

Market Profile Slovenia



Global Securities Services

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Banking that matters.



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1. Overview

1.1. GEOPOLITICAL DATA

Time Zone:	GMT + 1
Daylight Saving Time:	YES
Currency:	Euro (EUR)
Banking Holidays:	Link
EU Membership:	YES
Schengen Zone:	YES



1.2. G30 COMPLIANCE

Trade comparison by T+1 for direct market participants	YES
Trade comparison for indirect participants	YES
Central securities depository	YES
Trade netting system	NO
Delivery vs. payment	YES
Same day funds	YES
Rolling settlement T+2	YES
Securities lending and borrowing	YES
ISIN	YES

1.3. COUNTRY RATINGS

Rating Agency	Issuer Default Rating Foreign Currency, LT	Outlook
Fitch	A	Stable
Moody's	A3	Positive
Standard & Poor's	AA-	Stable

2. Regulation and supervision

2.1. REGULATORY/SUPERVISORY BODIES

Supervision of financial markets is carried out by the following institutions:

- **Ministry of Finance**
The Ministry of Finance manages the state budget, public finance budgets, public monetary funds, national debt, and has a regulatory role in the domain of the financial system.
In cooperation with other ministries, it prepares drafts and elaborates proposals for the government's financial policy and for the harmonisation of financial and monetary policies and government measures. The Ministry of Finance sets the financial policy framework that supports the government's economic strategy.
- **National Bank**
The Bank of Slovenia (BoS) is the central bank of the Republic of Slovenia. Since the implementation of the EUR, the BoS carries out the tasks of implementation of the common monetary policy; it co-manages the official foreign reserves of the Member States in accordance with the Treaty on establishing the European Community and promotes the smooth operation of payment systems. The BoS is responsible for issuing authorisations to banks and supervising their operations.
- **Financial Markets Authority**
The Securities Market Agency (SMA) is a legal entity under public law in charge of supervising the market in financial instruments. It was founded on 13 March 1994. Its tasks and competencies are defined by the Market in Financial Instruments Act (ZTFI-1). The SMA is responsible for issuing authorisations to brokers, fund managers, Stock Exchanges and CSDs and supervising their operations. The Agency is independent in implementing its tasks and responsibilities and is financed by fees paid by the participants on the market in financial instruments.
- **Insurance Supervision Agency**
According to the Insurance Act (ZZavar-1), the Insurance Supervision Agency (hereinafter: Agency) is responsible for the supervision of the insurance market in the Republic of Slovenia. Its main responsibility is supervising insurance undertakings, insurance agencies and brokerage companies, and insurance agents and brokers. The Agency also conducts supervision of legal persons related to the insurance undertaking, if necessary, for the purpose of supervising the insurance undertaking's operation, as well as asserting additional control of the insurance undertaking within an insurance group, insurance holding company or joint-venture insurance holding company. In line with the Pension and Disability Insurance Act (ZPIZ-2), the Agency is responsible for issuing authorisations to pension companies and supervising their operations.
- **Office for Money Laundering Prevention**
The Office for Money Laundering Prevention is a constitutive part of the Ministry of Finance, performing duties relating to the prevention and detection of money laundering and terrorist financing, and other duties determined by the Prevention of Money Laundering and Terrorist Financing Act (ZPPDFT-1).

2.2. KEY MARKET REGULATIONS

Below you will find a list of the key market regulations. For a complete list with up to date information on the acts please refer to the GSS Website (<http://gss.unicreditgroup.eu>) or contact your local GSS Relationship Manager.

Regulation	Main focus
Companies Act	Defines the basic rules of the foundation and operations of companies, sole proprietors, related persons, subsidiaries of foreign companies and their restructuring status.
Market in Financial Instruments Act	Regulates the financial instruments market, threshold reporting, investment companies, investment services, depository, exchanges, supervisory activities and implements MiFID directives.
Banking Act	Regulates the setting up of credit institutions in the Republic of Slovenia, conditions under which foreign credit institutions may operate in Slovenia, supervision and management of macro-prudential and systemic risk related to credit institutions.
Book Entry Securities Act	Regulates the issuance, transfer, fulfilment of obligations and third-party rights related to book-entry securities, execution of corporate actions, a central register and access to data maintained in the central registrar.

Regulation	Main focus
Prevention of Money Laundering and Terrorist Financing Act	The law is in line with the EU Directives. Prescribes duties, tasks, obligations and competencies of the Office for Money Laundering Prevention and organisations obliged to follow the AML regulation. Defines indicators for the identification of customer transactions suspicious of money laundering or terrorist financing. Defines duties of state authorities and holders of public authority and supervisory bodies.
Investment Funds and Management Companies Act	The act is prepared upon the EU UCITS Directive and provides conditions on establishment of investment funds and management companies, public offering, vendors, different types of funds, which could be publicly offered, and supervision of investment funds.
Takeovers Act	Regulates the takeover procedure and obligatory takeover bid when an investor acquires 1/3 of the voting rights.
Alternative Investment Fund Managers Act	The Act implements EU AIFM Directive and partly implements EU Directive 2013/14/EU related to ratings of rating agencies. Defines and regulates the entities which are involved into AIF and private investment funds (PIF); authorised, qualified and registered AIFM, PIF and AIF custodians. The registration at the Securities Market Agency (SMA) is predicted for small AIFM in line with the Directive.

