

## BANKING ACT (ZBan-1)

### Chapter 1: General provisions

#### 1.1. Contents of the Act

##### Article 1 (Subject of the Act)

This act shall regulate the following:

1. Conditions for setting up, operation, supervision and winding up of credit institutions established in the Republic of Slovenia and
2. Conditions under which persons established outside the Republic of Slovenia may provide banking services, mutually recognized financial services and services of issuing electronic money in the territory of the Republic of Slovenia.

##### Article 2 (Transposed EU Directives)

This Act shall transpose the following Directives of the European Parliament and of the Council into the law of the Republic of Slovenia:

1. Directive 2006/48/EC of the European Parliament and of the Council of 20 March 2006 relating to the taking up and pursuit of the business of credit institutions, (OJ L 177, 30 June 2006, p. 1);
2. Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006, on the capital adequacy of investment firms and credit institutions (OJ L 177, 30 June 2006, p. 201);
3. Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions (OJ L no. 372, 31 December 1986, p. 1), last amended by the Directive 2003/51/EC of the European Parliament and of the Council of 18 June 2003 amending Directives 78/660/EEC, 83/349/EEC, 86/635/EEC and 91/674/EEC on the annual accounts and consolidated accounts of certain types of companies as well as of banks and other financial institutions and insurance undertakings (OJ L 178, 17 July 2003, p. 16);
4. Directive 94/19/EC of the European Parliament and of the Council of 30 May 1994 on deposit-guarantee schemes (OJ L 135, 31 May 1994, p. 5).
5. -Directive 2000/46/EC of the European Parliament and of the Council of 18 September 2000 on the taking up, pursuit of and prudential supervision of the business of electronic money institutions (OJ L No. 275 of 27 October 2000, p. 39);
6. Directive 2001/24/EC of the European Parliament and of the Council of 4 April 2001 on the reorganisation and winding up of credit institutions (OJ L 125, 5 May 2001, p. 15);
7. Council Directive 89/117/EEC of 13 February 1989 on the obligations of branches established in a Member State of credit institutions and financial institutions having

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their head offices outside that Member State regarding the publication of annual accounting documents (OJ L 44. 16 February 1989, p. 40).

## **1.2. Definition of terms and abbreviations**

### **1.2.1. General provisions**

#### Article 3 (Scope of definition of terms)

(1) Subsections 1.2.2., 1.2.3. in 1.2.4. of this Act shall define the meaning of terms for the purpose of their use in this Act unless a narrower scope of definition is laid down for individual terms.

(2) Section 4.1 of this Act shall define the meaning of terms for the purpose of their use in laying down the risk management rules by the provisions of Chapter 4 of this Act as well as by the provisions of other chapters of this Act referring to the risk management rules unless a narrower scope of definition is laid down for individual terms.

#### Article 4 (Abbreviations of other acts)

The following abbreviations of other acts shall be used in this Act:

1. ZFK shall mean the Financial Conglomerates Act (Uradni list RS /Official Gazette of the Republic of Slovenia/, no. 43/06),
2. ZGD-1 shall mean the Companies Act (Uradni list RS, no. 42/06),
3. ZIN shall mean the Inspection Act (Uradni list RS, no. 56/02),
4. ZPlaP shall mean the Payment Transactions Act (Uradni list RS, no. 105/04 – official consolidated version – and 39/096),
5. ZUOP shall mean the General Administrative Procedure Act (Uradni list RS, no. 24/06 – official consolidated version – and 105/06 / ZUS/1),
6. ZUD shall mean the Administrative Disputes Act (Uradni list RS, no. 105/06).

#### Article 5 (Terms used within the meaning defined by another act)

(1) The term "electronic money" shall have the meaning laid down by point 12 of Article 13 of ZPlaP.

(2) The term "investment and ancillary investment services and transactions" shall be used within the meaning laid down by the act governing the financial instruments market.

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(3) These terms shall have the same meaning as defined by the following ZFK provisions:

1. Insurance undertaking in point 2 of Article 2,
2. Reinsurance undertaking in point 3 of Article 2,
3. Management company in point 6 of Article 2.

**1.2.2. Terms associated with financial services**

Article 6  
(Financial services)

Financial services shall include the following:

1. Banking services,
2. Mutually recognized financial services,
3. Additional financial services and
4. Other financial services.

Article 7  
(Banking services)

Banking services shall mean accepting of deposits from the public and lending for the banks' own account.

Article 8  
(Accepting deposits from the public)

(1) Accepting deposits from the public shall mean accepting deposits from uninformed persons.

(2) A deposit for the purpose of defining the acceptance of deposits shall mean any money deposit which is made by a person (hereinafter referred to as the "depositor") on behalf of another person (hereinafter referred to as the "recipient of payment") on the basis of a contract on money deposit or on the basis of another legal transaction in which the depositor is granted the right to request repayment of the deposited money from the recipient of payment within specified time limits.

(3) According to paragraph (1) of this Article, an uninformed person shall mean a natural or legal person who does not possess the appropriate professional knowledge and experience required for evaluating risks connected with payment of deposits.

(4) An uninformed person from paragraph (1) of this Article shall be deemed to be any natural or legal person unless the recipient of payment proves otherwise.

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(5) Notwithstanding paragraph (4) of this Article, states, central banks, financial corporations and their subsidiary undertakings shall not be deemed as uninformed persons and no evidence to the contrary shall be allowed.

(6) Accepting of deposits from the public shall not be deemed as accepting of money deposits for issuing electronic money if electronic money is issued for the deposited amount immediately upon deposit.

**Article 9  
(Ancillary services)**

(1) Ancillary banking services shall be real property management, management or operation of data processing systems or performance of similar operations carried out in support of services provided by one or more credit institutions.

(2) Ancillary investment services shall be real property management, management or conducting of data processing systems or performance of similar operations carried out in support of services provided by one or more investment firms.

(3) The term "ancillary services" shall be used as a common term to denote ancillary banking and investment services.

**Article 10  
(Mutually recognized financial services)**

Mutually recognized financial services shall include the following:

1. Accepting deposits,
2. Lending that also includes:
  - consumer credits,
  - mortgage credits,
  - factoring, with or without recourse,
  - financing of commercial transactions, including forfeiting,
3. Financial leasing: financial leasing of assets of which the duration approximately equals the expected useful life of the asset which is the object of the lease and for which the lessee acquires most of the benefit from the use of the asset and accepts the full risk of the transaction;
4. Payment transaction services according to ZPlaP, except services of managing payment systems,
5. Issuing and managing of payment instruments (such as credit cards and travellers cheques), including issuing of electronic money,
6. Issuing of guarantees and other commitments,
7. Trading for own account or for account of customers in:
  - money market instruments,
  - foreign exchange, including currency exchange transactions,
  - financial futures and options,

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- exchange and interest-rate instruments,
- transferable securities,
- 8. Participation in securities issues and the provision of services related to such issues,
- 9. Advice to undertakings on capital structure, industrial strategy and related questions and advice as well as services relating to mergers and the purchase of undertakings,
- 10. Money broking on interbank markets,
- 11. Portfolio management and advice,
- 12. Safekeeping and administration of securities,
- 13. Credit reference services: collection, analysis and provision of information on creditworthiness of legal persons,
- 14. Safe custody services and
- 15. Investment and ancillary investment services and operations.

Article 11  
(Additional financial services)

(1) Additional financial services shall include the following:

1. Insurance brokerage in accordance with the act governing the insurance business,
2. Administration of payment systems according to ZPlaP,
3. Administration of pension funds in accordance with the act governing pension and disability insurance,
4. Custodian services that should be provided by banks according to the provisions of another act, and services relating to such safe custody services,
5. Credit brokerage for consumer and other types of loans,
6. Other services or operations that have similar characteristics as mutually recognized financial services from points 1. through 5. of this paragraph regarding the method of performance and risks to which the banks are exposed in their performance.

(2) The Bank of Slovenia may lay down more detailed characteristics of services from point 6 of paragraph (1) of this Article.

Article 12  
(Other financial services)

Other financial services shall include the following:

1. Provision of insurance and reinsurance business according to the act governing insurance business,
2. Administration of pension companies in accordance with the act governing pension and disability insurance,
3. Insurance agency or brokerage according to the act governing insurance business and
4. Administration of pension funds according to the act governing investment funds.

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**1.2.3. Terms associated with persons performing financial services and with other persons**

Article 13

(Bank, savings bank, electronic money institutions and credit institutions)

(1) "Bank" shall mean a legal person that performs banking services subject to an authorization for the provision of such services issued by a competent supervisory authority.

(2) "Electronic money institution" shall mean a legal person that performs electronic money issuing services subject to an authorization for the provision of such services issued by a competent supervisory authority.

(3) The term "credit institution" shall refer collectively to banks, savings banks and electronic money institutions.

(4) Term "bank" that is not followed by words "of a Member State" or "of a third country" shall be used by this Act to refer to a bank established in the Republic of Slovenia and authorised to perform banking services by the Bank of Slovenia. Notwithstanding the first sentence of this paragraph, the term "subsidiary bank" shall be used in the provisions of subsection 7.9.3 for each bank from paragraph (1) of this Article that ranks as a parent bank regardless of its place of establishment.

(5) "Savings bank" shall mean a legal person established in the Republic of Slovenia which performs banking services based on an authorization issued by the Bank of Slovenia and which is subject to the same rules as banks unless otherwise provided by Chapter 11 of this Act.

Article 14

(Investment firm and institution)

(1) "Investment firm" shall be a person entitled to perform investment services and transactions subject to an authorization for the provision of such services issued by a competent supervisory authority, except the following persons:

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

- which are only authorised to provide the service of investment advice and/or receive and transmit orders from investors without holding financial assets or financial instruments belonging to their clients and
- which may not place themselves in debt with those clients.

(2) "Local firm" according to point 2 of paragraph (1) of this Article shall mean a firm that performs only the following activities:

1. Trading in derivatives markets and in cash markets

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- for its own account solely for the purpose of hedging positions on these derivatives markets, or
  - for the account of other members of these markets and
2. Liabilities incurred by this firm in the performance of such activities are guaranteed by clearing members of these markets by assuming the responsibility for performing contracts concluded by the local firm.

(3) The term "institution" shall refer collectively to credit institutions and investment firms.

Article 15  
(Financial institution and financial undertaking)

- (1) "Financial institution" shall mean a legal person
1. Other than a credit institution and
  2. Whose sole or predominant activity includes the following:
    - acquisition of equity interests or
    - performance of mutually recognized financial services from points 2. through 12. and 15. of Article 10 of this Act.

(2) "Special financial institution of a Member State" shall mean the Member State's financial institution from paragraph (1) of Article 101 of this Act.

- (3) "Other financial undertaking" shall mean an insurance company, reinsurance company, asset management company, pension company or other legal person
1. Other than a credit institution and
  2. That performs additional or other financial services.

(4) "Pension company" shall mean a legal person that performs the activity of additional voluntary pension insurance.

(5) The term "financial undertaking" shall refer collectively to credit and financial institutions and other financial undertakings.

(6) The minister (hereinafter referred to as the "minister") responsible for finance shall lay down the criteria for identifying the performance of the predominant activity referred to in paragraph (1) of this Article.

Article 16  
(Holding company)

- (1) "Financial holding company" shall mean a financial institution
1. Other than a mixed financial holding company and
  2. Of which the subsidiaries are exclusively or mainly the following undertakings:

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- credit institutions or
- financial institutions including at least one credit institution.

(2) "Mixed-activity holding company" shall mean a parent undertaking

1. Other than a financial holding company, credit institution or mixed-activity financial holding company and
2. The subsidiaries of which include at least one credit institution.

