case of liquidation of the mutual fund,
3. the right to be paid the proportionate share of the net yield from investments of the mutual fund, if thus stipulated by the fund rules.

(2) The investment coupon is a registered security.

(3) The investment coupon can be transferable.

(4) Investment coupons of an individual mutual fund shall be transferable or non-transferrable, notwithstanding the succession of issues.

(5) In the case investment coupons of a certain mutual fund are issued as transferable securities, provisions of Article 9 of the ZNVP shall not apply to them.

(6) The management company shall list the transferable investment coupons for trading on the organized securities market, whereby the mutual fund shall be entirely harmonised with the provisions of this Act that are in force for the mutual fund under Chapter 5 of this Act and the investment coupons of the mutual fund shall be registered for the same number of units of the mutual fund assets.

(7) The Agency shall stipulate the conditions for the introduction, trading and settlement of transactions in investment coupons of the mutual fund on the organized market, as well as the list of organized markets on which it is allowed to trade in investment coupons of the mutual fund.

(8) It is not allowed to trade in investment coupons of a mutual fund on the organized market until the Agency stipulates the stated conditions.

(9) Purchase and sale of transferable investment coupons of the mutual fund outside the organized market and payments and redemptions executed on the basis of these transactions as well as the transfer of ownership of investment coupons shall not be permitted. The purchase and sale transactions as well as the transfer of ownership of investment coupons contrary to the provisions of this paragraph shall be null and void.

(10) Notwithstanding the provisions referred to in the previous paragraph of this Article, the repurchase and sale of units or mutual fund investment coupons may be executed directly between the management company or the entity referred to in Paragraph 6 of Article 5 of this Act on one side and the investment coupon holders or investor into investment coupons on the other.

Essential Components of an Investment Coupon

Article 127

(1) The investment coupon, issued as written document, shall include the following essential components:

1. the mark showing that it is an investment coupon of a mutual fund,
2. the name of the mutual fund,
3. the registered name, registered office and registration number of the management company as the issuer of the investment coupon,

4. the registered name and registered office or the name and surname of the person on which the investment coupon is registered, and the mark that the coupon is non-transferable,
5. the number of units on which the investment coupon is registered,
6. the obligations of the management company or the rights of the investment coupon holder,
7. the serial number,
8. the place and date of issue,
9. the signature or signature stamp of board members of the management company.

(2) Notwithstanding the provisions of Article 4 of the ZNVP, the investment coupon issued as a dematerialised security shall have the following essential components entered into the central register:

1. the mark showing that it is an investment coupon of a mutual fund,
2. the name of the mutual fund,
3. the registered name, registered office and registration number of the management company as the issuer of the investment coupon,
4. the registered name and registered office or the name and surname of the person on which the investment coupon is registered, as well as the mark that the coupon is transferable,
5. the number of units on which the investment coupon is registered,
6. the obligations of the management company or the rights of the investment coupon holder,
7. the date of the entry of the investment coupon into the central register.

Payment for the Investment Coupon

Article 128

The investment coupon may only be paid cash.

5.5.2. Payment and Redemption for Investment Coupons

Value of an Investment Coupon

Article 129

- (1) The value of an investment coupon shall equal the number of units of mutual fund assets on which it is registered, multiplied by the value of a unit of mutual fund assets.
- (2) Investment funds and/or entities that in their investments contain mutual fund investment coupons shall assess these investments pursuant to the value under the previous paragraph of this Article.
- (3) The purchase value of an investment coupon shall equal the value of the investment coupon increased by the subscription charges referred to in Paragraph 4 of Article 122 of this Act.
- (4) The repurchase value of the investment coupon shall equal the value of the investment coupon increased by the redemption charges referred to in Paragraph 5 of Article 122 of this Act.

Calculation of the Unit Value

Article 130

The unit value shall be calculated on the last day of the accounting period referred to in Article 86 of this Act.

Entering the Fund Rules and Payment for Investment Coupons

Article 131

- (1) The subscriber shall enter the mutual fund rules by submitting the declaration of accession to the management company.
- (2) The declaration of accession shall be in writing. Where so stipulated by the fund rules, the declaration of accession shall be submitted on the form stipulated by the fund rules. Notwithstanding the first sentence of this paragraph, the fund rules may stipulate that the declaration of accession may also be submitted in the appropriate electronic form.
- (3) The declaration of accession shall include:
 1. the registered name, registered office and registration number or the name and surname, the subscriber's personal identification number and the subscriber's tax number,

2. the statement that the declaration relates to the fund rules, including the name of the mutual fund as well as the registered name and the registered office of the management company,
3. the statement by the subscriber that he accesses to the fund rules,
4. the statement by the subscriber that he received the abstract from the prospectus prior to having subscribed to the fund rules, and
5. other data stipulated by the fund rules.

(4) The subscriber shall pay the purchase value of the investment coupon via a money order to a special cash account of the mutual fund (Paragraph 6 of Article 63 of this Act).

Conversion of Payments for Investment Coupons into the Number of Units

Article 132

- (1) Payments for investment coupons executed in a certain accounting period shall be converted into the number of units pursuant to the purchase value of a unit as at the last day of this accounting period.
- (2) The management company shall issue to the holder the investment coupon registered on the appropriate number of units calculated pursuant to Paragraph 1 of this Article within five working days after the end of the accounting period in which the payment was executed on the special cash account of the mutual fund.

Request for Redemption of the Repurchase Value of an Investment Coupon

Article 133

- (1) The holder may at any time request from the management company the redemption of the repurchase value of the investment coupon.
- (2) The request for redemption shall be in writing.
- (3) Where so stipulated by the fund rules, the request for redemption shall be submitted on the form stipulated by the fund rules (Paragraph 3 of Article 119 of this Act).
- (4) Notwithstanding the Paragraph 2 of this Article, the fund rules may stipulate that the request for redemption may also be submitted in the appropriate electronic form.

(5) The request for redemption shall include:

1. the registered name, registered office and registration number or the name and surname, address and personal identification number of the holder,
2. the name of the mutual fund and the registered name and registered office of the management company,
3. the declaration of the holder that he requests to be redeemed the value of the investment coupon,
4. the number of units on which the investment coupons which are the subject of the request are registered, or the level of the cash amount the holder requests to be redeemed,
5. other data stipulated by the fund rules.

Calculation and Redemption of the Repurchase Value of an Investment Coupon

Article 134

(1) The repurchase value of investment coupons on the basis of the requests for redemption received by the management company within a certain accounting period shall be calculated by multiplying the number of units on which the investment coupon, which is the subject of the request, is registered, by the repurchase value of a unit as at the last day of this accounting period.

(2) The management company shall redeem to the owner the repurchase value of the investment coupon calculated pursuant to Paragraph 1 of this Article within five working days after the end of the accounting period referred to in Paragraph 1 of this Article, unless a shorter payment period is stipulated by the fund rules.

5.6. MANAGEMENT OF MUTUAL FUND ASSETS

Concept of the Management of Mutual fund Assets

Article 135

(1) The management of mutual fund assets includes:

1. conclusion of legal transactions whose subject is the mutual fund assets,
2. having the mutual fund assets at disposal due to the fulfilment of obligations arising from business transactions concluded during the management of mutual fund assets,
3. receiving the fulfilled obligations of the opposite contractual party on the basis of transactions concluded during the management of mutual fund assets,
4. implementation of rights arising from the mutual fund securities or from other financial investments of the mutual fund.

(2) The management company shall manage the assets of the mutual fund on its own behalf and for account of the mutual fund.

(3) The management company shall be entitled to have at its disposal, on its own behalf and for account of the mutual fund, the mutual fund assets and to implement rights arising from the securities of the mutual fund or from other financial investments of the mutual fund in accordance with the provisions of this Act and the fund rules.

(4) The management company shall manage the mutual fund assets in such a way that the investments of this fund are compliant with the provisions of this Act and the fund rules.

(5) The management company shall assure that all claims arising from a transaction concluded for account of the mutual fund are paid or fulfilled within the usual business time limits.

Responsibility of the Management Company Regarding the Obligations

Article 136

(1) In relation to the opposite party in the transaction concluded by the management company for account of the mutual fund, the management company shall be accountable for the fulfilment of obligations arising from the transaction.

(2) Claims to the management company arising from transactions the company concluded for its own account and from legal transactions referred to in Paragraph 2 of Article 79 and in Paragraph 4 of Article 81 of this Act may not be set off with the claims which pursuant to this Act the management company is entitled to implement on its own behalf and for account of the mutual fund.

Permitted and Forbidden Transactions with Specific Entities

Article 137

(1) For account of the mutual fund, the management company may not conclude the business transactions:

1. for its own account or for account of other investment funds it manages,
2. with entities which are related to the management company,
3. with the custodian or with entities related to the custodian.

(2) Upon the conclusion of the contract on the management of custodian services, the custodian shall inform the management company about the entities related to it and shall currently inform it about the changes of these relations.

(3) Upon the conclusion of the contract on the management of custodian services, the management company shall inform the custodian about the entities related to the company and shall currently inform it about the changes of these relations.

(4) For account of the investment fund it manages, the management company may conclude the purchase and sale transactions, if the subjects of these transactions are the types of investments which are in accordance with this Act and with the fund rules or with the statutes of the investment company.

Professional Care of the Management Company

Article 138

(1) When managing the mutual fund assets, the management company shall act in accordance with this Act, with the fund rules and with the rules of the profession of financial investment management.

(2) When executing transactions for account of the mutual fund, the management company shall all the time bear in mind the interests of investment coupon holders.

(3) The management company shall be accountable to investment coupon holders for the damage caused by the company's acting contrary to this Act, to the fund rules or to the rules of the profession of financial investment management.

(4) The custodian shall be entitled, for account of the mutual fund for which the company provides custodian services, to bring an action against the management company to compensate the damage referred to in Paragraph 3 of this Article.

(5) If the custodian fails to bring the action referred to in Paragraph 4 of this Article within thirty

days as from the receipt of the written request of the holder of mutual fund investment coupons, the action for account of the mutual fund may be brought by any holder of mutual fund investment coupons.

(6) The provisions of Paragraphs 4 and 5 of this Article shall not exclude the right of the holder of mutual fund investment coupons to enforce and be compensated for the damage caused by the management company due to the violation of obligations related to the sale, issue, repurchase or redemption of the value of investment coupons or due to the actions referred to in Paragraph 1 or 3 of Article 100 of this Act.

(7) The liability for damages by the management company referred to in Paragraph 3 or 6 of this Article may be neither limited nor excluded.

5.7. TRANSFER OF MUTUAL FUND MANAGEMENT

5.7.1. Transfer of Mutual fund Management on the Basis of the Contract on the Transfer of Management

Contract on the Transfer of Management

Article 139

(1) The management company managing the mutual fund (hereinafter: the transferrer) may transfer the management of this mutual fund to another management company (hereinafter: the transferee), if the transferee fulfils the conditions for the management of the mutual fund whose management is the subject of the transfer, which are stipulated by this Act and by the regulations issued on the basis of this Act.

(2) The contract on the transfer of management shall include:

1. the specific description of all procedures and actions which will be carried out by both companies in relation with the transfer of management, and
2. the time limit, counted from the publication of the notification on the transfer of management, within which the companies will carry out the transfer of management and which may not be shorter than three months.

Authorization to Take Over the Management

Article 140

Prior to transferring the mutual fund management, the transferee shall acquire the authorization from the Agency to take over the management.

Request for the Issue of the Authorization to Take Over the Management

Article 141

- (1) The request for the issue of the authorization to take over the management shall have enclosed the following:
 1. the contract on the transfer of management,
 2. documents referred to in Article 117 of this Act,
 3. the text of the communication to the investment coupon holders referred to in Paragraph 1 of Article 143 of this Act,
 4. the text of the published communication referred to in Paragraph 4 of Article 143 of this Act, and
 5. the evidence on having paid the fee to the Agency for the management of the procedure.

- (2) With the request to take over the management, the transferee shall also file:
 1. the request for the permit to publish the changes in the prospectus and in the abstract from the prospectus relating to the modification of the data in the prospectus and the abstract due to the transfer of management, and
 2. the request for the authorization to conclude or modify the contract on the provision of custodian services.

- (3) The decision on the requests referred to in Paragraph 2 of this Article shall be made by the Agency simultaneously with the decision about the authorization to take over the management.

- (4) When deciding about the subject under Point 1 of Paragraph 2 of this Article, Paragraph 5 of Article 96 of this Act shall not be applied.

Deciding about the Authorization to Take Over the Management

Article 142

- (1) The Agency shall issue the authorization to take over the management:

1. if the transferee fulfils the conditions for the management of the mutual fund whose management is the subject of the takeover, which are stipulated by this Act and by the regulations issued on the basis of this Act,
2. if the contents of the communication for holders and the contents of the published communication about the transfer of mutual fund management are in accordance with the provisions of this Act and with the regulations issued on the basis of this Act, and
3. if the authorizations referred to in Paragraph 2 of Article 141 of this Act have been issued.

(2) The authorization to take over the management shall have the same effects and consequences for the transferee as the authorization for mutual fund management referred to in Article 116 of this Act.

Communication on the Transfer of Management for Investment Coupon Holders

Article 143

(1) The transferee and the transferrer shall within fifteen days as of the receipt of the authorization from the Agency to take over the management inform the holders of mutual fund investment coupons, whose management is the subject of the transfer, about this transfer.

(2) The communication shall also state the date as of which the legal consequences of the management transfer pursuant to Article 128 of this Act shall become effective.

(3) Together with the communication, the transferee and the transferrer shall also send to the holders the text of the modified abstract from the prospectus.

(4) The transferee and the transferrer shall within eight days as of the receipt of the Agency's authorization to take over the management publish the communication on the transfer of the mutual fund management.

(5) In the published communication on the transfer of mutual fund management referred to in previous paragraph of this Article, the companies shall also inform the investment coupon holders about the right to receive the text of the modified abstract from the prospectus pursuant to Paragraph 1 of this Article.

(6) The Agency shall prescribe detailed contents of the notification referred to in Paragraph 1 of this Article and detailed contents of the published communication referred to in Paragraph 4 of this Article.

Legal Consequences of the Transfer of Management

Article 144

(1) With the expiration of the time limit referred to in point 2 of Paragraph 2 of Article 139 of this Act, the following legal consequences shall enter into force:

1. all rights and obligations of the transferrer related to the mutual fund management shall pass over to the transferee management company,
2. the authorization of the transferrer to manage the mutual fund, whose management is the subject of the transfer, shall cease.

(2) The transferrer and the transferee shall before the expiration of the time limit referred to in point 2 of Paragraph 2 of Article 139 of this Act carry out all procedures and actions necessary for the transfer of the mutual fund management and submit to the Agency the report on the procedures and actions implemented in relation to this topic.

5.7.2. Compulsory Transfer of Management

Reasons for Compulsory Transfer of Mutual fund Management

Article 145

Compulsory transfer of mutual fund management shall be performed in the following cases:

1. if the Agency withdrew from the management company the authorization to provide services of investment fund management on the basis of a final decision,
2. if bankruptcy proceedings or the proceedings of compulsory liquidation were instituted against the management company.

Obligations of a Custodian

Article 146

(1) In the case the cause for compulsory transfer of mutual fund management occurs pursuant to Article 145 of this Act, the custodian shall within two months as of the occurrence of this cause

carry out the appropriate procedure of inviting the bids of management companies which fulfil the conditions to take over the mutual fund management and which are willing to take over the mutual fund management.

(2) The custodian shall address the invitation for bids referred to in Paragraph 1 of this Article to all management companies which manage investment funds.

(3) If two or more management companies which fulfil the conditions to take over the mutual fund management offer the custodian to take over the mutual fund management, the custodian shall, when selecting the transferee, act exclusively in the interest of the owners of mutual fund investment coupons.