2.3. SELF-REGULATORY ORGANISATIONS

The Bank Association of Slovenia, founded in 1956, is a non-profit organisation which represents banks and savings banks active in Slovenia. The primary objectives of the Association are:

- Advocate interests of its members in relation to the state and financial authorities;
- Suggest the uniformity, modernisation, organisation, working technology and standardisation of all financial operations conducted by its members;
- Provide financial and legal consulting and engage experts on behalf of its members;
- Formulate projects of research and development of financial operations and banking;
- Organise professional training of banking personnel, information and publishing activities.

3. Trading

3.1. COMMONLY TRADED INSTRUMENTS

Equities		Money Market instruments	
<input checked="" type="checkbox"/>	Ordinary shares	<input type="checkbox"/>	Certificate of deposits
<input checked="" type="checkbox"/>	Preferred shares	<input checked="" type="checkbox"/>	Commercial papers
<input type="checkbox"/>	Employee shares	<input checked="" type="checkbox"/>	REPO transactions
<input type="checkbox"/>	Interest bearing shares		
Government debt		Corporate debt	
<input checked="" type="checkbox"/>	Government bonds	<input checked="" type="checkbox"/>	Corporate bonds
<input type="checkbox"/>	Treasury bonds	<input type="checkbox"/>	Mortgage bonds
<input checked="" type="checkbox"/>	Treasury bills	<input checked="" type="checkbox"/>	Convertible bonds
<input type="checkbox"/>	Treasury notes	<input type="checkbox"/>	Exchangeable bonds
<input checked="" type="checkbox"/>	Municipal bonds		
Derivatives		Other instruments	
<input type="checkbox"/>	Options	<input checked="" type="checkbox"/>	Exchange traded funds
<input type="checkbox"/>	Futures	<input checked="" type="checkbox"/>	Investment funds
<input checked="" type="checkbox"/>	Warrants	<input type="checkbox"/>	Eurobonds funds
		<input type="checkbox"/>	Depository receipts
		<input type="checkbox"/>	Commodities

3.2. LJUBLJANA STOCK EXCHANGE – LJSE

Legal name Ljubljanska borza, d. d., Ljubljana

Website <http://www.ljse.si>

Ownership structure 100% Zagreb Stock Exchange

Trading members Any brokerage firm, investment firm, bank or special financial institution that meets the conditions set by the Markets in Financial Instruments Act (ZTFI-1), the Exchange Articles of Association and the Exchange Rules can become a LJSE member. There is no limit as to the total number of LJSE members. Following types of membership are available:

- Direct membership
- Remote membership

Traded instruments Equity market:

- Shares

Bond market:

- Bonds
- Treasury bills
- Commercial papers

Structured products market:

- Close-end fund shares
- Open-end fund shares
- Investment certificates
- Warrants
- Other structured securities

All traded securities are dematerialised.

Traded method

Based on meeting the LJSE liquidity criteria, securities are traded in two methods:

- Continuous trading method
- Auction trading method

The continuous trading method is intended for securities that meet the LJSE liquidity criteria regarding the number of executed trades, turnover and market depth.

The auction trading method is intended for less liquid securities which do not comply with the LJSE liquidity criteria.

The two trading methods ensure greater market integrity, improve best-price-forming mechanisms, and enable the Exchange and its members to set up internal controls and thus help identify potential cases of market manipulation.

The LJSE uses an electronic trading system Xetra, into which orders may be placed only by Xetra traders authorized by LJSE member firms.

Settlement agent

KDD – Central Securities Clearing Corporation (KDD d.d.)

Clearing agent

KDD performs part of clearing functions.

Trading hours

Equity market from 09:15 to 15:15

Bond market from 09:15 to 15:15

Structured products market from 09:15 to 15:15

Settlement cycle

T+2 Equity market

T+2 Bond market

T+2 Structured products market

3.3. SI ENTER - MTF

Website

<http://www.sienter.si>

Ownership structure

It was created under the auspices of Ljubljana Stock Exchange (LJSE) in March 2017.

Trading members

Access to the SI ENTER market is automatically enabled to all members of the Ljubljana Stock Exchange. An entity which is not a LJSE member cannot be a SI ENTER member.

Traded instruments

Equities (shares) and debt instruments (bonds and commercial papers) that are not listed on LJSE. The instruments were selected for listing on SI ENTER market at LJSE's initiative.