(3) "Mixed-activity financial holding company" shall mean a mixed-activity financial holding company according to Article 7 of ZFK.

(4) The term "insurance holding company" shall have the meaning defined by the act governing insurance business.

**Article 17**

(Ancillary services undertaking)

(1) "Ancillary banking services undertaking" shall mean an undertaking the principal activity of which consists in performing ancillary banking services.

(2) "Ancillary investment services undertaking" shall mean an undertaking the principal activity of which consists in performing ancillary investment services.

(3) The term "ancillary services undertaking" shall refer collectively to ancillary banking services undertaking and ancillary investment services undertaking.

**Article 18**

(Persons according to their state affiliation)

(1) "Member State" shall mean a Member State of the European Union or a signatory state to the European Economic Area Agreement (OJ L 1, 3 January 1994, p. 3).

(2) "Third country" shall mean a non-Member State.

(3) "Person from a particular country" shall mean a natural person residing in such country and a legal person established in its territory.

**Article 19**

(Competent authority, supervised financial undertaking and authorization to perform banking services)



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(1) "Supervised financial undertaking" shall mean a financial undertaking supervised by the competent authority of the country in which the undertaking is established.

(1) The competent authority from paragraph (1) of this Article shall mean an individual country's authority that is empowered to supervise financial undertakings in accordance with the laws and other regulations of such country.

(3) In the provisions of this Act, the term "competent authority" shall be used to denote the competent authority that is empowered to supervise credit institutions unless individual provisions of this Act specify that such provisions relate to the competent authority empowered to supervise other financial undertakings.

(4) "Authorization to perform banking services" shall mean a legal act issued in any form by the competent authority of a Member State or of a third country in which a bank is established and by which the right to provide the banking services is granted.

**Article 20  
(Home Member State and host Member State)**

(1) "Home Member State" of the financial undertaking shall mean a Member State in which the financial undertaking has been authorised to provide financial services.

(2) "Host Member State" of the financial undertaking shall mean a Member State

1. Other than the Member State of its establishment and
2. In which the undertaking established a branch or in which it performs financial services directly.

**Article 21  
(Central banks)**

The term "central bank" shall also include the European Central Bank unless otherwise specified in individual cases.

**Article 22  
(Bodies of the European Union)**

(1) "Commission" shall mean the Commission of the European Communities.

(2) "European Banking Committee" shall mean an advisory group of the Commission on EU banking services, established by Commission Decision of 5

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November 2003 establishing the European Banking Committee (OJ L 3, 7 January 2004, p. 36).

**1.2.4. Qualifying holding, control and participation**

Article 23  
(Qualifying holding)

(2) "Qualifying holding" shall mean a direct or indirect holding of participating interests, shares, or other rights in the capital of a legal person, by which the owner acquires:

1. Either at least 10% of the voting rights or at least 10% holdings in the capital of such legal person,
2. Or a share of the voting rights or holdings in the capital of a legal person which is less than 10% but still makes it possible to exercise a significant influence over the management of that legal person.

Article 24  
(Participation)

"Participation" shall mean a direct or indirect holding of participating interests, shares, or other rights in the capital of a legal person by which the owner acquires:

1. Either at least 20% of the voting rights or at least 20% holdings in the capital of such legal person,
2. Or a share of the voting rights or capital of that legal person which is less than 20% but which, by creating a durable link with that legal person, is intended to enable the holder to exercise a significant influence over the management of that legal person.

Article 25  
(Parent entity and subsidiary)

(1) "Parent undertaking" (hereinafter referred to as "parent undertaking") shall mean an undertaking which, in relation to another undertaking (hereinafter referred to as "subsidiary"), meets one of the following conditions:

1. Holds the majority of voting rights in the subsidiary,
2. Has the right to appoint and discharge the majority of the members of management board (hereinafter referred to as "member of the management board") or members of the supervisory board (hereinafter referred to as "member of the supervisory board") or another management or supervisory bodies of the subsidiary undertaking and is, at the same time, a member or shareholder of that undertaking,
3. Has the right to exercise a dominant influence over the subsidiary undertaking on the basis of an enterprise contract under corporations law or on other legal grounds or

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4. Is a member of shareholder of the subsidiary and has the majority of the subsidiary's voting rights on the basis of a contract or other legal transaction entered into with other members or shareholders.

(2) In the application of this Act, the undertaking that directly controls another undertaking shall be treated at the same time as an undertaking that controls all undertakings that are the subsidiaries of such other undertaking.

(3) In the application of indents 1., 2. and 4. of paragraph (1) of this Article, the voting rights and the rights of appointment and discharge held by the parent undertaking shall be compounded by the voting rights and the rights of appointment and discharge held by another undertaking that is controlled by the parent undertaking, and the above-mentioned rights held by persons acting for the account of the parent undertaking or other undertaking that is controlled by the parent undertaking.

(4) In the application of indents 1., 2. and 4. of paragraph (1) of this Article, the voting rights or the rights to appoint or discharge which result from shares held by a parent undertaking or another undertaking controlled by such parent undertaking shall not include the above-mentioned rights resulting from shares which are lawfully held by such undertaking and which satisfy one of the following conditions:

1. The undertaking acquired the shares and holds them for the account of another person which is neither a parent undertaking nor its subsidiary or
2. The undertaking has acquired the shares
  - as a collateral for its claim, and exercises its above-mentioned rights in accordance with instructions received from the person that placed such shares as a collateral for its liabilities to the undertaking or
  - in connection with approval of a loan in the performance of its usual business activity and exercises its voting rights on behalf of the person that provided such shares as a collateral for its liabilities to the undertaking.

(5) In the application of indents 1. and 4. of paragraph (1) of this Article, for the purpose of calculating the majority of voting rights in a subsidiary undertaking, the total shares or voting rights in such undertaking shall not include the voting rights arising from shares held by

1. The undertaking itself,
2. The subsidiary of such undertaking or
3. Another person that holds such shares for the account of undertakings from indents 1. or 2. of this paragraph.

(6) Another parent entity shall mean any natural or legal person which is not a parent undertaking and which meets the conditions specified by the provisions of paragraphs (1) through (5) of this Article regarding voting rights or rights to appoint and discharge in the subsidiary.

(7) The term "parent entity" shall be used to denote collectively the parent undertaking and another parent entity.

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(8) In the application of Article 131 and the provisions of subsection 4.5.5. of this Act, the parent undertaking from paragraph (1) of this Article shall also be deemed an undertaking that, in the opinion of the Bank of Slovenia, actually exercises a dominant influence over another undertaking.

**Article 26**

**(Parent bank and financial holding company)**

(1) "Parent bank in a Member State" shall mean a bank

1. Which has a credit institution or a financial institution as a subsidiary or which holds a participation in another credit or financial institution and
2. Which is not itself a subsidiary of another credit institution authorized in the same Member State, or of a financial holding company set up in the same Member State.

(2) "Parent financial holding company in a Member State" shall mean a financial holding company, which is not itself a subsidiary of a credit institution authorized in the same Member State, or of a financial holding company set up in the same Member State.

(3) "EU parent bank" shall mean a parent bank in a Member State, which is not a subsidiary of another credit institution authorized in any Member State, or of a financial holding company set up in any Member State.

(4) "EU parent financial holding company" shall mean a parent financial holding company in a Member State, which is not a subsidiary of a credit institution authorized in any Member State, or of another financial holding company, set up in any Member State.

**Article 27**

**(Control)**

"Control" shall mean a relationship between a parent undertaking and its subsidiary or a similar relationship between another parent undertaking and its subsidiary.

**Article 28**

**(Close links)**

"Close links" shall mean a situation in which two or more natural or legal persons are linked in any of the following ways:

1. Participation in the form of ownership, direct or by way of control, as holder of shares, holdings or other rights ensuring participation of 20% in the management or capital of another undertaking,
2. Control,

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3. The fact that both or all are permanently linked to one and the same third person by a control relationship.

**Article 29**

**(Undertakings connected by joint management)**

"Undertakings connected by joint management" shall mean undertakings that are not in a close links situation but are connected in one of the following ways:

1. They are managed on a uniform basis pursuant to a contract or articles of association or
2. The majority of members of their management or supervisory bodies are the same persons.

**Article 30**

**(Group of connected clients and immediate family)**

(1) "Group of connected clients" shall mean":

1. A group consisting of two or more natural or legal persons who, unless proved otherwise, constitute a single risk for the bank because one of them, directly or indirectly, has control over the other or others,
2. A group consisting of two or more natural or legal persons between whom there is no relationship of control, but who are regarded as constituting a single risk for the bank because they are so interconnected that, if one of them were to experience financial problems, the other or all of other would be likely to encounter repayment difficulties.

(2) "Immediate family" of a person shall mean:

1. His or her spouse or a person with whom he or she lives in a relationship that has the same rights in property as those arising out of matrimonial relationship, or a person with whom he or she lives in a same-sex civil partnership according to the act governing same-sex civil partnership registration.
2. Child or adopted child of such person or person from point 1. of this paragraph, which lacks full legal capacity,
3. Other persons lacking full legal capacity who are under such person's guardianship.

**Article 31**

**(Banking group)**

"Banking group" shall mean a group according to point 14. of Article 2 of ZFK, within which at least one undertaking shall be

1. a credit institution which has at least one credit institution or financial institution as a subsidiary,
2. A credit institution that is linked to another credit or financial institution by means of joint management or

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3. A parent financial holding company, which has at least one credit institution as a subsidiary.

**Article 32  
(Indirect holding)**

(1) An indirect holder of shares, holdings or other rights ensuring participation in the management or capital shall be a person for whose account another person, as a direct holder, has acquired the said shares, holdings or other rights ensuring participation in the management or capital.

(4) Unless proven otherwise, a subsidiary shall be deemed to have acquired shares, holdings or other rights ensuring participation in the management or capital for the account of its parent entity or other parent undertakings.

**1.3. Fundamental rules on performance of services and accepting deposits from the public**

**Article 33  
(Provision of banking services)**

In the territory of the Republic of Slovenia, banking services may be provided by:

1. A bank which obtained an authorization to provide those services granted by the Bank of Slovenia,
2. Any bank or a special financial institution of a Member State which, in accordance with the present Act, establishes a branch within the territory of the Republic of Slovenia or is authorized to provide banking services directly in the territory of the Republic of Slovenia in accordance with this Act,
3. Any branch of a bank established in a third country that obtains an authorization from the Bank of Slovenia for its establishment.

**Article 34  
(Territory of Provision of Services)**

(1) A bank shall be considered to directly provide banking services in the territory of a particular Member State if:

1. It enters in this Member State's territory into legal transactions of which the subject is banking services, or
2. It provides services in the territory of this Member State to persons referred to in paragraph (3) of Article 8 of this Act, established or residing in the territory of this Member State, in one of the following ways:
  - by means of advertising materials sent to such persons by post or in any other manner,

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- through its own representatives or agents.

(2) Paragraph (1) of this Article shall also apply, *mutatis mutandis*, to mutually recognized financial services and electronic money issuing services.

**Article 35**

(Prohibition against accepting deposits from the public)

No persons other than persons referred to in Article 33 of this Act shall be allowed to accept deposits from the public.

**Article 36**

(Performance of electronic money issuing services)

In the territory of the Republic of Slovenia, electronic money issuing services may be provided by:

1. Banks or electronic money institutions subject to an authorization granted for this purpose by the Bank of Slovenia,
2. Any bank or electronic money institution of a Member State which, in accordance with the present Act, establishes a branch within the territory of the Republic of Slovenia or is authorized to provide electronic money issuing services directly in the territory of the Republic of Slovenia in accordance with this Act,
3. Branches of banks or third-country electronic money institutions that have been granted an authorization for establishment by the Bank of Slovenia.