(4) The custodian and the transferee shall make a contract on the transfer of management. Regarding the contents of the contract on the transfer of management referred to in the previous paragraph, Paragraph 2 of Article 139 of this Act shall mutatis mutatis be applied whereby the time limit within which the custodian and the transferee shall complete the transfer of management may not exceed one month.

(5) For the compulsory transfer of management, the provisions of Articles 140 to 144 of this Act shall mutatis mutandis be applied.

(6) From the occurrence of the cause for the compulsory transfer of the mutual fund management until the enforcement of legal consequences of the transfer of management, it is the custodian that shall carry out those transactions of mutual fund management which cannot be postponed.

(7) The following shall be deemed to be transactions of the mutual fund management pursuant to Paragraph 6 of this Article:

1. transactions related to payments and redemptions of mutual fund investment coupons, and
2. transactions due to which damage would occur to the mutual fund assets, if these transactions were not executed by the custodian.

Liquidation of a Mutual fund Where It Is Not Possible to Carry Out the Compulsory Transfer of Management

Article 147

(1) Instead of the compulsory transfer of mutual fund management, the custodian shall start the liquidation of the mutual fund:

1. if in the procedure of the invitation for bids referred to in Paragraph 1 of Article 146 of this Act no management company participates which fulfils the conditions to take over the mutual fund management,
2. if the transferee fails to file the request for the issue of the authorization to take over the management within fifteen days as of the conclusion of the contract on taking over the management with the custodian ,
3. if the Agency dismisses or refuses the request of the transferee to take over the management, unless consent is given by the Agency to the custodian to repeat the procedure of inviting bids referred to in Paragraph 1 of Article 146 of this Act.

(2) In the case of liquidation of a mutual fund referred to in Paragraph 1 of this Article, the provisions of Articles 149 to 151 of this Act shall mutatis mutandis be applied.

5.8. LIQUIDATION OF A MUTUAL FUND

Reasons for the Liquidation of a Mutual fund

Article 148

The liquidation of a mutual fund shall be performed in the following cases:

1. if the net value of mutual fund assets fails to reach 20,000,000 Slovene tolar within four months as from the date on which the management company received the Agency's decision about the mutual fund management,
2. if the net value of mutual fund assets decreases below 20,000,000 Slovene tolar and fails to again reach 20,000,000 Slovene tolar within the following thirty days.

Notification about the Occurrence of the Cause for Starting the Liquidation of a Mutual fund

Article 149

(1) On the day following the occurrence of the cause for starting the liquidation of a mutual fund, the management company shall inform the Agency that the cause for starting the liquidation has occurred. The notification shall have enclosed the text of the communication for holders referred to in Paragraph 2 of this Article and the text of the published communication referred to in Paragraph 3 of this Article.

(2) The management company shall within three working days as of the occurrence of the cause

for starting the liquidation of a mutual fund inform the investment coupon holders about the beginning of the liquidation of the mutual fund and about the legal consequences.

(3) The management company shall within the term referred to in Paragraph 2 of this Article publish the notification about starting the liquidation of the mutual fund.

(4) The Agency shall prescribe detailed contents of the notification referred to in Paragraph 2 of this Article and detailed contents of the published communication referred to in Paragraph 3 of this Article.

(5) Shall the management company fail to fulfil the obligations under Paragraphs 1 to 3 of this Article, these obligations shall be fulfilled by the custodian within the time limits stipulated in Paragraphs 1 to 3 of this Article, counted from the day on which the custodian learned or should have learned about the omission of the management company.

(6) The custodian shall be entitled to request from the management company the reimbursement of costs which the custodian had due to the fulfilment of the obligation referred to in Paragraph 5 of this Article.

Legal Consequences of the Liquidation of a Mutual fund

Article 150

(1) As from the occurrence of the cause for starting the liquidation of a mutual fund, the investment coupon holder may no longer request the redemption of the repurchase value of the investment coupon. Requests for redemptions which the management company receives after the occurrence of the cause for starting the liquidation of the mutual fund shall have no legal effect.

(2) From the occurrence of the cause for starting the liquidation of the mutual fund, subscribers shall no longer be able to enter the fund rules. Declarations of accession received by the management company after the occurrence of the cause for starting the liquidation of the mutual fund shall have no legal effect.

(3) As from the occurrence of the cause for starting the liquidation of the mutual fund, the management company may be paid out the mature commission for the mutual fund management, but only simultaneously with the redemption to the investment coupon holders.

(4) With the occurrence of the cause for starting the liquidation of the mutual fund, the holder of investment coupons shall become entitled to the redemption of the monetary liquidation estate in the proportion equalling the number of units on which the investment coupons are registered and which are owned by the holder, and equalling the number of all units in circulation.

Realization of Mutual fund Assets and Redemption to Investment Coupon Holders

Article 151

- (1) The management company shall realize the mutual fund assets by selling these assets or in another appropriate way.
- (2) After the beginning of the liquidation, the management company may for account of the mutual fund only conclude those business transactions which are necessary to realize the mutual fund assets.
- (3) When selling the mutual fund assets, the management company does not have to consider the regulations on the highest or lowest allowed shares of individual types of investments stipulated in Articles 68 to 70 and in Article 72 of this Act.
- (4) When such a share of mutual fund assets is realized so that the distribution of the monetary liquidation estate to investment coupon holders becomes appropriate, the management company shall produce the proposal for the redemption to investment coupon holders.
- (5) The redemption proposal referred to in Paragraph 4 shall be revised and agreed with by the custodian.
- (6) The management company shall execute the redemption to the investment coupon holders on the basis of the redemption proposal to the holders within three working days as from the receipt of the consent of the custodian.
- (7) Paragraphs 4 to 6 of this Article shall be mutatis mutandis applied for the further redemptions to investment coupon holders.

6. INVESTMENT COMPANY

6.1. STATUS PROVISIONS

6.1.1. General Provisions

Use of Provisions of the Companies Act
Article 152

For the investment company, the provisions of the Companies Act on joint-stock companies shall be used, unless otherwise stipulated by this Act.

Activity of an Investment Company
Article 153

(1) An investment company may not perform any other activity except for the activity of investing assets into securities and other liquid financial investments pursuant to the principles of risk diversification.

(2) The investment company may not change the activity referred to in Paragraph 1 of this Article.

Establishment of an Investment Company
Article 154

(1) An investment company may only be established pursuant to the procedure of a successive establishment of a joint-stock company.

(2) The investment company shall be established by a management company as a sole founder, by adopting the statute and by making public the invitation for subscription and payment of the investment company shares.

6.1.2. Share Capital of an Investment Company

Share Capital of an Investment Company
Article 155

The lowest amount of the share capital of an investment company shall amount to 200,000,000 Slovene tolar.

Increase in Share Capital of an Investment Company

Article 156

(1) The investment company may increase the share capital by stakes, if the following conditions are fulfilled:

1. if the initial offering of shares which are issued due to the increased share capital is carried out pursuant to the public offering procedure, and
2. if the issue price of shares at least equals the book value of shares as at the day of the publication of the invitation to subscription and payment of shares, increased by the possible charges related to the increased share capital of the investment company to the reimbursement of which the management company shall be entitled.

(2) The pre-emptive right of the investment company's shareholders to the subscription and payment of new shares cannot be excluded.

(3) The investment company may not increase its share capital out of the company's assets, if this increase causes the occurrence of partial rights.

(4) The investment company may not increase the share capital on the basis of the provisions of the Companies Act on the authorized capital or on the conditional increase in share capital.

Authorization to Increase Share Capital by Stakes

Article 157

(1) Prior to initiating the procedure for subscription and payment of new shares on the basis of the increased share capital by stakes, the investment company shall acquire the authorization of the Agency to increase the share capital by stakes.

(2) The request for the issue of the authorization to increase the share capital by stakes shall have enclosed:

1. the minutes of the general meeting that decided about the increase in share capital,
2. the text of the invitation for the subscription and payment of shares.

(3) Together with the request for the issue of the authorization to increase the share capital by stakes, the management company shall also file the request for the publication of the change in the prospectus and in the abstract from the prospectus, which relates to the increase in share capital by stakes. The Agency shall decide about the request referred to in the previous paragraph simultaneously with deciding about the authorization to increase the share capital by stakes. When deciding about the request referred to in the first sentence, Paragraph 5 of Article 96 of this Act shall not be applied.

(4) The Agency shall issue the authorization to increase the share capital by stakes:

1. if the contents of the decision on the increase in share capital is in accordance with Paragraphs 1 and 2 of Article 156 of this Act,
2. if the contents of the invitation for subscription and payment of shares is in accordance with this Act and the regulations issued on the basis of this Act, and
3. if the authorization under Paragraph 3 of this Article has been issued by the Agency.

Decrease in Share Capital of an Investment Company

Article 158

(1) The investment company may not decrease the share capital on the basis of the provisions of the Companies Act on the regular decrease in the share capital or the compulsory withdrawal of shares.

(2) The investment company may only decrease the share capital by withdrawing shares, if:

1. the shares were acquired in accordance with Paragraph 1 or 2 of Article 164 of this Act, and
2. if, for this withdrawal, the provisions on the regular decrease in share capital are not applied pursuant to the Companies Act.

(3) The investment company may not decrease the share capital on the basis of the provisions of the Companies Act on the simplified decrease in share capital, if this decrease causes the occurrence of partial rights.

6.1.3. Investment Company Shares

Investment Company Shares

Article 159

- (1) An investment company may only issue registered shares of the same class.
- (2) Investment company shares shall be issued in a dematerialised form.
- (3) Investment company shares shall be freely transferable.

Procedure of Public Offering of Investment Company Shares

Article 160

Upon their initial offering, for the procedure of public offering of investment company shares, the provisions of Article 26, Article 27, Article 28, Paragraph 1 of Article 30, Paragraph 2 of Article 31, Paragraphs 1 and 4 of Article 35, Article 36 and Articles 37 to 40 of the Securities Market Act shall mutatis mutandis be applied, unless otherwise stipulated by this Act.

Invitation for Subscription and Payment of Investment Company Shares

Article 161

- (1) Prior to initiating the procedure for the subscription and payment of investment company shares, the management company shall make public the invitation for subscription and payment of shares.
- (2) The invitation for subscription and payment of investment company shares shall include the important data on the investment company and the management company, as well as on the investment policy of the investment company and other data that, pursuant to Paragraph 2 of Article 31 of the Securities Market Act, shall be comprised by the invitation for subscription and payment of securities on the basis of a public offering.
- (3) The Agency shall stipulate the detailed contents of the invitation for subscription and payment of investment company shares.

Payment for Investment Company Shares

Article 162

- (1) Investment company shares may only be paid in cash.
- (2) Investment company shares shall be entirely paid for before the entry of the establishment of the investment company into the Companies Register or before the entry of the increased share capital of the investment company into the Companies Register.

Fulfilment of Conditions for the Beginning of Organized Trading in Investment Company Shares

Article 163

- (1) The investment company shall issue to the clearing and depository house the order to issue the dematerialised shares of the investment company within fifteen days as from the day the conditions for their issue are fulfilled.
- (2) The management company shall within three working days as from the issue of the investment company shares assure the fulfilment of conditions for the beginning of an organized trading in these shares.
- (3) In the case the investment company shares are issued upon the establishment of the investment company, the management company shall within the time limit referred to in Paragraph 1 of this Article also file the request for the official listing of the investment company shares on the stock exchange.

Own Shares of an Investment Company

Article 164

- (1) The investment company may acquire own shares without payment, whereas, against payment, this shall only be possible under the conditions stipulated in Paragraph 2 of this Article.
- (2) Shall the market price of investment company shares be lower than 95 % of their book value, the investment company may acquire the own shares against payment, if the following conditions are fulfilled:
 1. the shares shall be acquired on the basis of a transaction which is concluded on the organized market where these shares are traded in, whereby this transaction shall not be executed on the basis of an agreed applicational transaction,
 2. the purchase price does not exceed the book value of shares reduced by all costs related to the purchase and acquisition of these shares,

3. all shareholders are assured the sale of shares under the same conditions, and
4. all conditions stipulated in Paragraphs 1 and 2 of Article 240 of the Companies Act are fulfilled.

(3) The investment company may not alienate the own shares; it shall withdraw them.

6.1.4. Investment Company Statute

Contents of the Investment Company Statute

Article 165

(1) Aside from the elements every statute of a joint-stock company shall include, the investment company statute shall also contain the following:

1. the investment policy of the investment company,
2. the level of formation expenses to which the management company is entitled and the method of their calculation and payment,
3. the level of the commission for the management of an investment company to which the management company is entitled and the method of calculation and deadlines for the payment of this commission,
4. types of other costs to the reimbursement of which the management company is entitled in the relation to the investment company,
5. whether the management company will, for the provision of individual services referred to in Paragraph 1 of the Article 5 of this Act, authorize a person referred to in Paragraph 6 of the Article 5 of this Act, and the types and the level of costs to the reimbursement of which these persons shall be entitled in the relation to the investment company,
6. the method of informing the shareholders about the financial and legal situation of the investment company, its operation and the change of the custodian,
7. other provisions regulating the contents of the legal relationship between the investment company and the management company.

(2) For its change, the statute may not stipulate stricter conditions than the ones stipulated by the Companies Act for the change of the statute of a joint-stock company.

(3) The Agency shall stipulate the detailed contents of the elements referred to in Paragraph 1 of this Article.

Consent to the Statute

Article 166

- (1) Prior to entering its foundation into the Companies Register, the investment company shall acquire the consent to the statute by the Agency.
- (2) The request for the issue of the consent to the statute shall have enclosed the text of the statute.
- (3) The Agency shall issue the consent to the statute, if its contents are in accordance with the provisions of this Act and the regulations issued on the basis of this Act.

Modification of the Statute

Article 167

- (1) Prior to entering the modification of the statute into the Companies Register, the investment company shall acquire the consent by the Agency.
- (2) The request for the issue of the consent to the modification of the statute shall have enclosed:
 1. the minutes of the general meeting where the decision on the modifications was taken,
 2. the text of the modifications to the statute,
 3. the notary's authentication of the final text of the statute.
- (3) Together with the request for the consent to the modification of the statute, the management company shall enclose the request for making public the modified prospectus and the abstract from the prospectus due to the modification of the statute.
- (4) The Agency shall decide about the request referred to in the preliminary paragraph simultaneously with taking the decision about the consent to the modification of the statute. When deciding about the request referred to in the first sentence, Paragraph 5 of Article 96 of this Act shall not be applied.
- (5) The Agency shall give consent to the modification of the statute:
 1. if the contents of the modifications to the statute are in accordance with the provisions of this Act and the provisions issued on the basis of this Act, and

2. if the authorization under Paragraph 3 of this Article has been issued by the Agency.

(3) The Agency shall decide on the issue of the consent to the modification of the statute within 60days.

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6.1.5. Investment Company Bodies

Investment Company Management Board

Article 168

- (1) The investment company shall have no management board.
- (2) Obligations and authorizations which, pursuant to the Companies Act, shall be assumed by the management board of a joint-stock company, shall be assumed by the management company managing the investment company.
- (3) The management company shall conduct the transactions of the investment company and represent this company in all matters except in those where, for the representation of the investment company, the supervisory board of the investment company is authorized.

Investment Company Supervisory Board

Article 169

- (1) The investment company shall have a supervisory board.
- (2) Supervisory board members shall have appropriate professional skills and experience in the field of managing financial assets.
- (3) The following persons may not be designated supervisory board members:
 1. the person who owns a qualified share in the management company or a close family member of such a person,
 2. the person who is employed with the following entities or who performs the function of a management board or a supervisory board member in these entities:
 - a) the management company,

- b) a legal entity which either directly owns a qualified share of the management company or which controls an owner of a qualified share of the management company,
- c) the custodian,
- č) a legal entity which either directly owns a qualified share of the custodian or controls an owner of a qualified share of the custodian,
- d) a legal entity in which the management company participates.

(4) Aside from the competences of a supervisory board of every joint-stock company, the supervisory board of an investment company shall also represent the investment company in the relations to the management company.