Trading method

Securities are traded in two methods:

- Continuous trading method
- Auction trading method

Settlement agent

KDD – Central Securities Clearing Corporation (KDD d.d.)

Clearing agent

KDD performs part of clearing functions.

Trading hours	<p>Continuous trading method</p> <p>Continuous trading on the SI ENTER market has the same schedule as the regulated market.</p> <p>Auction trading method</p> <p>Equity market – Shares Slovenia Equity market – Progress Shares from 11:10 to 14:10</p> <p>Equity market – Advance Shares from 11:20 to 14:20</p> <p>Debt market – Progress Bonds</p> <p>Debt market – Progress Commercial Papers</p> <p>Debt market – Advance Bonds from 11:30 to 14:30</p> <p>Debt market – Advance Commercial Papers</p>
Settlement method	The same as OTC DVP/RVP
Settlement cycle	T + 2

3.4. OTC TRADING

OTC trading has a non-organised nature and is performed over the telephone, Reuters or Bloomberg on a bilateral basis.

Regulated OTC block trading on LJSE:

The minimum value of a block is EUR 270,000. The following types of block trades can be transacted on LJSE:

- bilaterally negotiated block trades – trades transacted by two member firms;
- cross block trades – trades transacted by a single member firm.

Regulated block trading runs between 8:00 and 15:30 on each trading day. Block transactions involve offers for block trades submitted to the counterparty, and those offers being confirmed in the trading system. The settlement cycle of block transactions is T+2.

Block trades are treated as on exchange trades and are counted in the official trading volume. The price of a block trade is not included in the calculation of the official exchange price.

The following two possible settlement procedures apply:

- Mandatory settlement as for LJSE trades. KDD's guarantee fund and the buy-in procedures apply to such block transactions. The member's obligations that arise from block trading are therefore included in the liquidity reserve.
- Settlement on a true DVP/RVP basis in KDD CRVP OTC-DVP system. KDD's guarantee fund and the buy-in procedures do not apply to such block transactions. The member's obligations that arise from block trading are therefore not included in the liquidity reserve.

4. Clearing

4.1 KDD – CENTRAL SECURITIES CLEARING CORPORATION - KDD D. D.

A clearing agency has not been established on the Slovene market. CSD (KDD) performs all clearing services for on-exchange and OTC trades.

Legal name	KDD - Centralna klirinško depotna družba, d.d.
Website	https://www.kdd.si
Ownership structure	9.80% Own shares 0.58% Fund management companies 89,63% Corporate legal entities
Clearing members	Following types of membership are available: <ul style="list-style-type: none">• Member-issuer KDD enables member-issuers of securities to enter their securities in the central registry.• System members Systems members may execute the full scope of services offered by the KDD, including clearing and settlement of on-exchange and OTC trades.
Scope of services	KDD was founded on 10 January 1995 as a company that provides central securities custody services, clearing and settlement of securities transactions and maintenance of the central registry of holders of dematerialised securities in the Republic of Slovenia.
Risk model	In order to ensure the fulfilment of all transactions, KDD D.D. applies risk management methods which include: <ul style="list-style-type: none">• Matching of instructions (T2S)• Simultaneous Delivery-versus-Payment settlement system• On-exchange trades: Debit positions on the securities accounts are not allowed by KDD. Only received securities are considered to be available for delivery• Official buy-in/sell-out procedure• Partial settlement is not allowed• Liquidity reserve and guarantee fund• Pledge of securities held by the defaulting settlement member on its proprietary account• Temporary (partial) disconnection of system member from the settlement information system• System member Suspension

5. Settlement

5.1 KDD – CENTRAL SECURITIES CLEARING CORPORATION - KDD D. D.

Legal name	KDD - Centralna klirinško depotna družba, d.d.
17f-7 eligibility	YES
Website	https://www.kdd.si
Ownership structure	9.80% Own shares 0.58% Fund management companies 89,63% Corporate legal entities
Scope of services	KDD was founded on 10 January 1995 as a company that provides central securities custody services, clearance and settlement of securities transactions and maintenance of the central registry of holders of dematerialised securities in the Republic of Slovenia.
Accounts held	Flexible account structures on the market. Two types of accounts can be opened at the CSD level in Slovenia: <ul style="list-style-type: none">• Custody account (type "U"): segregated account opened in the name of final beneficial owner• Fiduciary account (type "N"): account opened in the name of financial intermediary
Eligible instruments	Dematerialised securities: shares, bonds, treasury bills, commercial papers, open-end funds shares, close-end funds shares, investment certificates, warrants, freely transferrable rights and other structured securities.
Level of dematerialisation	Slovene market is fully dematerialised.
Stock Exchange Settlement	<p>The Slovene Central Securities Clearing Corporation (KDD) and Target2Securities (T2S) provide Clearing and settlement services for LJSE trades. Settlement of LJSE trades is mandatory with settlement period T+2 and the BIS DVP Model 3 (cash and securities transfers gross). The sub-custodian is obliged to settle trade and deliver cash and securities upon trade confirmation received from a broker even if the client does not provide instruction. Settlement is performed by means of book entry transfer. The LJSE electronic trading system (Xetra platform) provides the central depository's settlement system, CRVP, with all concluded trades. All members have direct online access to the CRVP, which allows monitoring of the trade settlement status.</p> <p>Securities and funds transfers are linked between Target2Securities (T2S) and Target2. Cash settlement is executed through the dedicated cash accounts (DCA). Cash and security transfers have to be done by 10:00 on T+2 at the latest. KDD sends transactions to T2S at 10:15. 11:00 on T + 2 complete settlement of cash and securities.</p>