**Article 37**

(Prohibition against providing electronic money issuing services)

No person other than those referred to in Article 36 of this Act shall be authorized to perform electronic money issuing services.

**Chapter 2: Corporate governance**

**2.1. General provisions**

**Article 38**

(Legal organisational form as a public limited company)

A bank shall be organised as a public limited company or European public limited company.

**Article 39**

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(Application of provisions of the Companies Act)

The provisions of the Companies Act (ZGD-1) that apply to public limited companies shall apply to banks, unless otherwise provided by this Act.

## **2.2. Activities of banks**

Article 40  
(Provision of banking services)

(1) Banks shall perform banking services.

(2) Legally registered names in courts register of companies may not include words such as "bank", "credit institution" or "savings bank" or derivatives from these words unless the legal person satisfies the conditions for providing banking services.

Article 41  
(Other activities allowed to be performed by banks)

(1) In addition to banking services, banks may also perform the following services:

1. Mutually recognized and additional financial services and
2. Ancillary services.

(2) If this Act or other acts lay down the conditions for the provision of mutually recognized or additional financial services, banks may perform these services only provided that they satisfy such conditions.

(3) Banks shall not perform activities other than banking services and services referred to in paragraph (1) of this Article.

## **2.3. Initial capital and shares**

Article 42  
(Initial capital of banks)

The lowest amount of a bank's initial capital shall be 5,000,000 euros.

Article 43  
(Bank shares)

(1) Bank shares may only be registered shares.

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(2) Bank shares may only be paid in cash.

(3) Shares shall be fully paid up prior to entering the banks' establishment or an increase of their initial capital in the court register of companies.

(4) Bank shares shall be issued in book-entry form.

(5) Banks may not, directly or indirectly, extend credits or issue guarantees for the acquisition of own shares or shares of companies in the capital of which they participate with a holding of 20% or more.

(6) Crediting activities from paragraph (5) of this Article shall also include other legal transactions whose economic purpose is equivalent to credit.

(7) The prohibition from paragraph (5) of this Article shall also apply to other financial instruments whose issuer is a bank or undertaking in which the bank holds a participation of at least 20%, and which, with regard to their nature, may be taken into account in calculating the bank's capital.

(8) Paragraph (2) of this Article shall not apply in the following cases:

1. On founding the bank or increasing the bank's initial capital because of a merger or breakup,
2. On increase in initial capital by non-cash contribution whose subject is shares in another bank, if the bank obtained an authorisation from the Bank of Slovenia for such an increase.

(9) The provisions of this Act concerning the authorization for merger or breakup shall apply, *mutatis mutandis*, to the authorization from point 2. of paragraph (8) of this Article.

## **2.4. The bank's shareholders**

### Article 44

#### (Prohibition against cross holding)

(1) If the bank holds a participation representing 20 % or more of the voting rights or 20% or more of the capital of another legal person, such legal person shall not acquire the following participation in the bank:

1. If this legal person is a financial undertaking: a participation in the voting rights exceeding 20% of the voting rights or 20% of the bank's capital,
2. If this legal person is another legal person: a qualifying holding.

(2) If the legal person holds a participation representing 20 % or more of the voting rights or 20% or more of the bank's capital, the bank shall not acquire the following participation in the legal person:

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1. If this legal person is a financial undertaking: a participation in the voting rights exceeding 20% of the voting rights or 20% of the bank's capital,
2. If this legal person is another legal person: a qualifying holding.

(3) The provision of Article 171 of this Act shall apply, *mutatis mutandis*, to exemptions from the prohibition referred to in paragraph (2) of this Article.

**Article 45**  
**(Authorisation to acquire a qualifying holding)**

(1) Any person intending to acquire the bank's shares in order to achieve or exceed a qualifying holding (hereinafter referred to as "future qualifying holder") shall obtain an authorization from the Bank of Slovenia prior to achieving such holding (hereinafter referred to as "authorization to acquire a qualifying holding").

(2) In the operative part of its decision on issuing an authorization to acquire a qualifying holding, the Bank of Slovenia shall lay down the amount of participation in the voting rights or participation in the bank's capital for which the authorization is issued as the ceiling for one of these thresholds unless the future qualifying holder requests the issue of authorization for a different holding:

1. 10%, 20%, 33% or 50% participation in the bank's voting rights or in the bank's capital or
2. Holding on the basis of which the future qualifying holder becomes the bank's parent entity.

(3) Prior to any subsequent acquisition of shares that might enable him to exceed the holding which is subject to the already issued authorization to acquire a qualifying holding, the qualifying holder shall be required to obtain a new authorization to acquire a qualifying holding.

**Article 46**  
**(Request for authorization to acquire a qualifying holding)**

(1) Request for authorization to acquire a qualifying holding shall include the following:

1. The amount of participation in the voting rights or in the capital of the bank which the future qualifying holder intends to obtain on the basis of the acquired bank's shares,
2. Other information specified in paragraph (1) of Article 373 of this Act to be included in each request.

(2) Request for authorization to acquire a qualifying holding shall be accompanied by the following:

1. When the future qualified holder is a legal person:
  - extract from the court register of companies or other relevant public register,

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- extract from the share register or other appropriate evidence of share ownership structure of the future qualifying holder with regard to the legal organisational form of such future qualifying holder,
  - annual reports for the last two financial years,
  - when the future qualifying holder is subject to audit: auditor's report including opinions regarding the annual report for the past financial year,
2. A list of persons maintaining close links with the future qualifying holder and a description of the nature of their relationship,
  3. Specification of financial investments by the future qualified holder,
  4. Specification of strategic orientations of the future qualified holder regarding investments in financial undertakings,
  5. Other documentation required by the Bank of Slovenia proving that the future qualifying holder meets the criteria from paragraph (1) of Article 48 of this Act.

**Article 47**

**(Consulting the competent supervisory authorities)**

(1) Prior to taking a decision to issue an authorization to acquire a qualifying holding, the Bank of Slovenia shall consult the competent supervisory authority of a Member State:

1. When the future qualifying holder is a:
  - supervised financial undertaking in that Member State or
  - parent entity of the supervised financial undertaking in that Member State and
2. When the future qualifying holder obtains the position of the bank's parent entity after having acquired a holding, which is the subject of his request for issue of authorization.

(2) The Bank of Slovenia shall consult and exchange information with the competent supervisory authority of the Member States in particular as regards the suitability of the shareholders and the reputation and experience of members of the companies' management boards within the same group. If the Bank of Slovenia decides on the authorization to acquire a qualifying holding in a procedure in which it also decides on an authorization to perform banking services, it shall also consult the competent supervisory authority of a Member State on the compliance with the requirements from paragraph (5) of Article 289 of this Act.

(3) If the future qualifying holder is a supervised financial undertaking in a Member State or in a third country, the request for authorization to acquire a qualifying holding shall also be accompanied by the approval or opinion of the competent supervisory authority or a notification that no such approval or opinion is necessary subject to the regulations governing the future qualifying holder in its country of establishment.

**Article 48**

**(Deciding on authorization to acquire a qualifying holding)**

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(1) In deciding on the authorization to acquire a qualifying holding, the Bank of Slovenia shall assess the future qualifying holder's eligibility by taking account of the following criteria:

1. His legal organisational form and activities,
2. His financial position,
3. Transparency of his ownership structure,
4. Reality and fairness of his financial statements,
5. Transparency of his financial investments,
6. His strategic orientation regarding investments in finance companies and
7. Other economic features of the future qualifying holder which are important for assessing his influence on the implementation of the bank's risk management rules,
8. And, if the future qualifying holder acquires the position of a parent financial holding company or a mixed-activity holding company, also the following:
  - his reputation and appropriate capacities and experiences of the members of his management required for managing this holding company and
  - his meeting the requirements from paragraph (5) of Article 289 of this Act.

(2) If the Bank of Slovenia does not decide the request for authorization to acquire a qualified holding within the time limit specified in paragraph (2) of Article 377 of this Act, the authorization to acquire a holding for which the qualifying holder requested the issue of such authorization shall be deemed to have been issued on the expiration of such time limit.

(3) In the case from the preceding paragraph of this Article, the Bank of Slovenia shall, at the request of qualifying holder, within eight days of receiving the request for a declaratory decision issue a declaratory decision stating that the authorization has been issued.

**Article 49**

**(Rejection of request for application for authorization to acquire a qualifying holding)**

(1) The Bank of Slovenia shall reject the request for issue of authorization to acquire a qualifying holding in the following cases:

1. When the future qualifying holder does not satisfy the criteria from paragraph (1) of Article 48 of this Act,
2. When because of the legal or financial position of the future qualifying holder or because of the activities or transactions performed by the future qualifying holder or persons connected with him, or because of actions by the future qualifying holder or persons connected with him, the bank's operations in accordance with risk management rules might be in jeopardy,
3. When because of the activities or transactions performed by the future qualifying owner or persons connected with him, or because of the nature of link between such

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persons, supervision over the bank might be rendered impossible or substantially more difficult

4. When the acquisition might be in contravention of paragraph (1) of Article 44 of this Act.

(2) The Bank of Slovenia shall also reject the request for acquisition of a qualifying holding by a future qualifying holder from a third country if, subject to the regulations or practice of this person's country, it is likely that supervision in accordance with the provisions of this Act will be impeded or substantially more difficult.

**Article 50**

(Time limit for acquisition of the holding which is the subject of the authorization)

(1) The future qualifying holder shall acquire the bank's shares by means of which he shall acquire the holding which is the subject of the authorization to acquire a qualifying holding within six months after the service of the decision to issue such authorization.

(2) At the request of the future qualifying holder, the Bank of Slovenia may extend the time limit from paragraph (1) of this Article by not more than six months from the service of the decision to extend the time limit for acquisition of the qualifying holding.

(3) The future qualifying holder shall file a request for extension of the time limit for acquisition of the qualifying holding before expiration of the time limit from paragraph (1) of this Article.

(4) No additional requests for extension of the time limit from paragraph (1) of this Article, which has already been extended according to paragraph (2) of this Article, shall be allowed.

**Article 51**

(Expiration of the authorization to acquire a qualifying holding)

(1) If the future qualifying holder fails to acquire the bank's shares representing a 10% share in the bank's voting rights or capital, the authorization shall expire in its entirety.

(2) If the qualifying holder acquires a holding in the bank which represents 10% of the voting rights or of the capital but fails to acquire a holding for which the authorization has been issued, the authorization shall cease to be valid in the part which exceeds the amount of holding in the bank's voting rights or in the capital acquired by the holder.

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(3) If the qualifying holder disposes of the bank's shares after having acquired the holding which is the subject of authorization, the authorization shall cease to be valid in the part which exceeds the amount of holding in the bank's voting rights or in the capital still held by the holder after such disposal of shares.

(4) The Bank of Slovenia shall issue a declaratory decision on total or partial expiration of the authorization to acquire a qualifying holding.

**Article 52**

**(Voting rights attached to the bank's shares  
acquired in contravention of the law)**

(1) A holder of the bank's shares that acquires or holds such shares contrary to this Act (hereinafter referred to as "ineligible holder") shall have no voting rights.