Summons of the General Meeting of an Investment Company

Article 170

(1) Except by the management board of the management company, the general meeting of the investment company may also be summoned by the supervisory board of the investment company and, under the conditions stipulated by the Companies Act, by the shareholders of the investment company.

(2) In exercising the voting rights at the general meeting of an investment company, a shareholder may not be represented by:

1. the management company,
2. a direct owner of a qualified share of the management company or a person who controls the owner of the qualified share of the management company,
3. a person who is employed with legal entities referred to in points 1 and 2 of this paragraph or who performs the function of a management board or a supervisory board member in these entities.

6.2. AUTHORIZATION FOR INVESTMENT COMPANY MANAGEMENT

Authorization for Investment Company Management

Article 171

Prior to initiating the procedure for the subscription and payment of the investment company shares, upon its establishment, the management company shall acquire the authorization by the Agency for investment company management.

Request for the Issue of the Authorization for Investment Company Management

Article 172

The request for the issue of the authorization for investment company management shall have enclosed the following:

1. the evidence on the level of share capital and on the capital adequacy of the management company,
2. the completion of the business plan of the management company referred to in point 2 of Article 37 of this Act,
3. the documentation stipulated by the Agency on the basis of which it is possible to find out whether the management company is capable of managing the investment company from the personnel, technical and organizational point of view.

Deciding about the Authorization for Investment Company Management

Article 173

(1) The Agency shall issue the authorization for investment company management, if it is established that the management company fulfils all conditions for managing the investment company to which the request for the issue of the authorization is related.

(2) The Agency shall refuse the request for the issue of the authorization for investment company management, if:

1. the management company failed to obtain the authorization by the Agency for the conclusion of the contract on providing custodian services pursuant to Article 59 of this Act for the investment company,
2. if the management company failed to acquire the authorization by the Agency to make public the prospectus and the abstract from the prospectus of the investment company referred to in Article 96 of this Act,
3. the Agency refused the request for the consent to the investment company statute,
4. the management company failed to fulfil other conditions for investment company management stipulated pursuant to this Act or regulations issued on the basis of this Act.

6.3. LEGAL RELATIONSHIPS BETWEEN THE INVESTMENT COMPANY AND THE MANAGEMENT COMPANY

6.3.1. General Provision

Contract on Investment Company Management

Article 174

(1) With the contract on investment company management (hereinafter: the contract on management), the management company obligates itself to manage the investment company in accordance with this Act, with regulations issued on the basis of this Act and with the investment company statute. The investment company obligates itself to pay to the management company the management commission at the level and within the deadlines stipulated by the investment company statute, and to remunerate the management company all costs related to the investment company management, which are stipulated by the investment company statute.

(2) The contract on management shall be concluded in writing.

(3) Provisions of the contract on management that are contrary to this Act, regulations issued on the basis of this Act or the investment company statute shall have no legal effect.

(4) The contract on management shall be concluded for an indefinite period of time.

Termination of the Contract on Management

Article 175

(1) The management company shall not be able to terminate the contract on management.

(2) The investment company may terminate the contract on management with a three months' notice, unless the investment company statute provides for a longer period of notice.

(3) The decision on the termination of the contract on management shall be taken by the general meeting of the investment company. The decision on the termination of the contract on

management shall be finally adopted when voted for by the majority necessary for the enforcement of the modification of the investment company statute.

(4) The custodian shall give its opinion on the proposal of the decision referred to in Paragraph 3 of this Article. In its opinion, the custodian shall draw the shareholders' attention to the legal consequences of the termination of the contract on management.

6.3.2. Commission and Reimbursement of Costs to the Management Company

Formation Expenses

Article 176

(1) The management company shall be entitled to the reimbursement of advertising expenses and other expenses it had in connection with the foundation of the investment company or in connection with the issue of the investment company shares (hereinafter: formation expenses), if thus stipulated by the investment company statute.

(2) If the investment company statute stipulates that the management company shall be entitled to the reimbursement of formation expenses, the statute shall also stipulate the level of these expenses that shall be expressed as a percentage of the total amount of cash payments for the shares issued upon the foundation of the investment company.

(3) Formation expenses referred to in Paragraph 2 of this Article may not exceed 3 % of the total amount of cash payments for the shares issued upon the foundation of the investment company.

(4) Paragraphs 1 to 3 of this Article shall mutatis mutandis apply for the costs related to the increase in the investment company share capital by stakes.

Management fee

Article 177

(1) When providing the services of investment company management, the management company shall be entitled to the payment of the annual management commission amounting to the level stipulated by the investment company statute and calculated by using the method referred to in Paragraph 2 of this Article.

(2) The annual management fee shall not exceed 1,5% of average annual net value of the investment company assets.

(3) The investment company shall pay out of its own assets to the management company for that part of the management commission which is calculated on the basis of the average annual net value of the investment company assets, for the periods and within the deadlines stipulated by the investment company statute.

Management Company Costs Related to the Investment Company Management

Article 178

(1) Aside from the management fee, the management company shall also be entitled to a special payment out of the investment company's assets only for those types of costs related to the investment company management which are stipulated by the investment company statute.

(2) The investment company statute may stipulate that, except for the management fee, the management company shall also be entitled to a special payment out of the investment company's assets for all or for some of the following types of costs, which the management company has in connection with the provision of services of investment company management:

1. costs of mediation in purchase and sale of securities on organized securities markets (commissions and other costs that have to be paid in connection with the purchase or sale to the organizer of the securities market, to the clearing and depository house and to the stock broker),
2. costs of commissions and other costs that have to be paid to a clearing and depository house on the basis of the contract referred to in Paragraph 1 of Article 61 of this Act,
4. costs of auditing the annual report of the investment company,
5. costs of informing shareholders pursuant to this Act,
6. costs related to the procedures referred to in Paragraph 3 of Article 57 and in Paragraph 2 of Article 58 of this Act,
7. taxes and other duties related to the investment company assets or to the transactions in these assets,
8. costs related to the services of the custodian of the investment company,
9. costs of interests and other expenses of incurred debts due to the loans contracted on behalf and for the account of the investment company.

(3) For the payment of costs under the previous paragraph, the management shall forward an order for the payment out of the assets of the investment company to the custodian and the latter shall communicate this order to the bank in which the investment company's cash account is held.

(4) The invoice for the payment of costs, which shall in accordance with the statute be paid out of the investment company's assets, shall be addressed directly to the investment company.

Costs of the Investment Company and its Shareholders

Article 179

(1) All costs of the investment company expressed as a percentage shall be defined as total costs burdening the investment company, including the management fee, divided by the average annual net value of the investment company assets.

(2) The management company shall calculate the total costs of an individual investment company it manages in accordance with the methodology prescribed by the Agency.

(3) In the abstract of the prospectus and in the prospectus of the investment company, the management company shall state the following:

1. the types of costs burdening the investment company
2. total costs of the investment company in the previous year, expressed as a percentage of the net value of the fund's assets,
3. total costs of the investment company in the current year, calculated to an annual level and expressed as a percentage of the net value of the fund's assets,
4. methodology for the calculation of costs under Points 1 to 3 of this paragraph.

6.3.3. Management of Investment Company Assets

Use of Provisions

Article 180

For the management of the investment company assets, the provisions of Article 135, Article 136 and Article 137 of this Act shall mutatis mutandis be applied.

Prohibition of Execution on the Investment Company Assets

Article 181

Execution on the investment company assets shall not be permitted.

Professional Care of the Management Company

Article 182

(1) When managing the investment company assets, the management company shall act in compliance with this Act, with the investment policy stipulated by the investment company statute and with the rules of the profession of financial investments management.

(2) When carrying out transactions for account of the investment company, the management company shall all the time pay attention to the interests of the investment company and investment company shareholders.

(3) The management company shall be accountable to the investment company for the damage caused by its acting contrary to this Act, contrary to the investment policy stipulated by the investment company statute or to the rules of the profession of financial investment management.

(4) The custodian shall be entitled, for account of the investment company for which it provides custodian services, to bring an action against the management company to compensate the damage referred to in Paragraph 3 of this Article.

(5) Shall the custodian fail to bring the action referred to in Paragraph 4 of this Article within thirty days from the receipt of the written request of the supervisory board of the investment company or of an individual shareholder of the investment company, the action may be brought on behalf of the investment company by the supervisory board of the investment company or by an individual shareholder of the investment company.

(6) The provisions of Paragraphs 4 and 5 of this Article shall not exclude the right of a shareholder of the investment company to enforce and be compensated for the damage caused by the management company due to the violation of obligations related to the sale or issue of investment company shares or repurchase of own shares of the investment company or due to the actions referred to in Paragraph 1 or 3 of Article 83 of this Act.

(7) The liability for damages by the management company referred to in Paragraph 3 or 6 of this Article can be neither limited nor excluded.

6.4. TRANSFER OF INVESTMENT COMPANY MANAGEMENT

6.4.1. Transfer of Investment Company Management on the Basis of a Contract on the Transfer of Management

Application of Provisions

Article 183

(1) The provisions of Articles 139 to 144 of this Act shall apply mutatis mutandis to the transfer of investment company management on the basis of a contract on the transfer of management.

(2) For an appropriate application of the provisions under Paragraph 1 of this Article the text under Point 2 of Paragraph 1 under Article 141 shall be replaced by the text “documents referred to under Article 172 hereof”.

6.4.2. Compulsory Transfer of Investment Company Management

Grounds for Compulsory Transfer of Investment Company Management

Article 184

A compulsory transfer of investment company management shall be performed in the following cases:

1. if the Agency has, by its final decision, withdrawn from a management company its authorisation to perform the services of managing investment funds,
2. if bankruptcy proceedings or compulsory liquidation proceedings have been initiated against a management company,
3. if the general meeting of an investment company adopts the decision that the contract with the management company on the managing of the investment company is to be terminated (Paragraph 3 of Article 175 hereof).

Application of Provisions
Article 185

(1) The provisions of Article 146 of this Act shall apply mutatis mutandis to the compulsory transfer of investment company management.

(2) The provisions of Paragraph 1 under Article 147 and the provisions of Articles 187 to 190 of this Act shall apply mutatis mutandis to the liquidation of an investment company when a compulsory transfer of management is not possible

6.5. REGULAR LIQUIDATION OF AN INVESTMENT COMPANY

**General Meeting's Resolution on the Winding-up of an Investment Company and
Beginning of Liquidation**

Article 186

(1) The general meeting of an investment company may adopt a resolution on the winding-up of the investment company and the beginning of liquidation.

(2) The custodian concerned must also give its opinion on the proposal for the resolution referred to under Paragraph 1 of this Article. In its opinion, the custodian must inform the shareholders on the legal consequences of liquidation and explain them the liquidation proceedings.

Application of Provisions
Article 187

Unless specified otherwise in this Section, the provisions of Article 374, Article 376, Article 380, Article 381, Article 384, Paragraph 1 of Article 385, Articles 386 to 390 and Article 393 of the Companies Act shall apply as appropriate to the investment company liquidation proceedings.

The Management Company as Provisional Liquidator
Article 188

In investment company liquidation proceedings, the management company concerned shall have the authorisations and duties of a provisional liquidator.

Notice on the Beginning of Investment Company Liquidation
Article 189

- (1) On the first working day after an investment company general meeting has adopted a resolution on the beginning of liquidation, the management company concerned must notify the Agency on the beginning of the investment company liquidation.
- (2) Within three days after the general meeting referred to in Paragraph 1 of this Article, the management company must notify the investment company shareholders on the beginning of the investment company liquidation.
- (3) Within the period referred to under Paragraph 2 of this Article, the management company must publish the notification on the beginning of the investment company liquidation.
- (4) The Agency shall prescribe more detailed contents of the notification referred to under Paragraph 2 of this Article and more detailed contents of the notification to be published referred to in Paragraph 3 of this Article.
- (5) If the management company does not fulfil the obligations referred to under Paragraphs 1 to 3 of this Article, they must be fulfilled by the custodian within the periods specified in Paragraphs 1 to 3 of this Article, which start to run on the day when the custodian learns or should have learned about the failure of the management company.
- (6) The custodian is entitled to require from the management company reimbursement of expenses occurring due to the fulfilment of the obligations referred to under Paragraph 5 of this Article.

Legal Consequences of the Beginning of Liquidation
Article 190

- (1) After the beginning of liquidation, the management company can only be paid the due fee for managing the investment company simultaneously with the redemption of the proportionate part of the liquidation estate to the investment company shareholders.
- (2) After the beginning of liquidation, the management company can only conclude those deals for the account of the investment company that are necessary in order to realise the investment company assets.

(3) In selling the investment company assets, the management company does not have to follow the rules on the highest/lowest allowed shares of individual investment types defined in Articles 68 to 70 and Article 72 of this Act.

6.6. COMPULSORY SETTLEMENT AND BANKRUPTCY OF AN INVESTMENT COMPANY

Prohibition of Compulsory Settlement and Bankruptcy Article 191

It is not possible to initiate compulsory settlement proceedings or bankruptcy proceedings against an investment company.

7. TRANSFORMATION OF INVESTMENT COMPANIES

Transformation of an Investment Company into a Mutual fund Article 192

(1) An investment company may be transformed into a mutual fund on the basis of a resolution adopted by the investment company's general meeting, under the following conditions:

1. if an individual shareholder of the investment company acquires a share of all mutual fund investment coupons which equals his share in the investment company's share capital,
2. if the redemption commission, stipulated by the rules for mutual fund management, complies with Paragraph 3 or 4 of Article 238 of this Act,
3. the management fee does not exceed the fee under Article 177 of this Act.

(2) In the case of transformation of an investment company into a mutual fund, the management company that managed the investment company shall transfer the entire investment company's assets, including all liabilities, to the mutual fund, which is managed by the same management company, and the investment company shall cease without any special liquidation proceeding, which shall be on the day the entry in the Companies Register is deleted.

(3) In the case of separating a part of the investment company to become a mutual fund, a proportionate part of the investment company's assets shall be transferred to the mutual fund,

which is managed by the same management company, and the investment company shall reduce its share capital by the amount of the transferred assets and transform into an investment company, which shall be on the day the reduction in share capital is entered into the Companies Register.

(4) In the case of transformation pursuant to this Article, the management company shall issue mutual fund investment coupons to the holders within eight days after the entry of the reduced share capital or of the cessation of the investment company into the Companies Register.

(5) For the transformation or separation of a part of the investment company into a mutual fund pursuant to this Article, the provisions of this Act on the formation of a mutual fund shall *mutatis mutandis* be used.

(6) In the case of an investment company's transformation into a mutual fund pursuant to this Article, the management company managing the mutual fund shall be obligated to calculate the redemption commission to the level under Paragraph 3 or 4 of Article 238 of this Act to all coupon holders who wish to be paid. Thus calculated redemption commission increases the mutual fund assets.

8. SUPERVISION OVER MANAGEMENT COMPANIES

8.1. GENERAL PROVISIONS

Supervision over Management Companies

Article 193

(1) The Agency shall exercise supervision over management companies in order to check whether the management companies follow the fund rules and other rules defined hereunder, by the Securities Market Act-1 and/or by other acts regulating the services of managing investment funds or other financial assets as well as by regulations adopted on the basis of these acts.

(2) The Agency shall also exercise supervision over other entities related to a management company, if this is necessary in order to supervise this management company.

(3) When another supervisory body is authorised to supervise a specific legal entity referred to under Paragraph 2 of this Article, the Agency shall exercise supervision over the business operations of this legal entity in co-operation with the authorised supervisory body.

Method of Exercising Supervision
Article 194

The Agency shall exercise supervision over management companies:

1. by monitoring, collecting and investigating the reports and messages of management companies and other entities that, in line with this or another act, are obliged to report to the Agency and/or inform it on specific facts and circumstances,
2. by conducting investigations into the business operations of management companies, and
3. by imposing supervisory measures stipulated hereunder.