OTC Settlement	<p>OTC trades are settled on a bilateral basis. The contracting parties shall agree settlement details, and the settlement cycle for these trades can range from T+0 to T+3 or as agreed. Securities settlement is done by the KDD and T2S. Off-market trades can be settled according to two possible settlement methods:</p> <ul style="list-style-type: none"> • A securities and cash settlement on a true DVP/RVP basis. The system is operated by KDD and T2S. The securities are continuously settled in the KDD CRVP OTC-DVP system and in T2S from 7:00 to 16:00. Matching of trade details at KDD and T2S is obligatory for successful settlement. BIS model 1 is used for OTC DVP/RVP settlement. • Settlement of securities and cash is done separately – DF/RF settlement. Settlement of securities is done in the KDD CRVP system and in T2S. Cash is settled as agreed between counterparties. The free-of-payment transfers can be done between 7:00 and 18:00 CET. <p>The manual settlement process of off-exchange trades was replaced by an automated matching process and SWIFT connection in November 2012.</p>
SI ENTER Settlement	<p>SI ENTER trades are settled in the same way as OTC DVP/RVP trades.</p>
Settlement Protection	<p>A settlement protection mechanism is provided by KDD only for trades concluded on the LjSE due to an obligatory settlement of T+2 on these trades. The following mechanisms are in place to assure mandatory settlement:</p> <ul style="list-style-type: none"> • Liquidity reserve; • Guarantee fund; • Partial settlement and cancellation of the trade; • Buy-in / sell out procedure; • Pledge of securities held by the defaulting settlement member on its proprietary account; • Temporary (partial) disconnection of a settlement member from the settlement system. <p>For off market trades and block trades, which are settled as OTC trades, settlement protection mechanisms are not applicable.</p>
Investor Protection	<p>In Slovenia, securities are held on segregated or omnibus accounts opened in the name of the custodian or custodian's underlying clients at the CSD. In the case of bankruptcy of a sub-custodian, the securities do not become a part of the bankrupt's estate.</p> <p>Clients can open two different cash accounts for securities operations:</p> <ul style="list-style-type: none"> • Regular transaction cash account • Special custody cash account <p>Cash positions on regular transactions cash account are unsecured and not protected. It is possible that the depositor will not fully recover its cash.</p> <p>Cash positions on special custody cash account are protected and can be recovered. Pursuant to Article 269 and 251 of the MiFIA, the custodian has the right to exclude cash funds on this bank account from the bankrupt estate.</p> <p>According to the Book Entry Securities Act, the sub-custodian and the KDD shall be objectively liable (strict liability) for their failures.</p>
Identified Risk	<p>None. Since 6 February 2017, when Slovenia migrated to T2S, KDD provides information on corporate actions in a line with CASG/CAJWG standards. The information is provided by e-mail and in KDD on-line system CRVP.</p>

6. Payment System

6.1. GENERAL INFORMATION

The following payment systems operate in Slovenia:

- TARGET2-Slovenija operates on the single shared platform of the TARGET2 system, and in formal legal terms is a system controlled and operated by the Bank of Slovenia and intended primarily for the settlement of large-value time-critical payments in Euros. The settlement of the cash part of the security settlement is done in TARGET2 through dedicated cash accounts (DCA) opened in Target2. The system operates for interbank transfers until 18:00. The payments are executed on a gross basis and online.
- The SEPA external credit transfers (SEPA ECT) system, which is operated by the firm Bankart d.o.o., allows Slovenian banks and savings banks to participate indirectly in the STEP2 SCT system operated by EBA Clearing, and is designed for the processing of SEPA credit transfers with no limit on payment value. The system is used for commercial payments only. Payments are executed in batches.
- The SEPA internal credit transfers (SEPA ICT) system, which is a multilateral netting payment system operated by Bankart d.o.o., allows for the execution of internal SEPA credit transfers. The system is used for payments up to EUR 50,000. Payments are executed on a net basis and in batches. The first batch is executed at 8:00 and each second hour thereafter. The last batch is at 16:30.