(2) The number of shares for which an ineligible holder may exercise his voting rights shall be calculated in the following manner:

1. When shares held by the holder result in a holding in the bank which represents 10% or more of the bank's voting rights or capital without having obtained an authorization to acquire a qualifying holding or if his authorization to acquire a qualifying holding has been withdrawn: by subtracting one share from the number of shares which represents 10% of the bank's voting rights or capital,
2. When shares held by the holder result in a holding which exceeds the holding required for obtaining the authorization to acquire a qualifying holding: so that their number equals the number of shares which represent the holding for which the holder is granted a valid authorization.

(3) Voting rights which an ineligible holder is not entitled to exercise shall be added to the voting rights of other shareholders in proportion to their participation in all voting rights attached to the bank's shares.

(4) If an ineligible holder files a request for authorization to acquire a qualifying holding within one month of acquisition, and if he is granted such authorization by the Bank of Slovenia, the holder shall, as of the date of finality of the decision to grant an authorization to acquire a qualifying holding, the holder shall acquire voting rights attached to shares and to the number of shares which represent the holding for which this authorization is granted.

(5) The Bank shall prevent the ineligible holder from exercising his voting rights from paragraph (1) of this Article.

**Article 53**

**(Order for disposal of shares)**

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(1) If the ineligible holder fails to file a request for authorization to acquire a qualifying holding within one month from acquisition of the bank's shares, the Bank of Slovenia shall issue an order imposing on such ineligible holder the obligation to dispose of the shares held in contravention of this Act (hereinafter referred to as "order for disposal of shares"). In its order for disposal of shares the Bank of Slovenia shall lay down the time limit for disposal of shares of not less than three and not more than six months.

(2) Before the expiration of the time limit laid down by the order for disposal of shares, the ineligible holder shall submit to the Bank of Slovenia the following:

1. Report on disposal of shares, which shall include the information about the acquirer(s) of shares and
2. Evidence of disposal.

(3) The Bank of Slovenia may request from the acquirer of the shares from paragraph (2) of this Article to declare whether the shares were acquired on his own behalf and for his own account. In the procedure of assessing whether the holder has acted in accordance with the order for disposal of shares, the Bank of Slovenia may take appropriate evidence on the fact regarding for whose account the acquirer acquired the shares. In the procedure from the first sentence of this paragraph of this Article, provisions of Article 375 shall apply, *mutatis mutandis*.

(4) Paragraph (1) through (3) shall also apply, *mutatis mutandis*, in the following cases:

1. When the ineligible holder files a request for authorization to acquire a qualifying holding within one month after the acquisition of shares, and his request is rejected, dismissed or withdrawn,
2. When the holder's authorisation to acquire a qualified holding is withdrawn.

(5) The order for disposal of shares shall be subject to the provisions of this Act concerning the order for elimination of violations.

**Article 54**

**(Decision prohibiting the exercise of rights deriving from shares)**

(1) If the ineligible holder fails to dispose the shares within the time limit laid down by the order for disposal of shares, or if, in the procedure according to paragraph (3) of Article 53 of this Act, the Bank of Slovenia determines that the acquirer holds the shares which were the subject of the order for disposal of shares for his own account or for the account of an ineligible holder (hereinafter referred to as "ineligible acquirer"), the Bank of Slovenia shall issue a decision prohibiting the ineligible holder and eventual ineligible holders from exercising any rights deriving from the bank's shares held in contravention of this Act, and prohibiting the bank from enabling the above-mentioned persons from exercising their rights deriving from such shares in any manner (hereinafter referred to as "decision prohibiting the exercise of rights deriving from shares").

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(2) When the decision prohibiting the exercise of rights deriving from shares has been issued, the ineligible holder and ineligible acquirers may only exercise the rights arising from the number of shares calculated by applying, *mutatis mutandis*, the provision of paragraph (2) of Article 52 of this Act.

(3) The operative part of the decision prohibiting the exercise of rights deriving from shares shall include the following:

1. Information about the ineligible holder if the holder disposes of his share to the ineligible acquirer, including the information about the ineligible acquirer or acquirers,
2. The number of shares for which the ineligible holder and eventual ineligible acquirers might jointly exercise their rights deriving from shares.

(4) Decision prohibiting the exercise of rights deriving from bank shares shall also be delivered to the bank. The bank shall not allow any rights deriving from the shares to which the decision applies to be exercised by the ineligible holder or ineligible acquirers after the notification of such decision.

(5) If the bank pays a dividend in the period from notification of the decision prohibiting the exercise of the rights deriving from shares to the date of acquisition of shares which are the subject of such decision by a new holder according to this Act, the bank shall pay the dividend pertaining to the above-mentioned shares to the new holder within eight days after receiving the new holder's notice of acquisition of shares.

**Article 55**

**(Withdrawal of authorization to acquire a qualifying holding)**

(1) The Bank of Slovenia may withdraw the authorization to acquire a qualifying holding in the following cases:

1. When the holder of a qualifying holding which has the status of a parent bank, parent financial holding or parent mixed-activity holding company acts in violation of his obligations laid down by subsection 7.9.3. of this Act and fails to eliminate such violations in spite of the order of the Bank of Slovenia or a supervisory authority of another Member State responsible for supervision on a consolidated basis or
2. In cases of the circumstances from paragraph (1) or (2) of Article 49 of this Act.

(2) Finality of the decision to withdraw the authorization to acquire a qualifying holding shall have the legal consequences referred to in Article 52 of this Act.

**Article 56**

**(Notifications of the qualifying holder to the Bank of Slovenia)**

(1) If the qualifying holder that has obtained the authorization to acquire a qualifying holding intends to dispose of his shares so that his holding would be reduced

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below the limit that is subject to authorization, he shall notify the Bank of Slovenia of his intention in advance.

(2) The qualifying holder shall notify the Bank of Slovenia forthwith of any merger or breakup to which he is a party as well as of any other changes in his legal organisational form.

(3) A parent financial holding company and a mixed-activity holding company representing a parent undertaking of which the bank is a subsidiary undertaking according to the authorization to acquire a qualifying holding shall also notify the Bank of Slovenia of each change in their management.

Article 57  
(Shareholders' agreement)

(1) The bank's shareholders who jointly own shares and their share ownership falls short of a qualifying holding in the bank and who enter into an agreement on concerted exercise of voting rights deriving from such shares (hereinafter referred to as "shareholders' agreement") shall notify the Bank of Slovenia thereof within eight days after entering in such agreement.

(2) The bank's shareholders who jointly own shares representing a qualifying holding in the bank and whose share ownership represents or exceeds a qualifying holding in the bank and who intend to enter into a shareholders' agreement (hereinafter referred to as qualifying shareholders' agreement) shall obtain the Bank of Slovenia's prior authorization to enter into a shareholders' agreement (hereinafter referred to as "authorization to enter into a shareholders' agreement").

(3) Parties to a qualifying shareholders' agreement that hold a valid authorisation to enter into such agreement shall obtain a new authorization to enter into a shareholders' agreement prior to each subsequent acquisition of the bank's shares by which the total holding of parties to the qualifying shareholder's agreement exceeds the holding that is the subject of the already granted authorization to enter into a shareholders' agreement.

(4) Paragraph (3) shall also apply, *mutatis mutandis*, in the following cases:

1. When a new participant intends to join the shareholders' agreement or
2. When on entering into the shareholders' agreement from paragraph (1) of this Article for the purpose of acquiring additional shares or when on a new participant's joining the agreement the total holding of parties to the agreement achieved or exceeded a qualifying holding in the bank.

(5) Provisions of Articles 45 through 56 of this Act shall apply, *mutatis mutandis*, to the authorization to enter into shareholders' agreement and to the rights and duties of parties to a qualifying shareholders' agreement. In the application of the provision from

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the first sentence of this paragraph, *mutatis mutandis*, the term "party to a qualifying shareholders' agreement" shall be used instead of the term "qualifying holder".

**Article 58**

(Other cases of acquiring the status of parent entity of a bank)

(1) A person intending to enter into an enterprise contract under the corporations law or other legal transaction as a basis for acquiring the status of a parent entity of a bank shall obtain the authorization to acquire a qualifying holding from point 2., paragraph (2) of Article 45 of this Act prior to entering into such a legal transaction, notwithstanding whether it is, at the same time, the bank's shareholder, i.e. notwithstanding its shareholding in the bank.

(2) Provisions of Articles 45 through 56 of this Act shall apply, *mutatis mutandis*, to the authorisation for acquisition of a qualifying holding and to the rights and duties of the qualifying holder referred to in paragraph (1) of this Article. In the application, *mutatis mutandis*, of the provisions of the first sentence of this paragraph:

1. The term "rights referred to in paragraph (1) of Article 25 of this Act" shall be used instead of the term "rights deriving from the bank's shares" and
2. The term "disposal or waiver of rights referred to in paragraph (1) of Article 25 of this Act" shall be used instead of the term "disposal of the bank's shares".

**Article 59**

(Provision concerning qualifying holders)

The Bank of Slovenia shall lay down the following:

1. Detailed criteria referred to in paragraph (1) of Article 48 of this Act,
2. Detailed contents of the documentation to be attached to the request for authorization to acquire a qualifying holding,
3. Detailed contents and method of sending notifications from Article 56 of this Act.

**2.5. The bank's management and supervisory bodies**

**2.5.1. Common provisions**

**Article 60**

(The bank's management system)

(1) A bank may opt for a two-tier management system including a management board and a supervisory board or a one-tier management system with a board of directors.

(2) Provisions of Articles 61 and 71 through 75 and other provisions of this Act concerning the bank's supervisory board shall be applied, *mutatis mutandis*, to the

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bank's board of directors with a one-tier management system , and provisions of Articles 62 to 70 and other provisions of this Act concerning the bank's management board shall be applied to executive directors.

(3) Executive directors (hereinafter referred to as "executive director") and other members of the board of directors (hereinafter referred to as "member of the board of directors") of banks with a one-tier management system shall be subject to the following special rules:

1. The bank's board of directors shall appoint at least two executive directors,
2. Not more than one half of the members of the bank's board of directors may be appointed executive directors,
3. Members of the board of directors who are not executive directors shall not manage the bank's affairs.

(4) Banks shall be subject to the provisions of the act that governs workers' participation in management, concerning workers' representatives in the management board and in the supervisory board of banks.

**Article 61**

(Regulation concerning members of the management board and of the supervisory board)

The Bank of Slovenia shall lay down the following:

1. Detailed rules concerning actions of management and supervisory board members in the exercise of their function in line with the standards of due professional diligence,
2. Detailed contents of the documentation which candidates for membership of the bank's management board submit as evidence of satisfying the conditions of Article 63 of this Act.

**2.5.2. The bank's management board**

**Article 62**

(The bank's management board)

(1) A bank's management board shall comprise at least two members, who shall jointly act on behalf of and represent the bank in legal transactions. None of the members of the bank's management board or the procurator may be authorized to act independently on behalf of the bank with respect to the entire extent of the bank's activities.

(2) Members of the bank's management board shall manage the bank on a full time basis.

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(3) At least one member of the management board shall have a working knowledge of the Slovene language necessary to perform the duties of management board member properly.

(4) The management board shall manage the bank's operations in the Republic of Slovenia.

**Article 63**

(Conditions for membership in the bank's management board)

(1) Members of the bank's management board may only be appoint persons

1. Having appropriate professional qualifications and possessing the characteristics and experience necessary for managing the bank's operations and
2. Who have not been convicted, by a final judgment, either of an intentionally committed criminal offence that is prosecuted *ex officio* or of one of the following criminal offences committed by negligence: negligent homicide, serious bodily injury, extremely serious bodily injury, threatening work safety, concealment, disclosure and undue obtaining of professional secrecy, money laundering, disclosure of official secret, causing general danger or disclosure of state secret, and the penalty has not yet been expunged from the criminal record.