Annual Fee for Exercising Supervision
Article 195

- (1) Management companies shall pay the Agency supervision fee for exercising the supervision under Items 1 and 2 of Article 194 of this Act, the fee being defined by the Agency's tariff with regard to the net value investment fund assets and other assets according to this Act managed by management companies.
- (2) The Agency may define such a level of the fee under Paragraph 1 of this Article that the total of fees to be paid together by all management companies for a specific year does not exceed the expenses of the supervision under Items 1 and 2 of Article 194 hereof.
- (3) Should a management company not pay the fee within the deadlines defined by the Agency's tariff, the Agency shall impose the management company the payment by adopting a decision.
- (4) A final decision as referred to under Paragraph 3 of this Article constitutes an executory title.

Supervision Expenses
Article 196

- (1) When a management company is imposed a supervisory measure as stipulated hereunder, the management company must pay the Agency the lump sum compensation for legal costs defined by the Agency's tariff with regard to the type and extent of violation.

(2) The reimbursement of the costs under Paragraph 1 of this Article is decided by the Agency through an order or decision on imposing a supervisory measure.

(3) A procedure of judicial protection may be initiated against the decision on cost reimbursement, even if there is no special procedure of judicial protection defined against the order or decision on imposing a supervisory measure.

(4) A final decision as referred to under Paragraph 2 of this Article constitutes an executory title.

8.2. REPORTING

Regular Reporting Article 197

(1) A management company shall regularly report to the Agency about the following facts and circumstances:

1. changes of information entered in the Companies Register,
2. summoning the general meeting and all resolutions adopted by the general meeting,
3. holders of management company shares and the acquisition or change of the qualifying holdings as referred to under Article 19 hereof,
4. discharging and appointing members of the management board,
5. conclusion and termination of contracts on managing financial assets of informed investors,
6. the total figures regarding the financial assets of informed investors that it manages by the type of investing these assets, and
7. annual and half-year reports.
8. other facts and circumstances related to the investment fund and management company.

(2) Management companies shall, regarding each investment fund that they manage, report to the Agency in line with the provisions hereof about the account books and business reports of investment funds and about the reporting and publication of information on the business operations of the investment funds.

(3) Regarding the investment companies that they manage, management companies shall also report to the Agency:

1. about the changes in the information entered into the Companies Register,
2. about summoning the general meeting and all resolutions adopted by the general meeting, and
3. about the holders of investment company shares.

Reporting at the Request of the Agency
Article 198

At the request of the Agency and within the deadline defined by it, management companies shall forward reports and information on all matters important for exercising supervision and carrying out other authorities and tasks of the Agency.

Regulation on Reporting
Article 199

The Agency shall prescribe more detailed contents, method and deadlines of reports under Article 197 hereof as well as the method and deadlines of reporting on the facts and circumstances referred to under Article 198 hereof.

8.3. SUPERVISORY MEASURES

8.3.1. General Provision

Supervisory Measures
Article 200

The measures of supervision over management companies hereunder are:

1. order to terminate a violation,
2. order of additional measure,
3. temporary prohibition of performing services, and

4. withdrawal of authorisation.

8.3.2. Termination of Violations

Order to Terminate Violations

Article 201

(1) The Agency shall issue an order to terminate violations, if it establishes the following while exercising supervision over a management company:

1. that a member of the management board does not have the authorisation as referred to under Article 24 hereof,
2. that a management company does not fulfil the requirements for performing the services of managing investment funds defined by the regulation adopted on the basis of Article 29 hereof,
3. that a management company manages an investment fund for whose management it did not obtain authorisation from the Agency, or that a management company performs services of managing the financial assets of informed investors without acquiring the authorisation to perform such services from the Agency, or that a management company performs activities that it is not allowed to perform according to this Act,
4. that a management company violates the rules on risk management,
5. that a management company violates the rules on account books and business reports of management companies,
6. that a management company violates the fund rules,
7. that a management company violates the obligations of reporting and informing,
8. that a management company violates the duty of protecting confidential information or the prohibition of using inside information,
9. that a management company violates other provisions hereof or of other acts regulating the services of managing investment funds or other financial assets or regulations issued on the basis of these acts.

(2) In the order referred to under Paragraph 1 of this Article, the Agency shall define a deadline for terminating any violations.

Order of Additional Measure

Article 202

(1) The Agency shall order an additional measure with which it instructs the competent body of the management company to discharge a member or members of the management board of the management company:

1. if the management company did not act in line with the order to terminate violations, and/or
2. if the management company has repeatedly violated the duty of timely and correctly reporting to and informing the Agency or in any other way hindered the exercise of supervision.

(2) The provisions hereof and the provisions of the Securities Market Act-1 on the order to terminate violations apply as appropriate to the order of additional measure referred to under Paragraph 1 of this Article.

8.3.3. Temporary Prohibition of Performing Services

Temporary Prohibition of Performing the Services of Managing Investment Funds Article 203

(1) The Agency shall temporarily prohibit a management company to perform the services of managing investment funds in the following cases:

1. if the management company has not organised its activities and/or it does not regularly keep its account books and/or account books of investment funds that it manages and other administrative and business records in such a way that it is possible to check at any time whether the management company conducts its business in line with the rules on risk management and whether the management company manages investment funds in accordance with this Act, with the Securities Market Act-1 and with any other act regulating the services of managing investment funds and/or other financial assets, and with the regulations issued on the basis of such an act,
2. if the management company has not acted in line with the order to terminate violations,
3. if the management company has repeatedly violated the duties of timely and correctly reporting to and informing the Agency, or in any other way hindered the exercise of supervision,
4. if the management company has violated the rules on the investments of an investment fund that it manages and/or the fund rules due to which the investment fund concerned suffered or could have suffered significant damage,
5. if the management company has violated the provisions on informing the public and informing the investors due to which the holders of units and/or shares of an investment company suffered or could have suffered significant damage,

6. if the management company has transferred the performance of individual business operations or services of managing an investment fund to another person in contradiction with Paragraphs 6 to 11 of Article 5 and/or in contradiction with Article 6 hereof,
7. if the management company manages the assets of informed investors in contradiction with the provisions under Article 8 hereof.

(2) The prohibition referred to under Paragraph 1 of this Article shall be in effect until the Agency issues a decision in which it finds that the violations have been terminated or until the decision on withdrawing the authorisation becomes final.

(3) The decision referred to under Paragraph 1 of this Article shall also be submitted to the custodian.

(4) From the time of receiving the decision on the temporary prohibition of performing the services of managing investment funds until the termination of the prohibition from Paragraph 1 of this Article, the custodian shall perform those activities of managing investment funds that cannot be postponed.

(5) The activities of managing investment funds that cannot be postponed referred to under Paragraph 4 of this Article are considered to be:

1. the activities the failure of whose performance by the custodian would cause damage to the assets of an investment fund concerned,
2. in the case of a mutual fund, also activities in connection with the payment and redemption of mutual fund investment coupons.

**Temporary Prohibition of Performing the Services of Managing the Financial Assets of
Informed Investors**
Article 204

When a management company also performs the services of managing the financial assets of informed investors, the provisions of Paragraphs 1 and 2 under Article 203 hereof and the provisions of Paragraphs 3 to 5 under Article 204 of the ZTVP-1 apply as appropriate regarding the temporary prohibition of performing such services.

8.3.4. Withdrawal of Authorisation

Grounds for Withdrawing the Authorisation
Article 205

(1) The Agency shall withdraw from a management company its authorisation to perform the services of managing investment funds in the following cases:

1. if the management company has repeatedly violated the duty of protecting confidential information or the prohibition of using inside information,
2. if the management company does not fulfil the requirements regarding the capital adequacy and/or other requirements for conducting business operations in line with the rules on risk management,
3. if the Agency ordered an additional measure referred to under Paragraph 1 of Article 202 hereof and the competent body of the management company did not discharge the member or members of the management board and appointed new ones within the deadline defined for carrying out the additional measure, or if the newly appointed members of the management board have also not secured the termination of violations that were the reason for the additional measure from Paragraph 1 of Article 207 hereof within the period of two months after their appointment,
4. if the management company violates the decision on temporary prohibition of performing services referred to under Articles 203 and 204 hereof,
5. if there are grounds to withdraw the authorisation to acquire a qualifying holding referred to under Paragraph 3 of Article 21 hereof from the entity controlling the management company,
6. if the management company violates the rules on investment fund investments or fund rules due to which the investment fund concerned suffered or could have suffered significant damage,
7. if the management company repeatedly violates the rules on investment fund investments or fund rules,
8. if it has stated untrue information in order to obtain its authorisation,
9. if it does no longer fulfil the requirements necessary to obtain the authorisation.

(2) When a management company also performs the services of managing the financial assets of informed investors, Paragraph 1 of this Article applies as appropriate regarding the withdrawal of the authorisation to perform such services.

Conditional Withdrawal of Authorisation

Article 206

(1) In its decision on withdrawing the authorisation, the Agency may also state that the withdrawal shall not be carried out if, within the period defined by the Agency that must not be

shorter than one year or longer than five years (probationary period), the management company concerned does not commit a new violation that can constitute the grounds to withdraw the authorisation.

(2) When the Agency pronounces a conditional withdrawal of authorisation, it may define the withdrawal of authorisation to also be carried out if the management company concerned does not, within a certain period, terminate the violations due to which the conditional withdrawal of the authorisation was pronounced, or if the management company concerned does not compensate the investment fund concerned for the damage referred to under Point 6 of Paragraph 1 of Article 205 hereof. The deadline for fulfilling these obligations shall be defined by the Agency within the limits of the probationary period.

Revocation of the Conditional Withdrawal of Authorisation

Article 207

The Agency revokes the conditional withdrawal of authorisation and withdraws the authorisation if, within the probationary period, the management company concerned commits a new violation that can be the grounds to withdraw the authorisation or if it does not fulfil the additional requirements referred to under Paragraph 2 of Article 206 hereof.

Public Admonition

Article 208

(1) When the Agency establishes that there are grounds to withdraw authorisation, it may, instead of withdrawing the authorisation, make a public admonition to the management company concerned.

(2) In deciding whether to make a public admonition instead of withdrawing the authorisation, the Agency shall primarily take into account the severity of violation and the fact whether the management company concerned has already been made a public admonition or conditional withdrawal of authorisation.

(3) After the decision from Paragraph 1 of this Article becomes final, the Agency shall publish the operative part of the decision.

Reporting on Business Events

Article 209

(1) A management company shall immediately publish the legal and business events in connection with the investment company or shares issued by this company, that could significantly influence the price of these shares.

(2) The provisions under Paragraphs 2 to 7 of Article 66 of the Securities Market Act-1 shall apply mutatis mutandis to reporting on the events referred to under Paragraph 1 of this Article.

8.4. SUPERVISION OVER MUTUAL PENSION FUNDS AND THEIR MANAGERS AND THE REQUIREMENTS THAT THE MANAGERS OF MUTUAL PENSION FUNDS MUST FULFIL

Application of Provisions

Article 210

(1) Subchapters 4.1 and 4.2 hereof shall apply mutatis mutandis to the performance of custodian services for mutual pension funds and the assets covering technical provisions of pension companies.

(2) Article 90 hereof shall apply as appropriate to the business of a mutual pension fund.

(3) In relation to the company's business operations, the provisions of Articles 36 to 40 hereof shall apply as appropriate to a pension company managing mutual pension funds on the basis of Article 315 of the Pension and Disability Insurance Act-1.

(4) Paragraphs 2 and 3 of Article 193, Article 195, Article 196, Points 1 to 4 and Point 7 of Paragraph 1 under Article 197, Article 198, Article 200, Article 201 and Articles 206 to 208 hereof shall apply mutatis mutandis to the supervision over the managers of mutual pension funds according to Pension and Disability Insurance Act-1

(5) For an appropriate application of the provisions under Paragraphs 1 to 4 of this Article, the words:

1. "management company(ies)" shall be replaced by the words "manager(s) of (a) mutual pension fund(s)",

2. “investment fund(s)” shall be replaced by the words “mutual pension fund(s)”.

(6) The Agency shall inform the Bank of Slovenia or the Agency for Insurance Supervision of all findings and measures taken during the procedure of supervising the manager of a mutual pension fund that it conducts within the framework of its authorities.

(7) The Bank of Slovenia or the Agency for Insurance Supervision shall inform the Agency of all findings and measures taken during the procedure of supervising the manager of a mutual pension fund that it conducts within the framework of its authorities.

Custodian Services for a Mutual Pension Fund

Article 211

(1) A manager of pension funds according to the Pension and Disability Insurance Act-1 is obliged to conclude a contract on performing custodian services for the accounts of individual mutual pension funds that it manages and the assets covering technical provisions of the pension company concerned.

(2) A manager of pension funds according to the Pension and Disability Insurance Act-1 is obliged to conclude a contract on performing custodian services within fifteen months after this Act enters into force.

(3) In case a manager of pension funds does not conclude a contract within the period stipulated in the previous paragraph, it must report it to the Agency at the latest by the expiration of the period set for concluding the contract and explain the reasons for not concluding the contract on performing custodian services.

(4) In case a manager of pension funds does not conclude a contract referred to under Paragraph 1, the Agency may impose a supervisory measure as referred to hereunder and stipulate a deadline by which a contract on performing custodian services is to be concluded.

Auditing the Business Operations of Mutual Pension Funds

Article 212

(1) The annual business operations of a mutual pension fund must be audited by a certified auditor.

(2) On the basis of a prior opinion given by the Slovenian Auditing Institute, the Agency shall prescribe the detailed form, the smallest volume and the contents of an audit and audit report on the business operations of mutual pension funds.

Examination of Business Operations

Article 213

When an examination of the business operations of a mutual pension fund manager must be conducted in order to supervise the manager of a mutual pension fund, the Agency shall conduct this examination in co-operation with the Bank of Slovenia or the Agency for Insurance Supervision.

Order to Terminate Violations

Article 214

The Agency shall issue an order to terminate violations if, while exercising supervision over a manager of a mutual pension fund, it finds:

1. that, in managing a mutual pension fund, the manager is violating the provisions of the Pension and Disability Insurance Act-1, Insurance Act, this Act or other acts regulating the management of mutual pension funds or regulations adopted on the basis of these acts,
2. that the manager violates the obligation of reporting and informing.

Order of Additional Measure

Article 215

(1) When the Agency finds, while exercising supervision over a manager of a mutual pension fund, that the manager of the mutual pension fund has not fulfilled its obligations referred to under Paragraph 3 of Article 322 of the Pension and Disability Insurance Act-1, the Agency shall issue to the manager the order to remit, from its cash account to a special cash account of the mutual pension fund referred to under Article 327 of the Pension and Disability Insurance Act-1, funds amounting to the difference between the guaranteed value of the mutual pension fund

assets and the actual (lower) net value of these assets, and define the period, not longer than three working days, within which this obligation is to be fulfilled.

(2) An appeal against the decision on ordering the additional measure referred to under Paragraph 1 of this Article is allowed, with Paragraph 1 of Article 359 and Articles 360 to 362 of the Securities Market Act-1 applying as appropriate.

(3) It is allowed to initiate a procedure of judicial protection against the decision of the Agency dismissing or refusing the appeal referred to under Paragraph 2 of this Article.

(4) A legal action in the procedure of judicial protection referred to under Paragraph 3 of this Article shall not delay the execution of decision.

(5) The final decision of the Agency referred to under Paragraph 1 of this Article shall be executed by the court at the proposal by the Agency.

Temporary Prohibition of Managing a Mutual Pension Fund

Article 216

(1) The Agency shall temporarily prohibit a manager of a mutual pension fund to manage the mutual pension fund in the following cases:

1. if the manager does not keep books and other administrative and business records of the mutual pension fund properly, so that it is not possible to check at any given time whether it manages the mutual pension fund in accordance with the Pension and Disability Insurance Act-1, Insurance Act and any other act regulating the management of mutual pension funds and the regulations issued on the basis of these acts,
2. if the manager of the mutual pension fund has not acted in line with the order to terminate violations,
3. if the manager of the mutual pension fund repeatedly fails to carry out the duty to timely and correctly report to and inform the Agency, or in any other way hinders the exercise of supervision,
4. if the manager violates the rules on investments of the mutual pension fund that it manages or on managing mutual pension fund assets, due to which the assets of the mutual pension fund suffered or could have suffered significant damage.