The supplementary payment infrastructure in Slovenia comprises systems for the interbank settlement of retail payments arising from card-based payments and cash withdrawals.

All cash account numbers in Slovenia have the IBAN structure. From January 2003, all banks have been obliged to use IBANs in all domestic and cross-border customer transfers. The structure of IBAN numbers in Slovenia is: SI56 and 15-digit transactional numbers.

6.2. LIMITATIONS, DEADLINES, CUT-OFF TIMES

TARGET2 is open according to the calendar applicable at the seat of the ECB. TARGET2 business days are the de facto settlement days for the financial markets in Euros, as well as for foreign exchange transactions involving the Euro.

Market deadlines:

TARGET2: 18:00 CET (for payments above EUR 50.000 and urgent payments below EUR 50.000)

SEPA: 16:30 CET (for payments below EUR 50.000)

7. Securities Lending

7.1. SECURITIES LENDING

There is no institutionalised securities lending in Slovenia. However, securities lending is possible on a bilateral basis.

7.2. SHORT SELLING

Short selling is not allowed on the Slovene market.

8. Corporate actions

8.1. COMMON CORPORATE ACTION EVENTS

Mandatory events	Voluntary events
<input checked="" type="checkbox"/> dividend, cash	<input checked="" type="checkbox"/> exercise of rights
<input checked="" type="checkbox"/> dividend, option	<input type="checkbox"/> issue, priority
<input checked="" type="checkbox"/> dividend, stock	<input checked="" type="checkbox"/> exchange offer
<input checked="" type="checkbox"/> interest payment	<input checked="" type="checkbox"/> tender offer
<input checked="" type="checkbox"/> issue, bonus	<input checked="" type="checkbox"/> repurchase offer
<input type="checkbox"/> issue, rights	<input checked="" type="checkbox"/> shareholders meeting
<input checked="" type="checkbox"/> maturity	
<input checked="" type="checkbox"/> maturity final	
<input checked="" type="checkbox"/> merger	
<input checked="" type="checkbox"/> pari-passu	
<input checked="" type="checkbox"/> redemption, early	
<input checked="" type="checkbox"/> redemption, partial	
<input checked="" type="checkbox"/> spin-off	
<input checked="" type="checkbox"/> split	
<input type="checkbox"/> split, reverse	

8.2. DATING CONVENTIONS

Corporate action dating convention is from 6 February 2017 in line with CASG/CAJWG standards, including a standard recommended timeline:

- Record Date (RD)
- Announcement date: must be at least 4 days before RD
- Last trading day: RD – 2
- Ex-Date: RD-1
- Pay date (PD): RD+1, insofar as possible
- Market deadline (MD): PD-1
- Start of election period: MD – 10
- Buyer Protection Deadline: MD-1
- Guaranteed participation date: MD – 3

For bonds that were issued before 6 February 2017, the timeline that has been defined in a bond's prospectus is valid.

8.3. SOURCES OF C/A INFORMATION

Corporate actions are announced in KDD system CRVP (corporate actions and income payments). Second source of information is Ljubljana Stock Exchange information system (SEOnet). Additional sources are the issuers' web page, the Official Gazette and in daily newspapers widely circulated in Slovenia.

8.4. LOCAL C/A SPECIFICS

Limited number of different corporate action types are practiced in our market; the most common are general meeting and income payment, rarely increase of capital, tender offer and repurchase offer. Rights issues, share splits, mergers, stock dividends

etc. are legally recognised events. Rights are neither tradable nor transferable; they can only be exercised. The de-registration and re-registration processes are initiated automatically at the KDD during the settlement process. Documentation is prescribed by the issuer and must be provided for each CA.

9. Proxy voting

9.1. GENERAL CHARACTERISTICS

Voting rights are calculated according to the executed trades at the close of business on record date. Record date is 7 days before the AGM/EGM. In Slovenia, shareholders or their proxies are required to be present at an AGM/EGM. It is required for the shareholders (or their proxies) to register four days before the AGM/EGM. For each AGM/EGM, issuers announce in the agenda which documentation is needed for attendance at the AGM/EGM.

Power of attorney needs to be signed by the owner of the securities account opened at KDD. POAs are issued for every AGM/EGM individually.

9.2. ANNOUNCEMENT

Announcements are made at least 30 days in advance. In 2018, CSD started providing AGM/EGM announcements. Issuers inform the KDD which then uses its system CRVP to make announcements to the members. However, not all issuers use KDD to announce AGM/EGM. The announcement for listed companies should be published on the Ljubljana Stock Exchange information system (SEOnet), the issuers' web page, the Business Register AJPES, the Official Gazette and in a daily newspaper widely circulated in Slovenia.