(2) Unless proved otherwise, the condition from point 1. of paragraph (1) of this Article shall be deemed to have been fulfilled if the person has at least five years' experience in managing the operations of a company of the size and activity comparable to that of the bank or any other similar operations.

(3) The Bank of Slovenia shall obtain the information from point 2. of paragraph (1) of this Article from candidates for membership in the bank's management board or may obtain it from criminal records.

**Article 64**

(Decision by the supervisory board on the appointment of management board members)

(1) The supervisory board shall decide on appointing individual persons as management board members before such persons file a request for authorization to perform this function.

(2) The decision by the supervisory board to appoint individual persons as management board members shall have effect

1. Under suspensive condition that arises when such persons are granted authorization to perform this function and
2. Under resolutive condition that occurs in the following cases:

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- When such persons do not file a request for authorization to perform this function within 15 days from receipt of the decision on appointment as management board members or if they withdraw such request or
- When the Bank of Slovenia dismisses or rejects these persons' request for authorization to perform this function.

Article 65

(Authorization to perform the function of a member of the bank's management board)

(1) Only the persons authorized by the Bank of Slovenia to perform the function of members of a bank's management board may be appointed members of such bank's management board (hereinafter referred to as "authorization to perform the function of a member of the bank's management board").

(2) Candidates for members of the bank's management board shall attach to their request for authorization to perform the function of the bank's management board the following:

1. Evidence of meeting the conditions from Article 63 of this Act and
2. Decision by the bank's supervisory board on the appointment as management board members.

(3) The Bank of Slovenia may decide that candidates for membership in the management board shall make a presentation of management of the bank's operations within the procedure of deciding on the authorization.

(4) The Bank of Slovenia shall grant an authorization to perform the function of the bank's management board provided that the candidate meets the conditions for membership in the management board.

(5) The Bank of Slovenia shall reject the authorization to perform the function of the bank's management board member in the following cases:

1. When the candidate does not satisfy the conditions from Article 63 of this Act or
2. When the results available show that activities and transactions performed by a candidate for management board membership, or activities performed by such candidate might jeopardize the bank's operations according to the risk management rules.

(6) The Bank of Slovenia may obtain the information required for assessing the existence of circumstances referred to in paragraph (5) of this Article from the competent state authorities.

(7) The authorization to perform the function of member of the bank's management board shall cease in case of expiration of the management board member's term of office which is the subject of authorization.

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(8) The bank's supervisory board shall notify the Bank of Slovenia of the expiration of a person's term of office as a member of the bank's management board within five working days of the expiration of such person's term of office.

(9) If the authorization to perform the function of member of the bank's management board has expired, the Bank of Slovenia shall issue a decision establishing that the authorization has expired.

**Article 66**

**(Duties and responsibilities of management board members)**

(1) Members of the bank's management board shall ensure that the bank's operations are consistent with

1. This Act and regulations issued on its basis thereof,
2. Other acts governing the performance of financial services provided by banks, and other regulations issued on their basis thereof,
3. Other corporate finance and banking rules.

(2) Members of the bank's management board shall be jointly and severally liable for the damage incurred as a result of the violation of their duties from paragraph (1) of this Article, unless they can prove that they acted with due professional care in the exercise of their managerial duties.

**Article 67**

**(Notification to the supervisory board)**

(1) The bank's management board shall notify the bank's supervisory board forthwith in writing of the following occurrences:

1. Threats to the bank's liquidity or capital adequacy,
2. Grounds for termination or revocation of the authorization to provide banking services or for prohibition against providing individual banking services or other services from paragraph (1) of Article 41 of this Act,
3. Changes in the bank's financial position so that the bank does not comply with the minimum capital requirement from Article 136 of this Act,
4. Circumstances of large exposure and
5. Findings of the Bank of Slovenia, tax inspectorate and other supervisory authorities in their bank supervision procedures.

(2) Member of the bank's management board shall notify the supervisory board forthwith in writing of the following:

1. Their appointment and on expiration of their term of office as members of management or supervisory authorities of other legal persons and
2. Legal transactions through which management board members or their immediate family have acquired shares or holdings in a legal person on the basis of which management board members, together with their immediate family, achieve or

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exceed a qualifying holding in such legal person, or their holding declines below the qualifying holding threshold.

**Article 68**

(Withdrawal of authorization to perform the function of a member of the bank's management board)

(1) The Bank of Slovenia shall withdraw the authorization to perform the function of a member of the bank's management board in the following cases:

1. When the authorization was obtained by stating false information,
2. When the management board of which the person is a member violates its obligations from Article 173 of this Act,
3. When a management board member violates other duties pertaining to his office, as laid down by regulations or rules from paragraph (1) of Article 66 of this Act,
4. When a management board member is convicted by a final judgment of a criminal offence referred to in point 2. of paragraph (1) of Article 63 of this Act,
5. In case of circumstances referred to in paragraph (5) of Article 65 of this Act.

(2) The breach of obligations from point 3. of paragraph (1) of this Article shall be defined as serious violation of duty if

1. Such violation poses a threat to the bank's liquidity or capital adequacy or
2. A management board member commits the violation of the same nature for the second time in a period of three years.

**Article 69**

(Conditional withdrawal of authorization to perform the function of a member of the bank's management board)

(1) Simultaneously with the decision to withdraw the authorization to perform the function of a member of the bank's management board, the Bank of Slovenia may decide not to withdraw the authorization if the management board member does not commit another violation on the grounds of which it might be possible to withdraw the authorization or issue a letter of admonishment within a trial period to be determined by the Bank of Slovenia and lasting not less than six months and not more than two years from the decision date.

(2) The Bank of Slovenia shall repeal the conditional withdrawal of authorization and withdraw the authorization if the management board member commits a new violation during the trial period which might be a reason for withdrawal of authorization or issue of a letter of admonishment.

**Article 70**

(Letter of admonishment)

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The Bank of Slovenia shall issue a letter of admonishment a member of the bank's management board if the member of the bank's management board violates his duties laid down by the regulations or rules referred to in paragraph (1) of Article 66 of this Act and if there are no grounds for withdrawal of the authorization to perform the function of management board member.

**2.5.3. The bank's supervisory board**

Article 71

(Members of the bank's supervisory board)

(1) The following persons may not perform the function of a member of the bank's supervisory board:

1. Persons maintaining close links with a legal person:
  - in which the bank has more than 5% of the voting rights or capital and
  - that are not subsidiary undertakings within a banking group or
2. That is a member of a management or supervisory body (hereinafter referred to as "member of a management or supervisory body"), procurator (hereinafter referred to as "procurator") or holder of the majority of the voting rights or holdings in these legal persons notwithstanding their place of establishment
  - in another supervised financial undertaking,
  - undertaking that is directly or indirectly a parent undertaking of another supervised financial undertaking or
  - in a financial holding company.

(2) The prohibition from point 2. of paragraph (1) of this Article shall not apply to persons that are members of management or supervisory bodies or procurators of a parent bank or other parent undertaking within a banking group, or other persons appointed as members of the bank's supervisory board on the proposal of the parent bank or other parent undertaking within a banking group.

(3) Notwithstanding indent 4. of paragraph (1) of Article 273 of ZGD-1, the persons from paragraph (2) of this Article, which perform the function of members of the supervisory board or another supervisory body only in banks and other undertakings within banking groups, may perform this function

1. Provided that they perform it within their regular employment with a member of such banking group and provided that, in addition to their regular employment-related earnings, they receive no specific remuneration: may perform this function in an unlimited number of supervisory boards of banks and other companies participating in this banking group,
2. In other cases: in a total of seven supervisory boards of banks and other companies participating in this banking group.

Article 72

(Conditions for performing the function of the bank's supervisory board member)

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(1) Members of the bank's supervisory board may only be appoint persons

1. Having appropriate professional qualifications and possessing the characteristics and experience necessary for supervising the bank's operations and
2. Who have not been convicted, by final judgment, of a criminal offence from point 2. of paragraph (1) of Article 63 of this Act and the penalty has not yet been expunged from the criminal record.

(2) Unless proved otherwise, the condition from point 1. of paragraph (1) of this Article shall be deemed to have been fulfilled if the person has at least five years' experience in managing or supervising the operations of a company of the size and activity comparable to that of the bank or any other similar operations.

(3) The Bank of Slovenia may request the bank's management board of the bank to convene the bank's General Meeting and propose a discharge of a member of the supervisory board if:

1. A member of the supervisory board violates his duties of supervisory board member,
2. There is or arises an obstacle to appointing a supervisory board member from Article 71 of this Act or
3. When the supervisory board member fails to meet the conditions referred to in paragraph (1) of this Article.

#### Article 73

##### (Responsibilities of the bank's supervisory board)

In addition to the responsibilities held by the supervisory board under the provisions of ZGD-1, the bank's supervisory board shall also have the following responsibilities:

1. To grant its approval to the management board in deciding the bank's business policy,
2. To grant its approval to the management board in laying down the bank's financial plan,
3. To grant its approval to the management board's decisions regarding setting-up of the internal control system,
4. To grant its approval to the management board's decisions regarding the framework annual plan of activities of the internal audit department,
5. To decide on other matters laid down by this Act.

#### Article 74

##### (Duties of the members of the bank's supervisory board)

(1) Members of the bank's supervisory board shall have the following duties:

1. Supervise the adequacy of procedures and efficiency of the internal audit department,

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2. Discuss the findings of the Bank of Slovenia, tax inspectorate and other supervisory authorities in their procedures of bank supervision,
3. Check the bank's annual reports and other financial reports and formulate a written report thereon for the bank's general meeting of shareholders,
4. Explain to the general meeting of shareholders their opinion on the annual report of the internal audit and on annual report of the management board.

(2) Members of the bank's supervisory board shall be jointly and severally liable for the damage incurred as a result of the violation of their duties unless they can prove that they acted with due professional care in the exercise of their supervisory duties.

(3) A member of the bank's supervisory board shall notify the Bank of Slovenia forthwith of the following:

1. His appointment and expiration of his term of office as a member of management or supervisory authorities of other legal persons and
2. Legal transactions through which he or his immediate family have acquired shares or holdings in a legal person on the basis of which he, together with his immediate family, achieves or exceeds a qualifying holding in such legal person, or his holding declines below the qualifying holding threshold.

**Article 75  
(Audit committee)**

The bank's supervisory board shall appoint an audit committee

1. When the bank is a parent bank in a banking group or
2. When the bank performs banking or other services through a branch outside the territory of the Republic of Slovenia.

**2.6. Regular liquidation of the bank**

**Article 76  
(Resolution of the general meeting for liquidation of the bank)**

(1) The bank's general meeting may pass a resolution to liquidate the bank and to initiate liquidation proceedings (hereinafter referred to as "resolution for liquidation").

(2) The general meeting of the bank having its branch in another Member State may adopt the resolution from the preceding paragraph only subject to a prior favourable opinion of the Bank of Slovenia.

(3) In its opinion from paragraph (2) of this article, the Bank of Slovenia shall evaluate the appropriateness of guarantees for securing claims of the bank's creditors. The Bank of Slovenia shall deliver its opinion within 30 days from receipt of the request for opinion. If the Bank of Slovenia's opinion is not delivered within 30 days, the bank's

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general meeting of shareholders may pass a resolution for liquidation immediately upon the expiration of this time limit.

(4) The liquidation of the bank shall be subject to the provisions of ZGD-1 on the winding up of a limited-liability company based on the resolution of the general meeting unless section 2.6 of this Act provides otherwise.