(2) The prohibition referred to under Paragraph 1 of this Article shall be in force until the Agency

adopts a decision whereby it finds that the violations have been terminated, or until the expiry of the authorisation referred to under Article 197 hereof.

(3) With the decision referred to under Paragraph 1 of this Article, the Agency shall also:

1. appoint a custodian that is to take over the management of the mutual pension fund for the period during which the prohibition referred to under Paragraph 1 of this Article remains in force,
2. task the manager to transfer, within a period not longer than three days, all operations of managing mutual pension funds that it manages to the custodian,
3. prohibit the clearing and depository house to execute any manager's orders to transfer securities from the securities accounts of mutual pension funds referred to under Article 325 of the Pension and Disability Insurance Act-1, and task it to enable the entry of these orders to the custodian,
4. prohibit the bank or organisation performing payment transactions that conducts special cash accounts of mutual pension funds referred to under Article 327 of the Pension and Disability Insurance Act-1 to execute any manager's orders to transfer funds from these cash accounts, and task it to accept the orders of the custodian to transfer funds from these accounts,
5. take other measures necessary to achieve the purpose of the prohibition referred to under Paragraph 1 of this Article.

(4) When a decision referred to under Paragraph 1 of this Article is adopted, all rights of the manager regarding the management of the mutual pension fund concerned, including the rights to commission and reimbursement of expenses, shall be transferred to the custodian, with the custodian assuming all obligations of the manager of the mutual pension fund, except the obligations referred to under Paragraph 3 of Article 322 of the Pension and Disability Insurance Act-1.

(5) When a manager that has been prohibited to manage mutual pension funds is withdrawn the authorisation to manage mutual pension funds by a final decision of the Agency, the legal consequences of the prohibition referred to under Paragraphs 3 and 4 of this Article shall be prolonged until the conclusion of the liquidation proceedings against the mutual pension fund or until the management of the mutual pension fund is transferred to another manager.

(6) When a liquidation of a mutual pension fund is carried out due to the final withdrawal of the authorisation to manage mutual pension funds from the manager, the liquidation shall be carried out by the custodian.

Grounds for Withdrawing the Authorisation to Form a Mutual Pension Fund
Article 217

The Agency shall withdraw from the manager of a mutual pension fund its authorisation to form a mutual pension fund or mutual pension funds that it manages in the following cases if:

1. the manager has not acted in line with the Agency's decision on additional measure referred to under Paragraph 1 of Article 215 hereof due to which a compulsory execution of this decision took place,
2. the Agency has adopted a decision on additional measure referred to under paragraph 1 of Article 215 hereof for the third time within a period of two years,
3. the manager violates the decision on temporary prohibition of managing a mutual pension fund referred to under Article 216 hereof,
4. the manager violates the rules on investments of the mutual pension fund that it manages or on the managing of mutual pension fund assets due to which the assets of the mutual pension fund suffered or could have suffered significant damage.

Termination of the Authorisation to Form a Mutual Pension Fund
Article 218

(1) The authorisation to form a mutual pension fund terminates if the Bank of Slovenia, during the procedure of exercising supervision over the manager of a mutual pension fund that is a bank, has adopted a decision on initiating compulsory liquidation referred to under Article 147 of the Banking Act or a decision on establishing the conditions for initiating bankruptcy proceedings referred to under Article 162 of the Banking Act, or if the Agency for Insurance Supervision, during the procedure of exercising supervision over a manager that is an insurance company, has adopted a decision on initiating compulsory liquidation referred to under Article 193 of the Insurance Act or a decision on establishing the conditions for initiating bankruptcy proceedings referred to under Article 201 of the Insurance Act.

(2) On the first working day after receiving the decision of the Bank of Slovenia or the Agency for Insurance Supervision referred to under Paragraph 1 of this Article, the Agency shall adopt a decision whereby it establishes that the authorisation to form a mutual pension fund has terminated, and prohibit the manager any further managing of the mutual pension fund.

(3) Paragraph 3 of Article 216 hereof and Articles 359 to 362 of the Securities Market Act-1 shall apply, as appropriate, to the decision referred to under Paragraph 2 of this Article.

(4) When a decision referred to under Paragraph 2 of this Article is adopted, the legal

consequences referred to under Paragraph 4 of Article 221 hereof take place. The legal consequences from the previous sentence shall remain in effect until the end of the proceedings of liquidating the mutual pension fund concerned or until the transfer of the management of the mutual pension fund to another manager.

(5) When a liquidation of a mutual pension fund is carried out due to the termination of the manager's authorisation to manage mutual pension funds, the liquidation shall be carried out by the custodian.

9. SUPERVISION OVER OTHER ENTITIES

Supervision over other Entities

Article 219

The Agency shall exercise supervision over:

1. entities violating the prohibition referred to under Paragraph 4 of Article 2 hereof,
2. entities performing the services of managing investment funds contrary to the prohibition referred to under Paragraph 5 of Article 5 hereof,
3. entities violating the prohibition referred to under Paragraph 5 of Article 9 hereof,
4. entities violating the prohibition referred to under Paragraph 8 of Article 10 hereof,
5. entities managing mutual pension funds contrary to the Pension and Disability Insurance Act-1.
6. entities engaged in the activity of marketing and advertising investment funds in the territory of the Republic of Slovenia contrary to Article 7 of this Act and contrary to the provisions of regulations derived from it. The Agency may also exercise the supervision by authorising, for said supervision, another competent state body or public agency which is otherwise competent in the supervision of marketing and advertising or transactions in financial services and instruments in the territory of the Republic of Slovenia.

Order to Terminate Violations

Article 220

(1) If the information available to the Agency shows that an entity violates the prohibition referred to under Paragraph 4 of Article 2 hereof or Paragraph 5 of Article 5 hereof or Paragraph 5 of Article 9 hereof or Paragraph 8 of Article 10 hereof or, manages mutual pension funds, contrary to the Pension and Disability Insurance Act-1, or that a management company, or any other person under Paragraph 6 of Article 219, indirectly or directly performs activities of

marketing and advertising investment funds contrary to Article 7 of this Act and contrary to the provisions of the regulations derived from it, the Agency shall issue this entity an order to terminate the violation.

(2) In the case referred to under Paragraph 1 of this Article, the Agency may, prior to issuing the order, examine account books and other documentation of the entity concerned, and collect other evidence necessary to be able to establish whether this entity committed the violation referred to in Paragraph 1 of this Article.

(3) In the order referred to under Paragraph 1 of this Article, the Agency shall task the entity concerned to submit, within a period that must not be less than eight days and more than fifteen days, a report in which it should describe the measures taken in order to terminate the violation and in which the entity may express its opinion on the reasonableness of issuing this order.

Grounds for Liquidation

Article 221

(1) If the legal entity that is being supervised does not act in line with the order referred to under Paragraph 1 of Article 220 hereof, the Agency shall adopt a decision whereby it establishes that there are grounds for liquidating this entity.

(2) On the basis of a final decision referred to under Paragraph 1 of this Article, the competent court initiates liquidation proceedings on receiving the proposal of the Agency.

10. CO-OPERATION WITH SUPERVISORY AUTHORITIES AND EUROPEAN UNION BODIES

Mutual Co-operation between Domestic Supervisory Authorities

Article 222

Article 181 of the Securities Market Act-1 applies to the co-operation of the Agency with domestic supervisory authorities.

Processing and Forwarding of Information

Article 223

(1) The Agency is authorised to collect and process any information on the facts and circumstances important for the performance of its duties and responsibilities defined hereunder.

(4) The information referred to in Paragraph 1 of this Article as important for the performance of duties and responsibilities of the Agency defined hereunder are primarily considered to be the information on:

1. authorisations and approvals issued by the Agency according to this Act,
2. members of the management boards and members of the supervisory boards of management companies,
3. branches or direct performance of the services of management companies in the Member States and branches or direct performance of the services of management companies of Member States in the Republic of Slovenia,
4. branches of management companies in foreign countries and branches of foreign management companies in the Republic of Slovenia,
5. activities referred to under Paragraph 1 of Article 107 hereof,
6. monthly reports referred to under Article 88 hereof,
7. holders of qualified holdings referred to under Article 19 hereof,
8. audited annual reports of management companies referred to under Paragraph 3 of Article 32 hereof,
9. annual and half-year reports and audited annual reports of investment funds referred to, respectively, under Article 85 and Article 90 hereof,
10. the measures taken for supervision over management companies or managers of mutual pension funds,
11. reports and notifications collected on the basis of Paragraph 1 of Article 107 hereof,
12. information obtained, within the framework of exchanging information, from the competent supervisory authorities of the Member States.

(3) The Agency may forward the information referred to under Paragraph 2 of this Article to:

1. the domestic supervisory authorities within the framework of the co-operation between the domestic supervisory authorities on the basis of Article 222 hereof,
2. the competent authorities of the Member States if they need this information in order to fulfil their tasks of supervising the management of investment funds and if these authorities are obliged to perform the duty of protecting confidential information at least to the extent defined in Paragraph 1 of Article 303 of the Securities Market Act-1,

3. the competent supervisory authorities of foreign countries if they need this information in order to fulfil their tasks of supervising the management of investment funds under the condition of mutuality and if these authorities are obliged to perform the duty of protecting confidential information at least to the extent defined in Paragraph 1 of Article 303 of the Securities Market Act-1,
4. the court of law if it needs this information in connection with any bankruptcy proceedings against a management company,
5. the Slovenian Auditing Institute if it needs this information in the procedure of supervising the auditing company that audited the annual report of the management company or the investment company concerned,
6. the Ministry of Finance of the Republic of Slovenia if it needs this information for the purpose of adopting regulations and executive regulations, for statistical purposes or for the purpose of conducting the strategy in the area of financial systems and in the area of taxes, with the Ministry being obliged to perform the duty of protecting confidential information at least to the extent defined in paragraph 1 of Article 303 of the Securities Market Act-1.

(4) Notwithstanding the contents of Paragraph 3 of this Article, the Agency may only forward the information referred to under Item 12 of Paragraph 2 of this Article if expressly allowed to do so by the competent authority that has forwarded this information to the Agency and where it is appropriate, only for the purpose for which it received the authorisation of this authority.

(5) The Agency shall also collect the information referred to in Paragraph 2 of this Article, if asked to do so by:

1. the competent supervisory authority of a Member State if it needs this information in order to fulfil its tasks of supervising a management company of the Member State and if it is obliged to perform the duty of protecting confidential information at least to the extent defined in paragraph 1 of Article 303 of the Securities Market Act-1,
2. the competent supervisory authority of a foreign country if it needs this information in order to fulfil its tasks of supervising a management company of the foreign country under the condition of mutuality and if it is obliged to perform the duty of protecting confidential information at least to the extent defined in paragraph 1 of Article 303 of the Securities Market Act-1,
3. the Ministry of Finance of the Republic of Slovenia if it needs this information for the purpose of adopting regulations and executive regulations, for statistical purposes or for the purpose of conducting the strategy in the area of financial system and in the area of taxes, with the Ministry being obliged to perform the duty of protecting confidential information at least to the extent defined in Paragraph 1 of Article 303 of the Securities Market Act-1.

Notifying the European Commission
Article 224

The Agency must notify the European Commission on:

1. the refusals of requests to forward the notification referred to in Paragraph 4 of Article 42 hereof,
2. the measures referred to in Paragraph 3 of Article 49 hereof.

Relations with the European Union Bodies
Article 225

(1) The Agency must notify the European Commission on:

1. granting of any authorisation to a management company directly or indirectly controlled by a legal entity based in a foreign country,
2. granting of any authorisation for acquiring a qualifying holding on the basis of which a foreign entity becomes the controlling company of a management company.

(2) The Agency shall inform the European Commission on all significant obstacles encountered by management companies while performing their services of managing investment funds in foreign countries.

(3) If the European Commission decides that the supervisory authorities of the Member States must suspend or stay the process of adopting decisions with regard to requests of entities from individual foreign countries, the Agency is obliged to adopt a resolution whereby it suspends, for a maximum of three months, the process of adopting decisions with regard to the following matters:

1. those applications for authorisation to be granted to a management company whose direct or indirect controlling company is the legal entity based in a foreign country to which the European Commission's decision refers,
2. requests for acquiring a qualified holding on whose basis the foreign entity to which the European Commission's decision refers becomes the controlling company of the management company concerned.

(4) For the period during which the procedure is suspended on the basis of Paragraph 3 of this

Article, the period within which a decision is to be taken as referred to under Article 374 of the Securities Market Act-1 shall not run.

(5) If the European Council decides that the suspension or stay of procedures referred to in Paragraph 3 of this Article is to be extended, the Agency is obliged to adopt a resolution whereby it extends the stay of procedure referred to under Paragraph 3 of this Article by a period stipulated by the decision of the European Council.

(6) The measures referred to under Paragraphs 3 and 5 of this Article shall not apply to:

1. the setting up of a management company as a company controlled by a management company that is, at the moment of adopting the decision referred to under Paragraphs 3 and 5 of this Article, entitled to perform the services of managing investment funds in a Member State, or a company controlled by this management company,
2. the acquisition of a qualifying holding by a management company that is, at the moment of adopting the decision referred to under Paragraphs 3 and 5 of this Article, entitled to perform the services of managing investment funds in a Member State, or by a company controlled by this management company.

(7) At the European Commission's request, the Agency must notify it on any request for granting the authorisation referred to under Paragraph 1 of this Article if the European Commission needs such information in order to establish facts important for adopting the decision referred to in Paragraphs 3 and 5 of this Article.

11. OUT-OF-COURT SETTLEMENT OF DISPUTES

Settlement of Disputes between Service Providers and Consumers

Article 226

(1) The management company shall establish an effective scheme for the out-of-court settlement of disputes between the providers of services of investment fund management and management of assets of well informed investors on the one hand, and the investors into investment funds the management company manages or well informed investors with whom it concluded the contract on financial assets management on the other.

(2) The form and composition of the arbitration board (e.g. arbitration, ombudsman, mediation, conciliation, committee for consumer appeals), the method and procedure of adjudication shall be stipulated by the management company in its internal act and shall be published in daily press or technical publications intended for investors.

(3) The management company shall directly or indirectly, via an authorised person under Paragraph 6 of Article 5 of this Act, inform future investors into investment funds, managed by this company, or well informed investors with whom the company is to conclude a contract on financial assets management, regarding all elements of the scheme concerning out-of-court settlement of disputes.