9.3. VOTING PROCESS

Local custodians announce to their clients the AGM/EGM agenda via SWIFT or other agreed medium after the information becomes available in the market. Clients are required to deliver voting instructions via SWIFT or other agreed medium by the agreed deadline.

Upon receipt of required documentation for participation and proxy voting on the AGM/EGM, local custodian registers attendance in the capacity of client's proxy. Personal attendance of local custodian's representative at the AGM/EGM is required in order to vote. Electronic voting is not practiced in Slovenian market.

After the AGM/EGM is concluded, local custodians announce to their clients the resolutions accepted/rejected on the AGM/EGM via SWIFT or other agreed medium by the agreed deadline.

10. Income collection

10.1. DIVIDEND PAYMENTS

Dividends are generally payable on an annual basis. Dividend distributions are announced at the annual general meeting of the issuer. T2S CASG/CAJWG standards, including a standard recommended timeline, are applicable for dividend payments since T2S migration on 6 February 2017. The peak period for dividend payments is from June to August. There are no restrictions for repatriation of dividends for foreign investors.

Announcements	Dividend distributions are announced by KDD.
Dating Conventions	The entitlement is determined in a line with T2S CASG/CAJWG standards - executed trades at the end of the record date. Ex-date is defined as the record date -1 working day. The payment date is defined as RD + 1.
Payment Execution	The issuer transfers cash to KDD by 9:00 a.m. on the pay date. The dividend payment is executed by KDD to the dedicated cash account of the local sub-custodian bank, which allocates the payment to the individual accounts of the foreign investor or the accounts of their global custodians. Shareholders' accounts are credited with the dividend amount only after actual receipt from the KDD.

10.2. INTEREST & MATURITY PAYMENTS

Bonds usually pay interest on an annual or semi-annual basis at the end of the amortisation period. Payment is done by the KDD. For the distribution of interest to the account holder, the same rules apply as for the distribution of dividends.

Announcements	Interest distributions and maturity payments are announced by KDD.
Dating Conventions	The entitlement is determined in line with T2S CASG/CAJWG standards. For bonds issued before 6 February 2017, a dating convention defined in a prospectus is applicable.
Payment Execution	The issuer transfers cash to KDD by 9:00 a.m. on the pay date. The interest payment is executed by KDD to the dedicated cash account of the local sub-custodian bank, which allocates the payment to the accounts of the clients. Investors' accounts are credited with the interest amount only after receipt of funds - payment is executed on actual basis.

11. Taxation

11.1. WITHHOLDING TAX

The general withholding tax rate for legal entities is 15%. It applies on interest and dividends.

The general withholding tax rate for individuals is 27,5%. It applies on dividends and interest.

Income (dividends and interest) paid through intermediaries without the status of Authorised Foreign Intermediary (AFI) is taxed with the highest withholding tax rate in Slovenia (27,5%).

However, the tax-exempt income (interest mentioned in the next table) is always subject to tax exemption (0% tax rate), even if the intermediary does not hold the AFI status.

Tax Rates for foreign legal entities	Type of income	Tax rate
	1. Dividends – statutory tax rate	15%
	2. Interest – statutory tax rate	15%
	<ul style="list-style-type: none"> • Interest on Deposits 	Exempt
	<ul style="list-style-type: none"> • Interest on Government Bonds 	Exempt
	<ul style="list-style-type: none"> • Interest on Corporate Bonds* 	Exempt

*Provided that the Corporate bond fulfils both of these two conditions:

- it does not include the option of exchange for an equity security (or if it does not include the holders' option by way of which an exchange for an equity security could be achieved if the issuer of a debt security is a bank) and
- it is admitted to trading on a regulated market or is traded in a multilateral trading system in an EU Member State or in an Organisation for Economic Cooperation and Development Member State.

Relief at Source Relief at source is possible for income paid to intermediaries with AFI status and for income paid to intermediaries who are also the beneficial owners.

- Income payment to intermediaries with AFI status: AFI provides data on the beneficial owners of income in a prescribed form prior to income payment.
- Income payment to intermediaries who are beneficial owners: The intermediary provides a CoTR, a request for reduction or exemption of tax upon DTT and a prescribed statement.

Tax Exemption Tax exemption applies to interest or dividends paid to entities from the EU and EEA who are not able to credit withholding taxes paid in Slovenia, to pension funds from EU and EEA countries and entities not being subject to taxation in a state of origin either as an individual, or as an entity.

11.2. CAPITAL GAINS TAX

In general, non-resident investors, entities and individuals are not subject to a capital gains tax. Capital gains tax only applies to non-resident entities with a permanent establishment in Slovenia. Foreign individuals pay tax on capital gains only if it is derived from the disposal of a prevailing share of a Slovenian legal entity and if more than 50% of the value of the said entity is coming from immovable property.