(5) Liquidation of the bank having its branch in another Member State, shall be subject, *mutatis mutandis*, to the provisions of the second sentence of paragraph (2) of Article 267 and the provisions of Articles 273 to 276 of this Act unless paragraphs (6) or (7) of this Article provide otherwise.

(6) The resolution for liquidation shall be published in the form of a summary in the Official Journal of EU and in two daily newspapers circulated in the entire territory of the Member State in which the bank has a branch by the bank's liquidator.

(7) Following the adoption of the resolution for liquidation, the bank may perform only the transactions that are necessary to complete the liquidation.

**Article 77**  
**(The bank's liquidator)**

(1) Only a person authorized by the Bank of Slovenia to perform the function of a member of the bank's management board may be appointed as the bank's liquidator.

(2) Notwithstanding paragraph (1) of this Article, a person who is not authorized by the Bank of Slovenia to perform the function of a member of the bank's management board may be appointed as the bank's liquidator subject to obtaining the Bank of Slovenia's prior authorization.

(3) The provisions of paragraph (2) of this Act concerning the authorization to perform the function of a member of the bank's management board shall apply, *mutatis mutandis*, to the authorization to perform the function of the bank's liquidator. The authorisation to perform the function of liquidator of the bank shall apply only to the liquidation of the bank for which the authorization has been obtained.

**Article 78**  
**(Restriction of the authorization to provide banking services)**

(1) The bank's management board shall notify the Bank of Slovenia of the liquidation on the next business day following the adoption of the resolution for liquidation.

(2) On the basis of the notification from paragraph (1) of this Article, the Bank of Slovenia shall issue a decision

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1. Restricting the validity of the authorization to perform banking services or services from paragraph (1) of Article 41 of this Act to transactions necessary for liquidation of the bank,
2. Determining the extent to which the rules laid down by this Act and regulations issued on the basis of this Act shall apply to banks in liquidation.

(3) After service of the decision from paragraph (2) of this Article, the bank may perform only those activities laid down by this decision as well as other transactions that are necessary for completing the liquidation proceedings.

(4) If the Bank of Slovenia issues a decision referred to in paragraph (2) of this Article to a bank having a branch in a Member State, it shall notify the Member State's competent authority prior to the issuance of such decision. The notification shall also contain legal consequences and actual effects of the issued decision.

(5) If the issuing of the decision referred to in paragraph (4) cannot be delayed because of the protection of interests of the bank's clients or other public benefits, the Bank of Slovenia shall notify the competent authority of a Member State thereof immediately after the issue of the decision.

#### Article 79

##### (Reobtaining of the authorization to provide banking services)

(1) If the general meeting of shareholders resolves that a bank is to continue operating, the bank may only resume the provision of banking services if it obtains a new authorization from the Bank of Slovenia for the provision of banking services.

(2) The proposal for legal registration of the decision referred to in paragraph (1) of this Article shall be accompanied by the new authorization to provide banking services obtained from the Bank of Slovenia.

#### Article 80

##### (Termination of banking services due to the change of the bank's activity)

(1) Provisions of section 2.6. of this Act shall also apply, *mutatis mutandis*, when the bank's general meeting of shareholders adopts a resolution to change the bank's activity so that the bank no longer provides banking services.

(2) In the *mutatis mutandis* application

1. The term "resolution for liquidation" shall be replaced by the term "resolution on change of activity",
2. The term "transactions necessary for completing liquidation proceedings" shall be replaced by the term "transactions necessary for meeting the obligations from the already concluded transactions".

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## **Chapter 3: Provision of banking and financial services**

### **3.1. General provisions**

#### Article 81

(Eligibility of banks to perform banking and financial services)

(1) A bank may perform banking services in the territory of the Republic of Slovenia subject to obtaining the Bank of Slovenia's authorization to perform such services (hereinafter referred to as "authorisation to perform banking services").

(2) The bank may perform mutually recognized or additional financial services or ancillary services in the territory of the Republic of Slovenia in the following cases:

1. In the case from the paragraph (1) of Article 88 of this Act: subject to obtaining the Bank of Slovenia's authorization to perform these services,
2. In case of other services: subject to prior notification to the Bank of Slovenia.

(3) The bank may also perform banking and other mutually recognized financial services that it is entitled to perform in the territory of the Republic of Slovenia pursuant to paragraph (1) or (2) of this Article

1. In the territory of another Member State: either through a branch or directly provided that the conditions laid down by section 3.2.2. of this Act have been satisfied,
2. In the territory of a third country: only through a branch subject to obtaining a prior authorization to set up such branch from the Bank of Slovenia (hereinafter referred to as "authorization to establish a subsidiary in a third country").

#### Article 82

(Regulations on the provision of services)

The Bank of Slovenia shall lay down the following:

1. Detailed contents of the documentation to be attached to requests for authorization for which it is competent to decide upon pursuant to the provisions of Chapter 3 of this Act and
2. Detailed contents of information referred to in paragraph (2) of Article 91 of this Act.

### **3.2. Provision of banking and financial services by banks**

#### **3.2.1 Provision of banking and financial services by banks in the territory of the Republic of Slovenia**

#### Article 83

(Authorization to perform banking services)

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Banks shall obtain an authorization to perform banking services prior to the legal registration of their establishment in court register of companies.

**Article 84**

(Request for authorization to perform banking services)

(1) The request for authorization to perform banking services shall be accompanied by the following:

1. The bank's articles of association in the form of a certified copy of notary record,
2. The bank's plan of activities for the first three years of operation, which shall also include the following:
  - specification of activities which the bank plans to perform,
  - specification of the system of management referred to in Article 124 of this Act,
3. List of shareholders, which is to include their personal data and information about the number and proportion of shares they acquired on the bank's formation,
4. Other evidence demonstrating that the conditions for issuing an authorization to perform banking services have been met.

**Article 85**

(Merging the procedure for deciding on authorizations)

The Bank of Slovenia shall, at the same time, decide on the following requests for authorization:

1. A bank's request for authorization to perform banking services,
2. Requests for authorization to acquire a qualifying share submitted by future qualifying holders of bank shares referred to in point 1. of this Article,
3. Requests for authorization to perform the function of a management board member submitted by candidates for management board members referred to in point 1. of this Article,
4. Request for authorization to perform financial services from paragraph (1) of Article 88 of this Act submitted by a bank if the bank submitted such request simultaneously with the request referred to in point 1. of this Article.

**Article 86**

(Decision on authorization to perform banking services)

(1) The Bank of Slovenia shall grant a bank an authorization to perform banking services subject to the following conditions:

1. When the bank's legal organisational form is in compliance with the provision of Chapter 2 of this Act,
2. When conditions have been met for granting authorizations to acquire qualifying holdings to all qualifying holders,
3. When conditions have been met for granting authorizations to perform the function of a management board member to all management board members of such bank and

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4. When the planned system of management from Article 124 of this Act is suitable and appropriate for managing risks to which the bank will be exposed in the performance of its planned activities.

(2) When the planned system of management referred to in Article 124 of this Act is inappropriate or unsuitable for managing all risks to which the bank might be exposed in the performance of all activities comprised in banking services, the Bank of Slovenia may restrict the authorization to perform banking services to individual types or volume of transactions or make the granting of authorization conditional upon fulfilment of other requirements.

**Article 87**

(Termination of the authorisation to perform banking services)

(1) The authorization to provide banking services shall be terminated in the following cases:

1. When the bank does not take up its activities within one year from the issue of the authorization,
2. When the bank ceases to provide banking services for more than six months or
3. On the issue of the Bank of Slovenia's decision on establishing conditions for bringing bankruptcy or liquidation proceedings against the bank.

(2) When a reason specified in the first paragraph of this Article arises, the Bank of Slovenia shall issue a decision stating that the authorization has been terminated.

(3) The bank may not enter in any new transactions associated with the provision of banking services:

1. In cases from points 1. and 2. of paragraph (1) of this Article: from the expiration of the time limit upon the expiration of which the authorization shall be terminated,
2. In cases from point 3. of paragraph (1) of this Article: from the date of service of the Bank of Slovenia's decision stating the existence of conditions for initiating bankruptcy or liquidation proceedings on the bank.

**Article 88**

(Authorization to perform financial services)

(1) Banks shall obtain the Bank of Slovenia's authorization for the performance of each of the following services:

1. For services from points 1. through 12. and point 15. of Article 10 of this Act and
2. For services from points 1. through 4. and point 6. of paragraph (1) of Article 11 of this Act.

(2) The provisions of Article 83, point 2. of Article 84, point 4. of paragraph (1) and paragraph (2) of Article 86, and Article 87 of this Act shall apply, *mutatis mutandis*,

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to granting an authorization to perform the services from paragraph (1) of this Article, and the provision of Articles 250 through 252 of this Act shall apply, *mutatis mutandis*, to the withdrawal of such authorization.

(3) The operative part of the Bank of Slovenia's decision on granting an authorization to perform financial services shall indicate the services that are the subject of the authorization.

(4) In the event that another act lays down additional conditions for performing individual services from paragraph (1) of this Act,

1. The bank shall support its request for authorization to perform these services by evidence of compliance with such conditions and
2. The Bank of Slovenia shall reject the request for authorization to perform these services if the bank fails to meet such conditions.

**Article 89**

**(Notification to the Bank of Slovenia on the taking up of other services)**

(1) Prior to taking up any of the above-mentioned services, the bank shall notify thereof the Bank of Slovenia, namely about the following:

1. Services from points 13. and 14. of Article 10 of this Act,
2. Services from point 5. of paragraph (1) of Article 11 of this Act and
3. Ancillary services.

(2) The bank shall accompany its notification from paragraph (1) of this Article by a plan of activities for services that are the subject of the notification, with the contents specified by point 2. of Article 84 of this Act.

**Article 90**

**(Authorization to merge or divide)**

(1) If the bank is involved in a merger or breakup of undertakings, the bank shall obtain the Bank of Slovenia's authorization for such merger or breakup.

(2) The provisions of articles 83 to 86 of this Act shall apply, *mutatis mutandis*, to the decision on authorization for merger or breakup.

(3) If the merger or breakup results in the creation of a new legal person that will provide banking services, this new legal person shall obtain the Bank of Slovenia's authorization to perform banking services prior to the legal registration of such merger or breakup in court register of companies.



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(4) The provisions of paragraphs (1) to (3) of this Article shall also apply, *mutatis mutandis*, to other changes in the legal organisational form in which the bank is involved.

**3.2.2. Provision of banking and other mutually recognized financial services by banks in the territory of a Member State**

**Article 91**

(Notification of intention to establish a branch bank in a Member State)

(1) Banks intending to establish a branch in a Member State shall notify the Bank of Slovenia thereof and indicate the Member State in which they intend to establish their branch.

(2) The bank's notification of intention to establish a branch shall be accompanied by the following information:

1. Plan of activities which, among other things, includes the types and the volume of transactions to be carried out through the branch and the branch's organisational structure,
2. Address in the host Member State at which the documentation on the branch can be obtained,
3. Information about persons authorized to manage the branch.

(3) The notification from paragraph (1) of this Article shall be deemed to include a request that the Bank of Slovenia should transmit the notification and attachments thereto to the supervisory authority of the Member State in which the bank intends to establish its branch (hereinafter referred to as "request to transmit the notification to a Member State's supervisory authority").

**Article 92**

(Request to transmit the notification to a Member State's supervisory authority)

(1) The Bank of Slovenia shall reject the request to transmit the notification to a Member State's supervisory authority if, by taking into consideration the volume and type of transactions that the bank intends to perform through its branch, there is a good reason to doubt the appropriateness of branch organisation and management or the bank's financial position.