12. PENAL PROVISIONS

Major Violations Committed by a Management Company Article 227

(1) A fine of SIT 10,000,000 to SIT 100,000,000 shall be imposed, for a violation, on a management company:

1. if, prior to beginning to perform the services of managing the financial assets of well informed investors, it fails to acquire from the Agency the authorisation to perform such services (Paragraph 4 of Article 8);
2. if it appoints as a member of its management board a person who has not obtained from the Agency the authorisation to perform the functions of a member of the management board of a management company (Paragraph 1 of Article 24);
3. if it concludes with the members of the management board and supervisory board of the management company, their close family members and persons from Point 2 of Paragraph 1 of Article 28 purchase and sales deals or other deals whose object is investments of investment funds managed by this management company, except for investment coupons and shares of investment funds (Article 28);
4. if, with regard to the volume and type of services performed and the risks to which it is exposed while performing these services or other business operations, it does not have at its disposal adequate capital in line with 30 hereof;
5. if it acquires a holding or other rights in a partnership or another legal entity on whose basis it could exercise unlimited responsibilities for the liabilities of this company (Paragraph 1 of Article 31);

6. if it is, either by itself or together with other related entities, holding a stake in another legal entity contrary to Paragraph 2 of Article 31 hereof;
7. if it does not prepare an annual report with the contents defined by a regulation adopted on the basis of Paragraph 2 of Article 32 hereof;
8. if it does not submit to the Agency the audited annual report and the audited consolidated annual report within the deadlines stipulated in Paragraph 3 of Article 191 of the Securities Market Act-1;
9. if it does not publish the summaries of the audited annual report and the audited consolidated annual report, including the auditor's opinion, within the deadline and according to the methods defined in Paragraph 1 of Article 193 of the Securities Market Act-1 and with the contents defined in the regulation adopted on the basis of Paragraph 2 of Article 193 of the Securities Market Act-1;
10. if, prior to entering the foundation into the Companies Register, it does not acquire from the Agency the authorisation for performing the services of managing investment funds (Paragraph 1 of Article 36);
11. if, prior to merging with another management company or other legal entity or prior to splitting, it does not obtain the authorisation from the Agency (Paragraph 2 of Article 36);
12. if, prior to establishing a branch in a foreign state, it does not acquire the authorisation from the Agency (Paragraph 3 of Article 36);
13. if, prior to beginning to perform the services of managing the financial assets of individual investment fund, it does not acquire from the Agency the authorisation to perform such services (Paragraph 4 of Article 36);
14. if, prior to opening a branch in a Members State, it does not notify the Agency on this matter according to the method defined in Paragraph 1 of Article 42 hereof;
15. if it starts a direct performance of services of managing investment funds in the territory of a Member State and does not notify the Agency on this matter according to the methods defined in Paragraph 1 of Article 43 hereof;

16. if it does not perform the services of managing investment funds in a foreign state through a branch (Paragraph 1 of Article 45);

17. if it establishes a branch in a foreign state without the Agency authorising this (Paragraph 2 of Article 45);

18. if a management company from Paragraph 1 of Article 46 hereof that starts its operations sooner than defined in Paragraphs 1 and 2 of Article 47 hereof;

19. if a foreign management company from Paragraph 1 of Article 50 hereof that does not perform the services of managing investment companies in the territory of the Republic of Slovenia through a branch (Paragraph 1 of Article 50);

20. if a management company from Paragraph 1 of Article 50 hereof, prior to establishing a branch in the territory of the Republic of Slovenia, does not acquire the authorisation from the Agency, or if it sales and markets, in the territory of the Republic of Slovenia, investment coupons or shares of investment funds for which it has not acquired the authorisation from the Agency (Paragraph 1 of Article 51);

21. if, for the account of investment funds that it manages, it does not conclude a contract on performing custodian services with a custodian (Paragraph 1 of Article 53);

22. if it concludes any deals with the custodian contrary to the prohibition referred to under Paragraph 1 of Article 54 hereof;

23. if, for the account of investment funds it manages, the management company obtains the qualified share in the custodian under Paragraph 2 of Article 12 on the basis of which it could exert significant influence on the custodian's management board (Paragraph 6 of Article 54);

24. if, prior to concluding or amending the contract on performing custodian services with a custodian, it does not acquire the authorisation from the Agency (Paragraphs 1 and 5 of Article 59);

25. if it does not separate the assets of an investment fund from its own assets and the assets of other investment funds that it manages or the assets referred to in Paragraph 2 of Article 16 hereof according to the method defined in Articles 61 to 63 hereof (Article 60);

26. if it invests the assets of an investment fund contrary to the provisions under Articles 64, 68, 69 and 70 hereof or contrary to the regulation adopted by the Agency on the basis of Article 77 hereof;
27. if, in the case under Article 76 of this Act, it fails to ensure the harmonisation of investments of the investment fund within the time limits set out in Article 76 of this Act;
28. if it acquires investment coupons or shares of other investment funds for the account of the investment fund contrary to the provisions of Article 71 of this Act or to the provisions of the regulation issued by the Agency on the basis of Article 77 of this Act;
29. if it invests the assets of the investment fund it manages into standardized financial instruments whereby the conditions under Article 77 of this Act are not fulfilled;
30. if it incurs debts, contrary to Article 78 of this Act, for the account of the investment fund for which it performs management services;
31. if it provides, for the account of an investment fund that it manages, a security or other type of guarantee (Paragraph 1 of Article 79);
32. if it concludes, for the account of an investment fund as a seller, a contract for the sale of financial instruments under Paragraph 1 of Article 80 of this Act where the investment fund was not the holder of these financial instruments upon the conclusion of the contract (Paragraph 80 of Article 182);
33. if it pledges or encumbers in any other way the assets of an investment fund (Paragraph 1 of Article 81);
34. if it lends, for the account of investment fund that it manages, securities or other financial instruments of investment fund contrary to the provisions under Paragraph 3 and 4 of Article 81;
35. if it does not prepare the annual and half-year reports of investment funds according to the method and within the deadlines stipulated in Article 85 hereof;
36. if, prior to the beginning of publicly offering mutual fund investment coupons or prior to the beginning of initial public offering of investment fund shares, it does not acquire from the

Agency the authorisation to publish the prospectus and abstract from the prospectus (Paragraph 1 of Article 96);

37. if it does not submit to the Agency the audited annual report of an investment fund that it manages within fifteen days after receiving the auditor's report or at the latest by 15 April of the following year, or does not submit the half-year report at the latest by 15 August of an individual year (Paragraph 1 of Article 101);

38. if it does not publish, within the deadlines, with the contents and according to the methods defined in Article 102 hereof and the regulation adopted by the Agency on the basis of Point 4 under Article 105 hereof, summaries of the audited annual report and half-year report or does not submit these reports to the Agency according to the method defined under Paragraph 2 of Article 105;

39. if it does not publish, within the deadlines, with the contents and according to the methods defined in the regulation adopted by the Agency on the basis of Article 105, the legal or business event referred to under Paragraph 1 of Article 103 hereof, or does not notify about it the Agency or the market organiser according to the method defined in Paragraph 2 of Article 103 hereof;

40. if it violates the prohibition of using inside information (Article 276 of the Securities Market Act-1 in connection with Article 107 hereof);

41. if it violates the duty of reporting on dealings with mutual fund investment coupons or investment company shares (Article 277 of the Securities Market Act-1 in connection with Article 90 hereof);

42. if it violates the duty of protecting confidential information defined in Article 109 hereof;

43. if it does not organise its operations in such a way as to secure efficient protection of confidential information and protection against any abuse of this information (Article 110);

44. if, prior to starting accepting the payments for the units, it fails to acquire the authorisation from the Agency for the management of this mutual fund (Article 116);

45. if it concludes, for the account of an investment fund, deals contrary to the provisions of Paragraph 1 under Article 137 hereof (Paragraph 1 of Article 137 and Article 180);

46. if, upon concluding a contract on performing custodian services, it does not notify the custodian about entities related to it, or if it does not regularly inform it on the changes in such relations (Paragraph 3 of Article 137 and Article 180);

47. if it transfers the management of an investment fund to another management company without the authorisation of the Agency (Articles 140 and 183);

48. if it starts the procedure of subscribing and paying-in for new shares on the basis of the increase in the share capital of an investment company by stakes without acquiring the authorisation from the Agency (Paragraph 1 of Article 157);

49. if, at subscription locations, it does not provide the conditions defined by the Agency on the basis of Paragraph 2 under Article 28 of the Securities Market Act-1 (Article 28 of the Securities Market Act-1 in relation with Article 160 hereof);

50. if, during a public offering of investment company shares, it commits a legally significant act changing the conditions of the public offering defined in the prospectus or the rights of securities holders as stated in the prospectus (Article 27 of the Securities Market Act-1 in relation to Paragraph 1 of Article 144 hereof);

51. if, within fifteen days after the day when the requirements for issuing investment company shares are met, it does not issue to the clearing and depository house an order to issue these shares in dematerialised form (Paragraph 1 of Article 163);

52. if an investment company acquires its own shares contrary to the conditions stipulated in Paragraph 2 of Article 164 hereof;

53. if, prior to entering the establishment of an investment company into the Companies Register, it does not acquire the Agency's approval of the statute (Paragraph 1 of Article 166);

54. if, prior to filing a proposal for entering an amendment to the investment company statute into the Companies Register, it does not acquire the Agency's approval (Paragraph 1 of Article 167);

55. if it represents the investment company shareholders in exercising the voting rights at the investment company's general meeting (Point 1 under Paragraph 2 of Article 170);

56.if, upon the establishment of an investment company, it starts the procedure for subscription and payment of shares before it acquires the authorisation from the Agency for the management of the investment company (Article 171);

57.if, upon the request of the Agency, it fails to report within the time limits and in the way stipulated by the Agency on the basis of Article 198 of this Act and of the regulation issued by the Agency on the basis of Article 199 of this Act;

58.if it fails to fulfil the order to terminate violations or to report to the Agency about it in the manner and within the time limit stipulated by the Agency (Article 201);

59.if it fails to fulfil the order of additional measure referred to in Article 202 of this Act or to report to the Agency about it in the manner and within the time limit stipulated by the Agency;

60.if it violates the temporary prohibition of performing the services of investment funds management under Paragraph 1 of Article 203 of this Act or the temporary prohibition of performing the services of managing financial assets of well informed investors under Article 204 of this Act;

61. if, within a period of 2 years after this Act enters into force, it does not perform the activities stated in points 1 to 5 under Paragraph 1 of Article 235 hereof;

62. if, within a period of 2 years, it does not file a request for adopting a decision on harmonising the business operations of a mutual fund with this Act (Paragraph 2 of Article 235. hereof);

63.if it fails to file a request for the issue of consents and authorisations under Paragraph 4 of Article 235 of this Act;

64.if a mutual fund under the ZISDU, managed by this company, before the complete harmonisation with the provisions on fund assets pursuant to this Act fails to bear the words "special mutual fund" (Paragraph 13 of Article 235);

65.if the mutual fund management rules, prospectus and all promotional literature in the name or the registered name fail to contain the words "special mutual fund" before the mutual fund is completely harmonised with the provisions on mutual funds pursuant to this Act (Paragraph 14 of Article 235);

66.if within two years of entry into force of this Act it fails to carry out the activities stated in Paragraph 1 of Article 236 of this Act ;

67.if within two years of the entry into force of this Act it fails to submit to the Agency the request for the issue of authorisations and consents, accompanied with appendices stated in Points 1 to 3 of Paragraph 2 of Article 236 of this Act;

68.if, no later than four days from the entering into force of this Act, it fails to entirely harmonise the investments of the investment company (Paragraph 4 of Article 236 of this Act);

69.if within four years of entry into force of this Act it fails to submit to the Agency the request for the issue of the decision on harmonisation of business operations on the basis of Paragraph 5 of Article 236 of this Act;

70.if it fails to harmonise the business operation of the investment company, which will be created by the transformation or separation of the authorised investment company after this Act enters into force, with the provisions of this Act (Paragraph 14 of Article 236 of this Act);

71.if it violates the provisions of Articles 192 and 237 of this Act;

(2) A fine of SIT 1,000,000 to SIT 15,000,000 shall be imposed on the responsible person of a management company committing a violation referred to under Paragraph 1 of this Article.

Minor Violations Committed by a Management Company

Article 228

(1) A fine of SIT 500,000 to SIT 50,000,000 shall be imposed, for a violation, on a management company:

1. if its management board does not have at least two members or if a member of its management board does not perform the duties of managing the business operations of the management company as a full-time job (Paragraphs 1 and 2 of Article 22);

2. if it does not meet the human resources, technical or organisational requirements stipulated hereunder or in the regulation adopted by the Agency on the basis of Article 29 hereof;
3. if it does not keep the account books, records and documents according to the methods defined in Article 187 of the Securities Market Act-1 or in the regulation adopted on the basis of Paragraph 2 of Article 32 hereof;
4. if it does not notify the Agency on the intended change in the facts referred to under Paragraph 1 of Article 42 at least one month prior to the intended change (Paragraph 5 of Article 42);
5. if it does not notify the Agency on the intended change in the facts referred to under Paragraph 1 of Article 43 or on authorising another entity to sell and market investment coupons or shares of investment funds that it manages in a Member State at least one month prior to the intended change (Paragraphs 4, 5 and 6 of Article 43);
6. referred to under Paragraph 1 of Article 46 hereof that does not notify the Agency on the intended change in information referred to under Article 42 hereof at least one month prior to the intended change (Paragraph 3 of Article 47);
7. if it reimburses, from investment fund assets, to the custodian any other expenses other than the commission referred to under Paragraph 5 of Article 53 and the expenses stipulated in Paragraph 6 of Article 53 hereof (Paragraph 6 of Article 53 hereof);
8. if, in case of the violation referred to under Paragraph 3 of Article 76 hereof, it does not notify the Agency according to the method defined in Paragraph 3 of Article 76 hereof;
9. if it does not, for each investment fund that it manages, keep account books, prepare accounting documents, evaluate accounting items, and prepare annual and other reports in line with the provisions hereunder and the provisions of regulations adopted on the basis of this Act (Point 1 of Paragraph 1 under Article 84 hereof);
10. if it does not organise business operations and does not regularly keep account books, business documents and other administrative or business records in such a way that it is possible at any time to check whether an investment fund operates in line with the provisions hereof and the provisions of regulations adopted on the basis of this Act (Point 2 of Paragraph 1 of Article 84);

11. if it does not keep the records of investment coupon holders for each mutual fund that it manages (Paragraph 2 of Article 84);
12. if it does not calculate the net value of investment fund assets according to the methods and within the deadlines defined in Article 86 hereof and in the regulation issued by the Agency on the basis of Article 89 hereof;
13. if it does not report monthly to the Agency in relation to each investment fund that it manages according to the method, with the contents and within the deadlines defined under Article 88 hereof and in the regulation issued by the Agency on the basis of Article 89 hereof;
14. if it does not acquire the authorisation of the Agency prior to amending or supplementing the prospectus or abstract from the prospectus (Paragraph 4 of Article 96);
15. if it does not, within the deadlines stipulated hereunder regarding submission of the audited annual report and half-year report to the Agency, supplement the prospectus and abstract from the prospectus with the information from the annual report and half-year report, and submit them to the Agency (Paragraph 1 and 2 of Article 97);
16. if it does not hand out to the subscribers, prior to them accessing to fund rules or prior to them subscribing and paying-in for investment company shares, free abstract from the prospectus according to the method defined in the regulation adopted by the Agency on the basis of Article 105 hereof (Article 98);
17. if it fails to provide the prospectus to the investors upon their request, in the manner and according to the conditions stipulated in Paragraphs 1 and 2 of Article 99 of this Act and in the regulation issued by the Agency on the basis of Article 105 of this Act;
18. if the public announcement containing the invitation to pay for mutual fund investment coupons or investment company shares does not contain a warning to investors that pursuant to Article 99 of this Act they have the right to demand the prospectus to be delivered to them (Paragraph 3 of Article 99);
19. if, upon his request, the holder of mutual fund investment coupons or investment company shares is not delivered free of charge a copy of an audited annual or half-year report in the way stipulated by Paragraph 2 of Article 101 and by the regulation issued by the Agency on the basis of Article 105 of this Act;

20. if it does not submit to the organiser of securities market the audited annual and half-year reports of the investment company that it manages and whose shares are traded on the organised securities market (Paragraph 3 of Article 101);

21. if it does not publish, within the deadlines, with the contents and according to the method defined in the regulation adopted by the Agency on the basis of Items 6 and 7 of Article 105 hereof, the data and information on investment funds referred to under Article 104 hereof or other data and information defined in the regulation adopted by the Agency on the basis of Article 105 hereof;

22. if it does not obtain the Agency's approval prior to changing fund rules (Paragraph 1 of Article 121);

23. if, after receiving the Agency's approval of changing fund rules, it does not notify about this the investment coupons holders and the public according to the method defined in Paragraphs 8 and 10 of Article 121 hereof and in the regulation adopted by the Agency on the basis of Paragraph 13 of Article 121 hereof;

24. if it makes to itself, from mutual fund assets, payments other than the management commission and the expenses defined, in line with the provisions of Paragraph 2 under Article 124, by the fund rules;