Capital gains acquired by a resident or legal entity in Slovenia are treated as ordinary income and taxed accordingly. An individual, resident of Slovenia, is subject to capital gains taxation. Capital gains are taxable by assessment.

Tax Rates Tax rate is 27,5%.

Relief at Source N/A Capital gains are taxable by assessment.

Tax Reliefs Tax rates decrease to 20% after 5 years, 15% after 10 years and 10% after 15 years.

11.3. STAMP DUTY

Stamp duty tax is not applicable in Slovenia.

No Stamp Duty is applicable.

- Tax Rates N/A

- Tax Reliefs N/A

11.4. OTHER TAXES

There are no other special taxes, charges or duties applicable in Slovenia.

11.5. TAX RECLAIM PROCESS

The following refunds are possible in Slovenia:

- first quick refund,
- second quick refund,
- regular refund.

The first and second quick refunds are applicable to intermediaries with AFI status and intermediaries who are beneficial owners of the income. The first quick refund is possible until the 10th day of the month following the month which the income was paid in. The second quick refund is possible up to 3 months and 10 days after the month in which the income was paid. Documentation requirements for quick refunds are the same as for tax relief at source. Intermediaries with AFI status should provide data on beneficial owners of the income in the prescribed form. The intermediary who is also the beneficial owner should provide a CoTR, a request for a reduction or exemption of tax upon DTT and a prescribed statement on the beneficial ownership of the income.

Regular refunds are possible within five years after the payment date. The tax reclaim procedure takes 2-3 months. A tax reclaim can be filed directly at the Financial Administration or through the local sub-custodian.

In general, the following documentation is required for tax refunds: Power of Attorney, SWIFT instruction MT599, proofs on received income and a transaction number of the received income (provided by sub-custodian).

For a tax refund for beneficial owners from non-DTT countries, the following additional documents are required: a prescribed form for refund upon article 383 of Tax Procedure Act, a certificate of registration and a tax number issued by an authorised institution.

For tax exemption for EU and EEA pension funds, the following additional documents are required: A CoTR and a statement that one is entitled to benefit from the named tax exemption. This statement should describe reasons for inability to credit the WHT paid in Slovenia in the tax domicile country supported by the law and regulations of the tax domicile country.

For tax exemption for entities not being subject to taxation in their resident country, the following additional documents are required: Statement on not being Subject to Taxation in State of Origin and Tax Refund form upon Article 383.d of Tax Procedure Act.

11.6. DOUBLE TAXATION TREATIES

Due to the amount of data, for the most up to date DTTs please refer to our website: <http://qss.unicreditgroup.eu>
DTTs are listed in the /DOCUMENTS section.

12. Disclosure requirements

12.1. OBLIGATIONS FOR ISSUERS

Slovene issuers of listed shares are obliged to inform the LJSE about any price sensitive developments. The information has to be published in at least one newspaper widely circulated in Slovenia or on SEOnet as soon as possible. The following information must be disclosed:

- Changes in the core performing activities of the company;
- Planned crucial changes in the financial and accounting policies of the company;
- Shareholders meetings;
- Changes in the management staff;
- Changes in the ownership structure;
- New issues of securities;
- Decisions on dividends;
- Amount of approved capital and related issue of shares;
- Change of ownership stake in a company held by a member of the managing or supervisory board.

12.2. OBLIGATIONS FOR INVESTORS

The Market in Financial Instruments Act requires that investors disclose, through an acquisition or sale, every bridge of change of 5%, 10%, 15%, 20%, 25%, one third (1/3), 50% and 75% of the shares of voting rights. The stockholder, whether foreign or domestic, must notify the Securities Market Agency and the Company within four days of the relevant change. The basis for establishing a major holding consists of all holdings of a public company with voting rights, including its own redeemed shares and shares the exercising of which is limited by law or the articles of association of the company in accordance with the law.

The obligation for threshold reporting on omnibus accounts is with the beneficial owner or with the third party which executes voting rights on behalf of the beneficial owner.

The Takeover Act requires a mandatory public takeover bid when 1/3 of the stake of a company is reached. The reporting and mandatory public takeover requirements apply for residents and for non-residents.

Foreign investments in military related industries require government approval.

A person that has acquired a takeover threshold of 1/3 of voting rights of the target company with the intent to execute a financial restructuring of the target company and to assure its capital adequacy or its long term ability to pay, before the procedure of insolvency has started, is exempt from the obligation to make a takeover bid in case this person acquires an approval from the SMA beforehand. The exemption from takeover bid in this case is valid for five years after such securities are acquired.

A person that is exempt to make a takeover bid as described above becomes obliged to make a takeover bid if the first next acquisition of the securities of the target company happens before the 5-year period expires (counting from the day of the first acquisition of the securities were acquired), with condition that such person still exceeds the takeover threshold in such a company.