(2) Should the Bank of Slovenia not reject the request according to paragraph (1) of this Article, it shall transmit this notification, including attachments thereto from the Article 91 of this Act, within three months from receipt of the bank's notification to a Member State's supervisory authority and notify the bank accordingly.

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(3) Together with the notification from paragraph (2) of this Article, the Bank of Slovenia shall also transmit to a Member State's supervisory authority the information about the bank's capital and capital adequacy levels.

(4) Should the Bank of Slovenia fail to notify the bank, within the time limit from paragraph (2) of this Article, of the transmission of the notification to a Member State's supervisory authority or fail to serve on the bank the decision rejecting its request to transmit this notification, the request to transmit the notification shall be deemed rejected.

**Article 93**

(Taking up of the business of a branch in a Member State)

Banks may take up their business through a branch

1. As from the date of receipt of the notification from the supervisory authority of a Member State about the terms and conditions under which they are obliged to pursue their business in a Member State for the purpose of protecting general good or
2. On the expiration of two months' period from the date on which a Member State's competent authority received the Bank of Slovenia's notification pursuant to Article 92 of this Act, unless they receive a notification from the competent supervisory authority of a Member State from point 1. of this Article before the expiration of this time limit.

**Article 94**

(Notification of changes  
in the branch in a Member State)

(1) If a bank intends to make changes in any fact or circumstance from paragraph (2) of Article 91 of this Act, it shall notify thereof the Bank of Slovenia and the competent authority of a Member State one month prior to any such change.

(2) The provisions of Articles 91 to 93 shall apply, *mutatis mutandis*, to the changes from paragraph (1) of this Article, whereby the time limits from paragraph (2) of Article 92 and point 2. of Article 93 of this Act shall be reduced to one month.

**Article 95**

(Direct provision of services in a Member State)

(1) A bank that intends to provide banking or other mutually recognized financial services directly in a Member State shall notify the Bank of Slovenia thereof and indicate the Member State in which it intends to provide directly such activities.

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(2) The Bank of Slovenia shall, not later than within one month of receipt of the notification from paragraph (1) of this Article, send the notification to the relevant supervisory authority of the Member State and shall notify the bank thereof.

(3) A bank may provide banking or other mutually recognized financial services from the notification from paragraph (1) of this Article directly in a Member State as from the date when the competent authority of this Member State receives the Bank of Slovenia's notification from paragraph (2) of this Article.

**3.2.3. Provision of banking and financial services by banks in the territory of a third country**

Article 96

(Authorization to establish a branch in a third country)

(1) The provisions of paragraphs (1) and (2) of Article 92, paragraph (1) of Article 92, and Article 94 of this Act shall apply, *mutatis mutandis*, to the authorization to establish a branch in a third country.

(2) The Bank of Slovenia may also reject a request for authorization to establish a branch in a third country if, in consideration of the regulations of the country in which the bank intends to establish a branch or if, in consideration of the practice in the implementation of these regulations, the conduct of supervision in accordance with the provisions of this Act is likely to be impeded.

**3.3. Provision of banking and other mutually recognized financial services by banks and special financial institutions of Member States**

Article 97

(Provision of banking and other mutually recognized financial services by Member State banks)

(1) A Member State bank may provide banking and other mutually recognized financial services that it is entitled to perform in the Member State in which it is established also in the territory of the Republic of Slovenia either through a branch or directly under the terms and conditions laid down by this Act.

(2) Member State banks that provide banking or other mutually recognized financial services in the territory of the Republic of Slovenia shall be subject to the following provisions of acts and regulations issued on the basis of:

1. Articles 214 and 215 of this Act and
2. The provisions of other acts which, in order to protect the general good, regulate consumer protection, prevention of money laundering or other fields, which apply to banks in the Republic of Slovenia.

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(3) A Member State bank that performs banking or other mutually recognized financial services through a branch in the territory of the Republic of Slovenia shall be subject to the following provisions of acts and regulations issued on the basis of:

1. Articles 194, 195 and 234 of this Act, in the part relating to reports and information required for the implementation of the Bank of Slovenia's responsibilities and duties in the area of monetary policy, liquidity risk monitoring, statistics, and fulfilment of its obligations regarding the deposit guarantee scheme,
2. Paragraph (3) of Article 204, paragraph (2) of Article 210 and Articles 213, 224 and 311 of this Act.

**Article 98**

(Provision of banking and other mutually  
recognized financial services through a branch)

(1) A Member State bank may establish a branch in the Republic of Slovenia and provide banking and other mutually recognized services through its branch on the expiration of two months from the date when the Bank of Slovenia receives from the supervisory authority of the Member State in which the bank is established the notification and accompanying documents with the contents from paragraphs (1) and (2) of Article 91 and paragraph (3) of Article 92 of this Act.

(2) If a Member State bank intends to make changes in any fact or circumstance relating to its branch in the Republic of Slovenia from paragraph (2) of Article 91 of this Act, it shall notify thereof the Bank of Slovenia one month prior to any such change.

(3) Deposits held by a branch of a Member State bank shall be included in the deposit-guarantee scheme in the Member State of the bank's establishment.

(4) In order to supplement the level or extent of the guarantee in excess of the level or size of the guaranteed deposit within the deposit-guarantee scheme in the Member State of its establishment, a branch of a Member State bank may be included in the deposit-guarantee scheme of the Republic of Slovenia.

**Article 99**

(Direct provision of banking and other  
mutually recognized financial services)

A Member State bank may provide banking or other mutually recognized financial services directly in the Republic of Slovenia when the Bank of Slovenia receives from the bank's supervisory authority of the home Member State the notification and accompanying documents with the contents from paragraph (1) of Article 95 of this Act.

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Article 100

(Application of the provisions to electronic money institutions)

The provisions of this Act on the provision of banking and other mutually recognized financial services by a Member State bank in the Republic of Slovenia shall also be applied, *mutatis mutandis*, to a Member State electronic money institution.

Article 101

(Provision of mutually recognized financial services  
by special financial institutions of Member States)

(1) Provisions of this Act concerning the provision of banking and other mutually recognized financial services by a Member State bank in the Republic of Slovenia shall also apply, *mutatis mutandis*, to a Member State financial institution that meets the following conditions (hereinafter referred to as "special financial institution):

1. Other than a credit institution,
2. Of which the parent undertaking is a credit institution or jointly several credit institutions that are entitled to provide mutually recognized financial services pursuant to their articles of association or other rules of incorporation and
3. Which meets the following additional requirements:
  - its parent undertakings have obtained an authorization to perform banking services in the Member State in which the special financial institution is established,
  - which actually performs mutually recognized financial services in the Member State of its establishment, which it intends to perform in the Republic of Slovenia,
  - its parent credit institutions jointly hold its shares providing at least 90 per cent of the voting rights,
  - in the opinion of the supervisory authority of the home Member State of the special financial institution, parent credit institutions of such financial institution manage this institution with due care and have assumed joint and several liability for all obligations of the special financial institution,
  - regarding mutually recognized financial services it provides, the special financial institution is subject to consolidated supervision of the parent credit institution, particularly regarding laying down of the minimum capital requirements and large exposure supervision.

(2) The notification of the supervisory authority of the home Member State of the special financial institution, referred to in paragraph (1) of Article 98 and Article 99 of this Act, shall also include information about the capital of the special financial institution and about capital adequacy of this special financial institution's parent credit institution on a consolidated basis.

(3) If the competent authority of the home Member State of the special financial institution notifies the Bank of Slovenia that this institution no longer meets any condition from paragraph (1) of this Article, the provisions of this Act concerning the performance

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of banking and other mutually recognized financial services by a Member State bank in the Republic of Slovenia shall no longer apply to this institution.

**3.4. Provision of banking and other mutually recognized financial services by third-country banks**

**3.4.1. Branches of third-country banks**

Article 102

(Provision of banking services by third-country banks)

(1) A third-country bank may perform banking or other mutually recognized financial services that it is entitled to perform in the country in which it is established also in the territory of the Republic of Slovenia; however, only through a branch or directly under the terms and conditions laid down by this Act.

Article 103

(Authorization to establish branches by third-country banks)

(1) Third-country banks may establish a branch in the Republic of Slovenia subject to obtaining the Bank of Slovenia's authorization to establish a branch (hereinafter referred to as "authorization to establish a branch by a third-country bank").

(2) The request for authorization to establish a branch by a third-country bank shall be accompanied by the following:

1. An extract from the court register of companies or any other relevant register of the country in which the parent bank is established;
2. Articles of association or other appropriate rules of the parent bank;
3. Information about the members of the management and supervisory bodies of the parent bank;
4. The parent bank's audited business reports for the last three financial years;
5. When the extract from point 1. does not show the information about holders of the parent bank's shares: an appropriate document giving an authentic record of shareholders and their shares in the parent bank;
6. An extract from the court register of companies or any other appropriate register of the country in which legal persons that are holders of qualifying holdings in the parent bank are established;
7. A specification of banking services or other mutually recognized financial services to be provided by the branch and a business plan for the first three years of operation;
8. Authorization to perform banking or other mutually recognized financial services issued to the parent bank by the competent supervisory authority of the country of its establishment;
9. Authorization of the parent bank's supervisory authority for the establishing a branch or statement by this body that no such authorization is required by regulations of the parent bank's country;

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10. A statement by the third-country bank that the branch will keep all the documentation relating to its operations in the Slovene language and will store it at the head office of the branch, and that it will keep financial statements separately pursuant to this Act or regulations issued on the basis thereof;
11. A detailed specification of the deposit guarantee scheme valid in the country in which the parent bank is established;
12. Other documents on the basis of which it may be determined if the branch has the capacity to provide the services that are the subject of the request in terms of personnel, technical equipment and organisation.

(3) The Bank of Slovenia may require as a condition for issuing the authorization to establish a branch by a third-country bank that the parent bank in the Republic of Slovenia should deposit a certain amount of money or other appropriate financial asset or provide other appropriate insurance as a guarantee for the settlement of liabilities arising from transactions concluded in the Republic of Slovenia.

(4) The Bank of Slovenia shall grant the authorization to establish a branch by a third-country bank if, according to the available information and the documentation attached to the request for authorization, it deems that the branch has the capacity to carry out its operations in accordance with the provisions of this Act in terms of finance, management, organisation, personnel and technical requirements.

(5) The Bank of Slovenia shall reject the request for authorization to establish a branch by a third-country bank if, in consideration of the regulations of the country in which the parent bank is established or, in consideration of the practice of this country in applying and implementing such regulations, it is likely that supervision according to the provisions of this Act will be impeded.

(6) A third-country bank having obtained the authorization from paragraph (1) of this Article may perform through its branch in the Republic of Slovenia banking activities and other mutually recognized financial services, which are indicated in the authorization to establish a branch by a third-country bank.

(7) If a third country bank intends to take up, through its branch in the Republic of Slovenia, also the provision of other mutually recognized financial services that are not indicated in the already issued authorization to establish a branch by a third-country bank, it shall obtain an additional authorization to provide such services from the Bank of Slovenia.

(8) The provisions of points 7. and 11. of paragraph (2) and paragraphs (4) and (5) of this Article shall apply, *mutatis mutandis*, to the additional authorization from paragraph (7) of this Article.

Article 104  
(Application of provisions)

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(1) Third-country banks that established a branch in the Republic of Slovenia shall be subject to the provisions of paragraph (2) of Article 210 and to the provisions of Article 213 of this Act.