25. if it does not issue an investment coupon within five working days after the end of the accounting period in which a payment was made to the special cash account of a mutual fund (Paragraph 2 of Article 132);

26. if it does not redeem the repurchase value to the investment coupon holder according to the method and within the deadline referred to under Article 134 hereof;

27. if it makes, for the account of an investment fund, a purchase or sales deal whose object is a type of investment that is in contradiction with the provisions hereunder or with the fund rules or with the investment policy defined in the investment company statute (Paragraph 4 of Article 137 and Article 180);

28. if, after receiving from the Agency the authorisation to take over the management, it does not notify the public and the holders of mutual fund investment coupons or investment company shares holders about the transfer of investment fund management according to the methods and within the deadlines stipulated in Paragraphs 1 and 4 of Article 143 hereof and in the regulation adopted by the Agency on the basis of Paragraph 6 of Article 143 (Article 143, Paragraph 5 of Article 146, Article 183 and Paragraph 1 of Article 185);

29. if, after the appearance of grounds to initiate the liquidation of a mutual fund, it does not notify on this the Agency, the investment coupons holders and the public according to the method defined under Paragraphs 1 to 3 of Article 149 hereof and the regulation adopted by the Agency on the basis of Paragraph 4 of Article 149 hereof;

30. if, after the appearance of grounds to initiate the liquidation of a mutual fund, it redeems the repurchase value of an investment coupon or accepts a declaration of accession to the fund rules (Paragraphs 1 and 2 of Article 150);

31. if, after the appearance of grounds to initiate the liquidation of a mutual fund, it pays itself the management commission contrary to the provisions of Paragraph 3 under Article 150 hereof;

32. if an investment company that it manages performs activities contrary to the provisions of Paragraph 1 under Article 153 hereof;

33. if it does not, at the latest seven days prior to the beginning of publicly offering investment company shares, submit the prospectus to the Agency (Paragraph 1 under Article 26 of the Securities Market Act-1 in relation with Paragraph 1 of article 160 of this Act);

34. if the final contents of a prospectus differ from the prospectus approved by the Agency (Paragraph 2 under Article 26 of the Securities Market Act-1 in relation to Paragraph 1 of Article 160 hereof);

35. if, prior to starting the procedure of subscribing and paying-in for investment company shares, it does not publish an invitation to subscribe and pay in for the shares, or if the published invitation does not contain the information defined under Paragraph 2 of Article 161 hereof, Paragraph 2 of Article 31 of the Securities Market Act-1 and the regulation adopted by the Agency on the basis of Paragraph 3 of Article 161 hereof;

36. if it does not, within three working days after investment company shares are issued, secure the meeting of requirements for starting organised trading in these shares, or if it does not, within the same period after the issue of shares upon the foundation of a joint-stock company, file a request for admitting the shares to listing on the stock exchange (Paragraph 2 and 3 of Article 163);

37. if it pays itself the commission for managing an investment company contrary to the provisions of the statute or the provisions of Article 177 hereof;

38. if, apart from the management commission, the formation expenses referred to under

article 176 hereof and the expenses defined, in line with the provision of Paragraph 2 of Article 178 hereof, by the investment company statute, it also makes other payments to itself from the investment company assets;

39. if it does not, on the first working day after the general meeting of the investment company has adopted the resolution on starting liquidation proceedings, notify the Agency on this (Paragraph 1 of Article 189);

40. if it does not, within three working days after the general meeting of the investment company has adopted the resolution on starting liquidation proceedings, notify on this the investment company shareholders according to the method defined in the regulation adopted by the Agency on the basis of Paragraph 4 of Article 189 hereof (Paragraph 2 of Article 189);

41. if it does not, within three working days after the general meeting of the investment company has adopted the resolution on starting liquidation proceedings, notify on this the public according to the method defined in the regulation adopted by the Agency on the basis of Paragraph 4 of Article 189 hereof (Paragraph 3 of Article 189);

42. if it does not report to the Agency according to the method and within the deadlines defined in Article 197 hereof and the regulation adopted by the Agency on the basis of Article 199 hereof;

43. if it fails to immediately publish legal or business events which concern the investment company or shares issued by this company and which could significantly influence the price of these shares (Article 209);

44. if within 18 months from the entry into force of this Act it fails to establish a scheme for an out-of-court settlement of disputes under Paragraph 1 of Article 226 (Paragraph 5 of Article 232).

(2) A fine of SIT 50,000 to SIT 2,500,000 shall be imposed on the responsible person of a management company committing a violation referred to under Paragraph 1 of this Article.

Major Violations Committed by a Custodian Article 229

(1) A fine of SIT 10,000,000 to SIT 100,000,000 shall be imposed, for a violation, on a custodian:

1. if it does not ensure that the net value of investment fund assets is calculated in line with this Act, the regulations adopted on its basis and the fund rules or the investment company statute (Point 5 under Paragraph 2 of Article 53);
2. if it does not ensure that net unit value is calculated in line with this Act, the regulations adopted on its basis and the fund rules (Point 2 under Paragraph 3 of Article 53);
3. if it concludes, with a management company, a purchase or sales deal or any other deal whose object is an investment of the investment fund for which it performs custodian services and which is managed by this management company (Paragraph 1 of Article 54);
4. if it acquires investment coupons or shares of an investment fund for which it performs custodian services (Paragraph 2 of Article 54);
5. if it does not open for each investment fund for which it performs custodian services a special account in line with Paragraph 4 of Article 61 hereof;
6. if it does not keep securities issued as written documents that are not in collective safe-keeping at a clearing and depository company separately from the securities of another investment fund and other securities that it keeps (Paragraph 8 of Article 61);
7. if it entrusts investment fund securities to a bank or other financial organisation for safe-keeping contrary to the provisions of Paragraph 9 under Article 61 hereof;
8. if it executes the order given by a management company to make a payment to the burden of the special cash account of an investment fund that is in contradiction with this Act and the funds rules or the investment company statute (Paragraph 8 of Article 63);
9. if it grants to a management company the approval to take a loan for the account of an investment fund although the loan terms are less favourable than the usual market terms (Paragraph 6 of Article 78);
10. if it concludes a deal with an investment fund for which it performs custodian services (Point 3 under Paragraph 1 of Article 137 and Article 180);
11. if, upon concluding a contract on performing custodian services, it does not notify the management company concerned about all entities related to it, or does not regularly inform it on any change in such relations (Paragraph 2 of Article 137 and Article 180).

(2) A fine of SIT 1,000,000 to SIT 15,000,000 shall be imposed on the responsible person of a custodian committing a violation referred to under Paragraph 1 of this Article.

Minor Violations Committed by a Custodian
Article 230

(1) A fine of SIT 500,000 to SIT 50,000,000 shall be imposed, for a violation, on a custodian:

1. if it does not ensure that the commission to which a management company is entitled is calculated in line with this Act and the fund rules or the investment company statute (Item 6 under Paragraph 2 of Article 53);

2. if it does not ensure that the offering, issue, repurchase and redemption of investment coupons value take place in line with the provisions hereunder and the fund rules (Item 1 of Paragraph 3 under Article 53);

3. if it does not ensure that the initial and secondary offering and issue of investment company shares take place in line with the provisions hereunder and the investment company statute (Item 1 under Paragraph 4 of Article 53);

4. if it does not ensure that the repurchase of an investment company's own shares takes place in line with the provisions hereunder and the investment company statute (Item 2 under Paragraph 4 of Article 53);

5. if, within a period of two months after the appearance of the grounds for compulsory transfer of mutual fund management referred to under Article 145 hereof, it does not carry out the procedure of collecting the offers by management companies meeting the requirements for taking over the management of the mutual fund and ready to take over the management of the mutual fund (Paragraph 1 of Article 146);

6. if, within a period of two months after the appearance of the grounds for compulsory transfer of investment company management referred to under Article 184 hereof, it does not carry out the procedure of collecting the offers by management companies meeting the requirements for taking over the management of the investment company and ready to take over the management of the investment company (Paragraph 1 of Article 185 in relation with Paragraph 1 of Article 146);

7. if in cases referred to under Article 147 hereof it does not initiate the liquidation of an investment fund (Paragraph 1 of Article 147 and Paragraph 2 of Article 185);

8. if it does not fulfil the obligations referred to under Paragraph 5 of Article 149 and Paragraph 5 of Article 189 hereof.

(2) A fine of SIT 500,000 to SIT 2,500,000 shall be imposed on the responsible person of a custodian committing a violation referred to under Paragraph 1 of this Article.

Violations Committed by Other Entities

Article 231

(1) A fine of SIT 500,000 to SIT 50,000,000 shall be imposed, for a violation, on a legal entity:

1. if it collects funds or acts as an agent in collecting funds or in any other way secures the conditions for collecting funds contrary to Paragraph 3 of Article 2 hereof (Paragraph 4 of Article 2),

2. if, contrary to the prohibition referred to under Paragraph 5 of Article 5 hereof or contrary to Paragraphs 6 and 7 of Article 5 hereof and contrary to Article 6 hereof, it performs the services of managing investment funds,

3. if it publicly offers, acts as an agent in offering or in any other way creates the conditions for offering mutual fund investment coupons contrary to Paragraph 4 of Article 9 hereof (Paragraph 5 of Article 9),

4. if it publicly offers, acts as an agent in offering or in any other way creates the conditions for offering investment company shares contrary to Paragraph 7 of Article 10 hereof (Paragraph 8 of Article 10),

5. if it is related to the custodian and concludes with the management company a transaction of purchase or sale or any other transaction whose subject is an investment of the investment fund, which is managed by this management company, and for which the custodian, to which the legal entity is related, performs custodian services (Paragraph 1 of Article 54);

6. if it is related to the management company and concludes with the custodian a transaction of purchase or sale or any other transaction whose subject is an investment of the investment

fund for which this custodian performs custodian services and which is managed by the management company, to which the legal entity is related (Paragraph 1 of Article 54);

7. as manager of a mutual pension fund if it does not conclude a contract on performing custodian services (Paragraph 1 of Article 211),

8. as manager of a mutual pension fund if the auditing of the business operations of the mutual pension fund by a certified auditor is not carried out (Paragraph 1 of Article 212).

(2) A fine of SIT 30,000 to SIT 1,500,000 shall be imposed on the responsible person of a legal entity committing a violation referred to under Paragraph 1 of this Article.

(3) A fine of SIT 30,000 to SIT 450,000 shall be imposed, for a violation, on a natural person:

1. if he/she collects funds or acts as an agent in collecting funds or in any other way creates the conditions for collecting funds contrary to Paragraph 3 of Article 2 hereof (Paragraph 4 of Article 2),

2. if, contrary to the prohibition referred to under Paragraph 5 of Article 5 hereof, he/she performs the services of managing investment funds,

3. if he/she publicly offers, acts as an agent in offering or in any other way creates the conditions for offering mutual fund investment coupons contrary to Paragraph 4 of Article 9 hereof (Paragraph 5 of Article 9),

4. if he/she publicly offers, acts as an agent in offering or in any other way creates the conditions for offering investment company shares contrary to Paragraph 7 of Article 10 hereof (Paragraph 8 of Article 10).

13. TRANSITIONAL AND FINAL PROVISIONS

Harmonisation of Management Companies

Article 232

(1) The management companies that have acquired the Agency's authorisation to perform the services of managing investment funds on the basis of the Investment Funds and Management Companies Act shall continue their business operations as management companies according to this Act.

(2) The management companies referred to under Paragraph 1 of this Article must harmonise their business operations with the provisions made hereunder within one year after this Act enters into force.

(3) A management company referred to under Paragraph 1 of this Article must submit to the Agency, within one year after this Act enters into force, a report on the harmonisation referred to in Paragraph 2 of this Article and attach to it evidence on such harmonisation.

(4) If a management company acts contrary to Paragraph 2 or 4 of this Article, the Agency may temporarily prohibit it to perform the services of managing investment funds or withdraw its authorisation.

(5) A management company shall establish the scheme under Paragraph 1 of Article 226 of this Act no later than 18 months as from the entry into force of this Act.

(6) The management company shall, in the case the Agency or the Bank of Slovenia has not yet issued any authorisation under Paragraph 3 of Article 55 of this Act, subsequently forward to the Agency a request for the issue of the authorisation for the conclusion of the contract on carrying out custodian services under Paragraph 2 of Article 59 of this Act no later than two months from the date of the first issue of the authorisation under Paragraph 3 of Article 55 of this Act, but not later than two years from the entry into force of this Act.

(7) In the cases referred to in the previous paragraph of this Article, the provisions of Paragraph 2(1) of Article 118 and the provisions of Paragraph 2(1) of Article 173 of this Act shall not apply until the first issue of the authorisation under Paragraph 3 of Article 55 of this Act.

Members of the Management Boards of Management Companies

Article 233

A person who has obtained the authorisation to perform the duty of a member of the management board of a management company on the basis of the Investment Funds and Management Companies Act shall be considered to have the authorisation to perform the duty of a member of the management board of a management company according to this Act.

Qualifying Holdings in a Management Company

Article 234

(1) The persons holding, on the day when this Act enters into force, qualifying holdings or holdings referred to under Paragraph 2 of Article 19 hereof in a management company shall be considered to have acquired, when this Act enters into force, the Agency's authorisation referred to under Paragraphs 1 and 2 of Article 19 hereof, respectively.

(2) Within eight days after this Act enters into force, a management company must notify the Agency on the holders referred to under Paragraph 1 of this Article and the level of their holdings.

(3) It must attach to the notification from the previous paragraph a copy from the Companies Register if it is organised as a limited liability company or a copy from the Shareholders' Register if it is organised as a public liability company.

Harmonisation of Mutual funds

Article 235

(1) A management company managing, upon the entry into force of this Act, a mutual fund on the basis of the ZISDU shall within two years of this Act entering into force:

1. conclude a contract with the custodian on the performance of custodian services for the mutual fund it manages, whereby the contract shall enter into force upon the issue of the authorisation by the Agency under Paragraph 4(1) of this Article, ,
2. harmonise the prospectus and abstract from the prospectus of the mutual fund with the provisions of this Act and the regulations adopted on its basis,
3. harmonise the fund rules with the provisions of this Act and the regulations adopted on its basis,
4. harmonise the investments of the mutual fund with the provisions of this Act and the regulations adopted on its basis, and
5. harmonise the business operations of the mutual fund with other provisions of this Act and the regulations adopted on its basis.

(2) A management company referred to under Paragraph 1 of this Article must, within two years after this Act enters into force, file a request at the Agency to be issued a decision on the harmonisation of the business operations of the mutual fund with this Act.

(3) Management company must attach to the request from the previous paragraph a report on the harmonisation referred to under Paragraph 1 of this Article, copies of prospectus, abstract from

the prospectus and fund rules, a photocopy of the contract concluded with the custodian and the auditor's opinion that shows that the investments of the mutual fund correspond to the provisions of this Act on the investments of mutual funds.

(4) Simultaneously with filing the request for issuing the decision referred to under Paragraph 2 of this Article, a management company must file requests for granting the following authorisations and approvals according to this Act:

1. authorisation to conclude a contract with a custodian,
2. authorisation to publish the prospectus and abstract from the prospectus, and
3. approval of amending fund rules.

(5) If the Agency finds, on the basis of the report referred to under Paragraph 3 of this Article and other information and evidence, that a management company has harmonised the business operations of the mutual fund concerned with the provisions hereunder and paid the fee to the Agency for conducting the procedure, it shall adopt a decision whereby it finds that the harmonisation has been carried out.

(6) Article 118 hereof shall apply, as appropriate, to the process of taking a decision on the request for adopting a decision on harmonisation referred to under Paragraph 2 of this Article.

(7) If a management company does not, within two years after this Act enters into force, file a request for adopting a decision on harmonisation referred to under Paragraph 2 of this Article or if the Agency dismisses or refuses the request for adopting a decision on harmonisation referred to under Paragraph 2 of this Article, the Agency stipulates, by issuing an order to terminate violations, an additional period, which must not be shorter than fifteen days and must not exceed two months, for the management company to fulfil the obligations referred to in Paragraphs 1 to 4 of this Article. Rejected request shall be deemed as not filed.