Obligation Name	Obligation Type	Trigger Threshold	Action	Addressee
Media	Approval	20%	prior to purchase	Ministry of Culture
Brokerage houses	Approval	10%,20%,1/3 and 50%	prior to purchase	Securities Markets Agency
Assets management companies	Approval	10%,20%,1/3 and 50%	prior to purchase	Securities Markets Agency
Banks	Approval	10%,20%,1/3 and 50%	prior to purchase	National Bank
Insurance companies	Approval	10%,20%,1/3 and 50%	prior to purchase	Agency for Insurance Supervision
Investors	disclosure	5%, 10%, 15%, 20%, 25%, 1/3, 50% and 75% of voting rights	Within four days of the relevant change	Securities Markets Agency
Investors	takeover	1/3	Immediately	Securities Markets Agency

12.3. VIOLATION CONSEQUENCES

The penalty for a violation of threshold reporting for investors rules ranges:

- from EUR 400 to EUR 5,000 for the individual,
- from EUR 12,000 to EUR 500,000 for a legal entity,
- from EUR 800 to EUR 10,000 for responsible person of legal entity.

For severe violations, penalty can be raised for investors:

- up to EUR 2 million or, twice the amount of the benefit gained due to the violation for the individual,
- up to EUR 10 million or 5% of yearly turnover or twice the amount of the benefit gained due to the violation for the legal entity,
- from EUR 2,500 to EUR 30,000 for responsible person of legal entity.

An investor who did not receive approval for a qualified share in a financial institution is not allowed to exercise their voting rights. If the approval is not received within one month following the acquisition, the authorised institution will request the sale of shares.

An investor who does not declare a takeover bid is not allowed to exercise voting rights and is penalised with an amount of EUR 50,000 to EUR 150,000; for a severe violation, this amount can be raised up to EUR 375,000. The penalty for a responsible person ranges from EUR 2,000 to EUR 10,000 and, for a severe violation, this can be raised to EUR 30,000.

13. Account management

13.1. COMMON ACCOUNT STRUCTURES

Slovenia has flexible securities account structure, offering both Fiduciary and Beneficial Owner (segregated) accounts. Securities accounts are opened at the CSD level, while the same account structure is mirrored in the books of UniCredit Slovenia (on 1:1 basis). Unique identification number, called KID, is assigned by the KDD to each owner of the securities account. Upon receipt of this number, an unlimited number of securities accounts can be opened on behalf of one owner at the KDD.

Beneficial Owner (segregated) account

Beneficial owner securities account has the following characteristics:

- The account is opened in the beneficial owner's name at the CSD level.
- Account holder (beneficial owner) is recorded as the shareholder and is the legal owner of book-entry securities credited to such account.
- Account holder (beneficial owner) exercises the rights arising from book-entry securities credited to such account for their own account.

Beneficial owner securities account can be opened by and in the name of:

- legal entities,
- branches of legal entities,
- sub-funds.

Fiduciary account

Fiduciary securities account has the following characteristics:

- The account is opened in the fiduciary's name (usually that's the global custodian) at the CSD level.
- Account holder (fiduciary) is recorded as the shareholder and is the legal owner of book-entry securities credited to such account.
- Account holder (fiduciary) does not exercise the rights arising from book-entry securities credited to such account for themselves but for an account of one or more third persons.

Fiduciary securities account can be opened by and in the name of:

- notary public,
- lawyer,
- legacy custodian,
- special custodian,
- insolvency manager,
- any other person/entity providing custodian services in the scope of its regular activity or occupation.

Tax procedure is in place and split/partial voting is possible for assets held on fiduciary account.

13.2. KYC/AML REQUIREMENTS

AML requirements are valid for Fiduciary and Beneficial Owner securities accounts opened at the CSD level. The disclosure of underlying clients on omnibus accounts is not required.

There are three different account opening procedures. The type of account opening procedure depends on the risk assessment and classification of the account holder.

Account opening procedures are:

- Simplified
- Standard
- Comprehensive

Required KYC documentation for all three procedures:

- Certificate of Registration or Extract from Court or other public Register of companies or other official document issued by authority institution.
- List of Legal Representatives (Top Management)
- Data on Customers and Controlling Persons form

- Power of Attorney
- List of Authorised Signatures
- Valid copy of personal ID document or passport of Legal Representative and Authorised person
- Ownership structure

Renewal of KYC documentation:

- Simplified procedure – every five years
- Standard procedure – every three years
- Comprehensive procedure – annually

Renewal of the documentation is required for both active and dormant accounts in accordance with the local legislation and UniCredit Group internal policies and procedures. UniCredit Slovenia must not allow reactivation of dormant securities accounts in our books unless all account documentation is in place and up to date. An account is considered dormant when there have been no assets or transaction within 24 months on the specific account.

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Corporate & Investment Banking

UniCredit Banka Slovenia d.d.

as of 31 March 2021



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