(8) In the case referred to under Paragraph 7 of this Article, the Agency may temporarily prohibit the management company to manage a mutual fund.

(9) Paragraphs 2, 4 and 5 of Article 203 and Paragraphs 3 to 6 of Article 216 hereof shall apply mutatis mutandis, to the temporary prohibition of managing a mutual fund.

(10) If a management company does not act in line with the order to terminate violations referred to under Paragraph 7 of this Article, there are grounds to withdraw the authority to perform the services of managing investment funds from the management company.

(11) In the case from the previous paragraph, the mutual fund concerned is compulsorily transferred to another management company in line with the provisions of Subchapter 5.7.2 hereof.

(12) Should a compulsory transfer not be possible, the management company concerned must initiate the liquidation of the mutual fund in line with the provisions of Chapter 5.8 hereof.

(13) Until the full harmonisation of a mutual fund referred to under the Investment Funds and Management Companies Act with the provisions hereunder on mutual funds, the mutual fund from the Investment Funds and Management Companies Act must contain in its name the word “special” mutual fund, while after harmonising with all the provisions hereunder, it must contain the words “mutual fund”.

(14) In their names, the fund rules, prospectus and all promotional literature must contain the words “special mutual fund” as defined in Paragraph 1 of Article 11 hereof as long as the mutual fund is not harmonised with the provisions of Chapter 4.3 hereunder on the investment of investment funds and other provisions hereunder.

(15) Until the issue of the regulation under Paragraph 7 of Article 126 of this Act, by which the Agency within the framework of conditions for listing mutual fund investment coupons on the organized market also defines in greater detail the procedure for the issue and withdrawal or cessation of the investment coupon as a dematerialised security, the investment coupon shall be issued in a materialised form which is not subject to the listing on the organized market.

Harmonisation of Investment Companies

Article 236

(1) A management company managing, upon the entry into force of this Act, an investment company under the ZISDU shall within two years of this Act entering into force:

1. conclude a contract with the custodian for the performance of custodian services for the investment company it manages, whereby the contract shall enter into force upon the issue of the authorisation by the Agency under Point 1 of Paragraph 2 of this Article,
2. harmonise the prospectus and abstract from the prospectus of the investment company with the provisions of this Act and the regulations issued on its basis,
3. harmonise the statute of the investment company with the provisions of this Act and the regulations issued on its basis,
4. harmonise business operations of the investment company with other provisions of this Act and with the regulations issued on its basis as well as submit to the Agency the evidence that the change in the activity and the registered name of the investment company, formed out of an authorised investment company, has been entered into the Companies Register.

(2) The management company referred to in the previous paragraph shall, within a period of two years after the entry into force of this Act, file at the Agency the request to be granted the following authorisations or consents pursuant to this Act:

1. for the issue of the authorisation to conclude a contract with the custodian,
2. for the issue of the authorisation to publish the prospectus and the abstract from the prospectus, and

for the issue of the consent to the changes of the investment company statute, whereby the request shall be accompanied by the report on the harmonisation of investments of the investment company with the provisions of this Act as from the date of transformation from the authorised investment company onwards.

(3) For investment companies operating as investment companies on the basis of the ZISDU upon entering into force of this Act, the following exceptions to the rules on investments and exposure of an investment company to individual entities shall apply for the first four years after this Act enters into force:

1. the investment company's assets may also include investments in real estate,
2. the total value of the investments referred to in Paragraph 3 of Article 64 of this Act shall not exceed 40 % of the value of the investment company's assets.

(4) The management company managing the investment company referred to in the previous paragraph shall immediately begin harmonizing business operations, investments and exposure of the investment company to individual entities, and shall, no later than four years following the day this Act enters into force, fully harmonise also the investments and exposure of the investment company to individual entities.

(5) The management company shall within a period of four (4) years after this Act enters into force file at the Agency a request for issuing a decision on the harmonisation of business operations of the investment company with the provisions of this Act.

(6) To the request referred to in the previous paragraph it shall attach the custodian's report on the harmonisation of investments and exposure to individual entities which shall contain a detailed description of any discrepancies, copies of prospectus and abstract from the prospectus, a photocopy of the contract concluded with the custodian, a photocopy of the statute referred to in Paragraph 1 of this Article, evidence of having paid the fee to the Agency for conducting the procedure, and the auditor's opinion showing that the investments and exposure of the

investment company to individual entities are in line with the provisions of this Act in force for investment companies pursuant to Chapter 6 of this Act.

(7) If the Agency finds, on the basis of the report referred to in Paragraph 6 of this Article and other information and evidence, that a management company has harmonised business operations of the investment company with the provisions of this Act and has paid the fee to the Agency for conducting the procedure, it shall issue a decision finding that the harmonisation has been carried out.

(8) Article 173 of this Act shall *mutatis mutandis* be used when considering the request for issuing a decision on harmonisation referred to in Paragraph 5 of this Article.

(9) If a management company fails, within four years after this Act having entered into force, to file a request for issuing a decision on harmonisation referred to in Paragraph 5 of this Article or if the Agency dismisses or refuses the request for issuing a decision on harmonisation, the Agency shall stipulate, by issuing an order to terminate violations, an additional period, no shorter than fifteen days and not exceeding two months, for the management company to fulfil the obligations referred to in Paragraphs 1, 2, 4, 5 and 6 of this Article.

(10) If a management company fails to act in line with the order to terminate violations referred to in Paragraph 9 of this Article, there are grounds to withdraw from the management company the authorisation for the performance of services of investment funds' management.

(11) In the case referred to in the previous paragraph, the investment company shall be compulsorily transferred to another management company in accordance with the provisions of the Subchapter 6.4.2 of this Act.

(12) Should a compulsory transfer not be possible, the management company shall initiate liquidation of the investment company in line with the provisions of Chapter 6.5 of this Act.

(13) The prospectus and the entire promotional literature shall, in the name or in the registered name, contain the words “special investment company” as long as the investment company is not harmonised with the provisions of Chapter 4.3 of this Act on the investments of investment funds and with other provisions of this Act.

(14) For the harmonisation with the provisions of this Act, for investment companies, which will be established by the transformation or harmonisation of authorised investment companies on the basis of the ZISDU and ZPSPID after this Act enters into force, the provisions of this Article and other provisions of this Act shall apply whereby individual time limits pursuant to this Article

shall start running on the date the Agency's decision on the transformation of the authorised investment company into an investment company is received.

(15) An investment company pursuant to this Article shall be transformed into a mutual fund no later than within four years of the date the Agency's decision referred to in Paragraph 7 of this Article is received.

(16) For the transformation of an investment company referred to in the previous paragraph of this Article, the provisions of Articles 192 to 237 of this Act shall mutatis mutandis be used.

(17) In the case the management company fails to carry out all activities necessary for the transformation of the investment company into a mutual fund, these activities shall be carried out by the custodian on behalf and for the account of the investment company.

(18) Notwithstanding the provisions of Paragraph 15 of this Article, the investment company is not required to transform into a mutual fund if its shareholders at the general meeting of the investment company holding a three quarters majority of total capital adopt the decision that the investment company will not be transformed into a mutual fund.

Transformation of Authorised Investment Companies

Article 237

(1) Until the adoption of a special Act for the transformation of authorised investment companies, provisions of the ZISDU and ZPSPID shall be used.

(2) Notwithstanding the provision of the previous paragraph, an authorised investment company may also be transformed into a mutual fund.

(3) For the transformation of an authorised investment company into a mutual fund or for the separation of a part of the authorised investment company's assets into a mutual fund the provisions of this Article and the provisions of Paragraphs 1 to 5 of Article 192 of this Act shall mutatis mutandis be used.

(4) A mutual fund shall be formed from an authorised investment company in such a way that the management company transfers the assets and liabilities of the authorised investment company it

manages into the mutual fund, adopts rules for managing the mutual fund and concludes a contract for the performance of custodian services (forms the mutual fund) with the custodian.

(5) It shall be deemed that an authorised investment company is transformed into a mutual fund on the day on which the decision is issued by the Agency stating that the authorised investment company is harmonised with the provisions referred to in the previous paragraph of this Article.

(6) The management company shall, no later than within 12 months from the day the decision of the Agency referred to in the previous paragraph was received, submit a request to the Agency for the acquisition of the authorisation for mutual fund management, whereby in connection with the request the provisions of Article 117 of this Act shall *mutatis mutandis* be used.

(7) When deciding about the issue of the authorisation pursuant to the previous paragraph, the provisions of Article 118 of this Act shall *mutatis mutandis* be used.

(8) The Agency shall also refuse the request set out in Paragraph 6 of this Article if the mutual fund fails to harmonise the investments in such a way that at least provisions of Chapter V of the ZISDU are taken into account.

(9) The management company managing the mutual fund referred to in Paragraph 2 of this Article shall immediately start harmonising business operations, investments and exposure to individual entities of the mutual fund and shall, no later than within two years of the date the Agency's decision referred to in Paragraph 5 of this Article is received, become fully harmonised according to the provisions of this Act and harmonise the investments according to the provisions of Chapter 4.3 and 4.4 of this Act.

(10) For the harmonisation under the previous paragraph, the provisions of Paragraphs 2 to 14 of Article 235 of this Act shall *mutatis mutandis* be used.

(11) A mutual fund which was established by the transformation or separation of assets of an authorised investment company may only start receiving new payments or selling new units of mutual fund assets on the day the Agency's decision on the harmonisation set out in Paragraph 5 of Article 235 of this Act becomes final.

Commissions

Article 238

(1) A management company managing:

1. an investment company or
2. an authorised investment company whose shareholders have at the general meeting adopted the decision for the transformation into an investment company,

shall within 60 days, counted from the date of entry into force of this Act, start calculating the management fee for the management of the investment company, to the level and in the manner stipulated in Paragraph 2 of Article 177 of this Act.

(2) A management company managing:

1. a mutual fund or
2. an authorised investment company whose shareholders have at their general meeting adopted the decision on the transformation into a mutual fund or on the separation of a part of the assets into the mutual fund,

shall from the date which is stipulated by the management company in the fund rules or in the statute of the authorised investment company onwards calculate the total management fee for the mutual fund management or for the management of such authorised investment company, to the level and in the manner stipulated in Paragraphs 1 and 2 of Article 123 of this Act for the management commissions to which the company is entitled when managing the mutual fund.

(3) In the case of separating the assets of an investment company or of an authorised investment company into a mutual fund, or in the case of transforming an authorised investment company or an investment company into a mutual fund, the management company managing such a mutual fund shall calculate for all coupon holders, who wish to be paid out, the redemption commission which shall, in the first year after the transformation or separation of assets to the mutual fund, range from 0 to 20 % and in the second year from 0 to 10 % of the unit value.

(4) Notwithstanding the provisions of the previous paragraph, the management company shall in the fund rules stipulate the level of the redemption commission to such a percentage of the unit value which equals or exceeds the percentage of the share of non-market and insolvent assets of the mutual fund in the total mutual fund assets; this percentage may only be lower under the condition that the value range and the dynamics of unit payments on the basis of received requests for redemption and payment of investment coupons as well as the actual structure and characteristics of mutual fund investments ensure to the management company a structural and time harmonisation of mutual fund investments in accordance with the provisions of this Act.

(5) The redemption commission set out in Paragraph 3 or 4 of this Article shall, in the period before the Agency's decision set out in Paragraph 5 of Article 235 of this Article on the

harmonisation of the mutual fund with all provisions of this Act, which are in force for a mutual fund pursuant to Chapter 5 of this Act, is received, remain to the mutual fund and shall be a component part of mutual fund assets.

(6) Redemption commissions calculated from the date on which the Agency's decision set out in Paragraph 5 of Article 235 is received onwards shall belong to the management company.

Adoption of Regulations

Article 239

(1) The Agency must, within six months after this Act enters into force, adopt regulations on the basis of this Act necessary for the harmonisation of business operations of management companies and for the harmonisation of business operations of mutual funds and investment companies.

(2) The Agency must, within a period of eight months after this Act enters into force, adopt the remaining regulations on the basis of this Act other than the regulations referred to under Paragraph 1 of this Article.

(3) Until the adoption of the regulations on the basis of this Act, the regulations adopted on the basis of the Investment Funds and Management Companies Act apply as appropriate.

Annulment of Regulations

Article 240

(1) As of the day this Act enters into force, the following shall be annulled:

1. Investment Funds and Management Companies Act (Official Gazette of the Republic of Slovenia, no. 6/94, 68/96-decision of the Constitutional Court, 25/1997, 10/1998, 26/1999 and 56/1999), except its Chapter X in the part referring to authorised investment companies or authorised management companies only managing authorised investment companies.

2. Paragraphs 3 and 4 of Article 335, Article 379 and Article 380 of the Pension and Disability Insurance Act (Official Gazette of the Republic of Slovenia, no. 106/1999, 72/2000, 81/2000, 124/2000 and 109/2001), and 3. Paragraph 5 of Article 33 of the First Pension Fund and Transformation of Authorized Investment Companies Act (Official Gazette RS, No. 50/1999 and 106/1999),

(2) Notwithstanding the provisions of Point 1 of Paragraph 1 of this Article, for authorised investment companies and for the authorised management company, which exclusively manages authorised investment companies, the ZISDU shall be applied, unless explicitly otherwise stipulated by this Act.

(3) Notwithstanding the provisions of Paragraph 2 of this Article, for the limitation of investments of authorised investment companies also Paragraph 4 of Article 76 of this Act shall be applied.

(4) Notwithstanding the provisions of Point 1 of Paragraph 1 and Paragraph 3 of this Article, after entering into force of this Act, Chapter V of the ZISDU shall be applied for mutual funds set out in Article 237 of this Act, until such time as the Agency's decision on the harmonisation pursuant to Paragraph 5 of Article 235 of this Act becomes final.

Commencement of Application of Individual Provisions Hereunder

Article 241

(1) The provisions under Point 3 of Paragraph 4 under Article 5, Paragraph 5 of Article 19, Articles 41 to 44, Articles 46 to 49, Article 95, Point 2 under Paragraph 3 and Point 1 under Paragraph 5 of Article 223, Article 224 and Article 225 of this Act shall apply as of the day the Republic of Slovenia accesses to the European Union.

(2) Until the commencement of applying the provisions referred to under Paragraph 1 of this Article:

1. Paragraph 3 of Article 20 hereof shall apply to the process of taking a decision on authorisation to acquire a qualifying holding for Member State entities,
2. Article 45 hereof shall apply to the performance of the services of managing investment funds outside the territory of the Republic of Slovenia,
3. Articles 50 to 52 shall apply to the performance of the services of managing investment funds by management companies of Member States,
4. the provisions of Item 3 under Paragraph 3 and Item 2 under Paragraph 5 of Article 223 hereof shall apply to the forwarding of information and the process of taking decisions on requests by the supervisory authorities of Member states.

(3) As of the day the Republic of Slovenia accesses to the European Union:

1. Paragraph 3 of Article 20 hereof shall cease to apply to the process of taking a decision on authorisation to acquire a qualifying holding for Member State entities,
2. Article 45 hereof shall cease to apply to the performance of the services of managing investment funds in the territory of Member States,
3. Articles 50 to 52 shall cease to apply to the performance of the services of managing investment funds by management companies of Member States,
4. the provisions of Point 3 under Paragraph 3 and Point 2 under Paragraph 5 of Article 223 hereof shall cease to apply to the forwarding of information and the process of taking decisions on requests by the supervisory authorities of Member states.

Entry into Force
Article 242

This Act shall enter into force on the fifteenth day after its publication in the Official Gazette of the Republic of Slovenia.

No. 412-01/92-4/25

Ljubljana, on the day of 29th November 2002

Vice - president of the National
Assembly of the Republic of
Slovenia

Mihael Brejc, D.Sc.