(2) The banks from paragraph (1) of this Article or their branches and managers of such branches shall be subject to

1. Provisions of Chapters 4, 5, 6, 7 and 14 of this Act,
2. Provisions of other acts which apply to banks established in the territory of the Republic of Slovenia,
3. In the case from paragraph (3) of Article 105 of this Act: provisions of Chapter 8 of this Act,
4. Provisions of regulations issued on the basis of provisions of acts referred to in points 1. through 3. of this paragraph.

(3) The provisions of this Act on the bank's management board shall apply, *mutatis mutandis*, to branch managers.

(4) The Bank of Slovenia shall also withdraw the authorization to establish a branch by a third-country bank in the following cases:

1. When the competent authority of a third-country bank's place of establishment has revoked the bank's authorization to perform banking services,
2. When in the case referred to in paragraph (3) of Article 105 of this Act the branch fails to meet its obligations under the deposit guarantee scheme.

**Article 105**

(Deposit guarantee scheme in branches of third-country banks)

(1) Branches of third-country banks shall be included in the deposit guarantee scheme of their parent bank's country of establishment.

(2) The level and extent of deposit guarantee in branches of third-country banks may not exceed the level and the extent defined by this Act.

(3) If the deposit guarantee scheme does not exist in the country in which a third-country bank is established or if the extent of the deposit guarantee is lower than in the Republic of Slovenia, the branch shall join the deposit guarantee scheme of the Republic of Slovenia. The method and extent of a third-country bank branch's joining the deposit guarantee scheme of the Republic of Slovenia shall be laid down by the Bank of Slovenia in its authorization to establish a branch of a third-country bank.

**3.4.2. Representative office of third-country banks**

**Article 106**

(Representative office of third-country banks)

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(1) Third-country banks may act as representatives and provide information about their services through their representative offices as their organisational units in the Republic of Slovenia.

(2) The representative office shall not constitute a legal person.

(3) Representative offices of third-country banks in the Republic of Slovenia shall not carry out any transactions.

**Article 107**

(Authorization to establish a representative office by third-country banks)

(1) Establishment of a representative office a third-country bank shall require an authorization from the Bank of Slovenia.

(2) The request for authorization from paragraph (1) of this Article shall be accompanied by the following documents:

1. An extract from the court register of companies or any other appropriate register of the country in which the parent bank is established;
2. Articles of association or other appropriate rules of the parent bank;
3. The parent bank's audited business reports for the last three financial years;
4. A list of persons who will manage the representative office.

(3) The Bank of Slovenia shall keep a register of representative offices.

(4) The Bank of Slovenia shall withdraw the authorization to establish a third-country bank's representative office if such representative office acts contrary to the provision of paragraph (3) of Article 106 of this Act.

## **Chapter 4: Risk management**

### **4.1. Terms associated with risk management**

**Article 108**  
(Risk management)

Risk management shall comprise identifying, measuring or assessing, managing and monitoring of risks, including reporting on risks to which the bank is or might be exposed in its operations.

**Article 109**  
(Credit risk)

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Credit risk shall mean the risk of loss due to the borrower's default on his obligations to the bank.

**Article 110  
(Dilution risk)**

Dilution risk shall mean a risk that the amount of receivables to which the creditor is entitled might be reduced due to the successful objections by the obligor arising from the legal relationship with the previous creditor, which gave rise to such receivables.

**Article 111  
(Market risks)**

(1) The term market risks shall be used to denote the following types of risk:

1. Position risk,
2. Settlement risk and counterparty credit risk,
3. Risks of exceeding the maximum allowable exposure from trading,
4. Foreign-exchange risk and
5. Commodities risk.

(2) Position risk shall mean the risk of loss due to a price change of financial instruments. Position risk shall include a specific and general risk component.

(3) The specific risk shall mean a risk of price change in a financial instrument due to factors related to its issuer or, in the case of a derivative, the issuer of the underlying instrument.

(4) The general risk shall mean a risk of price change in a debt instrument due to a change in the level of interest rates or, in the case of an equity instrument, to a broad equity-market price movement unrelated to any specific attributes of individual instruments.

(5) Settlement risk and counterparty credit risk shall mean the risk of loss due to the counterparty's default on its obligations.

(6) The risk of exceeding the maximum allowable exposure from trading shall mean the risk of loss due to the exceeding of the maximum allowable exposure from trading by an individual person.

(7) Foreign-exchange risk shall mean the risk of loss due to changes in currency exchange rates.

(8) Commodities risk shall mean the risk of loss due to changes in prices of commodities to which the derivative relates.

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**Article 112  
(Operational risk)**

Operational risk shall mean the risk of loss, including legal risk, due to the following circumstances:

1. Inadequate or failed internal processes,
2. Other inadequate actions by persons belonging to the internal business circle of a legal person,
3. Inadequate or failed systems belonging to the internal business circle of a legal person or
4. External events or actions.

**Article 113  
(Exposure)**

(1) The bank's exposure shall mean any asset or off-balance sheet item.

(2) The bank's exposure to a single person shall mean a total of all asset and off-balance sheet items showing:

1. The bank's claims and contingent claims from this person and
2. The bank's investments in financial instruments and equity interests of this person.

**Article 114  
(Significant effect, loss or expenditure)**

(1) A significant effect, loss or expenditure shall mean an effect, loss or expenditure that has significant consequences for the bank's financial position or risks to which the bank is exposed in its operations.

(2) Paragraph (1) of this Article shall apply, *mutatis mutandis*, to other significant facts or circumstances.

**Article 115  
(Terms associated with capital requirement calculation for  
credit risk based on internal ratings based approach)**

(1) "Probability of default" shall mean the probability of default of a counterparty over a one-year period.

(2) The situation from paragraph (1) of this Article shall be deemed to exist in the following cases:

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1. When, in the opinion of the bank, it is unlikely that the counterparty will meet its credit obligations to the bank, its parent undertaking or any of its subsidiary undertakings without the need to enforce credit protection or employ other involuntary recovery measures,
2. When the counterparty is more than 90 days late in paying any material credit obligation to the bank, its parent undertaking or any of its subsidiary undertakings.

(3) "Loss" shall mean an economic loss, including:

1. Material discount effects of cash flows on default date and
2. Material direct and indirect costs associated with collecting on the instrument.

(4) "Loss given default" shall mean the ratio of the loss on a bank's exposure due to the default of a counterparty to the amount outstanding at default.

(5) "Conversion factor" shall mean the ratio of the currently undrawn amount of the bank's commitment at the moment of assessment that will be drawn and outstanding at default to the currently undrawn amount of the bank's commitment at the moment of assessment. The bank's commitment according to the first sentence of this paragraph shall mean the commitment taken on by the bank for a granted loan, issued guarantee or other legal transactions.

(6) "Expected loss" shall mean the ratio of the amount expected to be lost on a bank's exposure from a potential default of a counterparty or dilution risk over a one-year period to the amount outstanding on default.

**Article 116  
(Credit protection)**

(1) "Credit protection" shall mean a technique of credit risk mitigation associated with one or more exposures of the bank.

(2) Credit protection may be either funded or unfunded.

(3) "Funded credit protection" shall mean a technique of credit risk mitigation where the reduction of the credit risk on the exposure of a bank derives from the right of the bank – in the event of the default of the counterparty or on the occurrence of other specified credit events relating to the counterparty:

1. To sell a particular asset in order to offset its claim,
2. To obtain transfer or appropriation of certain assets,
3. To retain certain assets or amounts,
4. To reduce or to offset the amount of exposure against the amount of the counterparty's claim to the bank,
5. To replace the amount of exposure with the amount of difference between the amount of the exposure and the amount of a counterparty's claim on the bank.

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(4) "Unfunded credit protection" shall mean a technique of credit risk mitigation where the reduction of the credit risk on the exposure of a bank derives from the undertaking of a third party to pay an amount in the event of the counterparty's (borrower's) default or on the occurrence of other counterparty-related specified events.

(5) Funded credit protection shall also include repurchase or reverse repurchase transactions and securities or commodities lending or borrowing transactions provided that they have the characteristics specified by paragraph (3) of this Article.

**Article 117**

**(Repurchase or reverse repurchase transactions)**

(1) "Repurchase or reverse repurchase transaction shall mean any agreement

1. In which the transferor transfers to the transferee the following:
  - either securities or commodities,
  - either guaranteed rights relating to title – to securities or commodities where the guarantee is issued by a recognized exchange which holds the rights to the securities or commodities
2. And the agreement does not allow the transferor to transfer or pledge such securities, commodities or rights to more than one counterparty at one time,
3. Subject to the counterparty's commitment to do the following:
  - if acting as a transferor: to repurchase the same securities, commodities or rights from point 1. from the counterparty or
  - if acting as a transferee: to resell them to the counterpartyat a specific future date determined by the agreement or at the transferor's request at a price specified by the agreement.

(2) The bank's role in a repurchase transaction shall be that of a transferor.

(3) The bank's role in a reverse repurchase transaction shall be that of a transferee.

**Article 118**

**(Securities or commodities lending or borrowing transaction)**

(1) "Securities or commodities lending or borrowing transaction" shall mean a lending agreement

1. In which the lender transfers securities or commodities to the borrower against appropriate collateral and
2. In which the borrower undertakes a commitment to return equivalent securities or commodities at an agreed date in the future or when requested to do so by the transferor.

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(2) The "securities or commodities lending transaction" shall mean a transaction from paragraph (1) of this Article in which the bank acts as the lender.

(3) The "securities or commodities borrowing transaction" shall mean a transaction from paragraph (1) of this Article in which the bank acts as the borrower.

**Article 119  
(Cash assimilated instrument)**

"Cash assimilated instrument" shall mean a certificate of deposit or other similar instrument issued by the bank.

**Article 120  
(Securitization and related terms)**

(1) Securitization shall mean a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is divided into at least two tranches, having the following characteristics:

1. Payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures and
2. The subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme.

(2) "Traditional securitization" shall mean a securitization involving the economic transfer of the exposures being securitized to a securitization special purpose entity, which issues at least two types of securities reflecting different tranches. This shall be accomplished by the transfer of ownership of the securitized exposures from the originator bank or through sub-participation. The securities issued shall not represent payment obligations of the originator bank.

(3) "Synthetic securitization" shall mean a securitization where the tranching is achieved by the use of credit derivatives or guarantees, and the pool of exposures is not removed from the originator bank's balance sheet.

(4) "Tranche" shall mean a contractually established segment of the credit risk associated with an exposure or number of exposures, where a position in the segment entails a risk of credit loss greater than or less than a position of the same amount in each other such segment, without taking account of credit protection provided by third parties directly to the holders of positions in the segment or in other segments.

(5) "Securitization position" shall mean an exposure to a securitization.

(6) "Originator bank" shall mean either of the following:

1. A bank which, either itself or through related entities, directly or indirectly, was involved in the original agreement which created the obligations or potential

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obligations of the debtor or potential debtor, giving rise to exposure being securitized or

2. A bank which purchases a third party's exposures into its balance sheet and then securitizes them.

(7) "Sponsor" shall mean a bank

1. Other than the originator bank and
2. That establishes and manages an asset-backed commercial paper programme or other securitization scheme that purchases exposures from third party entities.

(8) "Credit enhancement" shall mean a contractual arrangement whereby the credit quality of a position in a securitization is improved in relation to what it would have been if the enhancement had not been provided, including the enhancement provided by more junior tranches in the securitization and other types of credit protection.

(9) "Securitization special purpose entity" shall mean a legal person

1. Other than a credit institution,
2. Organised for carrying on a securitization or securitizations,
3. The activities of which are limited to those appropriate to accomplishing the objective from point 3. of this paragraph,
4. The structure of which is intended to isolate the obligations of the securitization special purpose entity from those of the originator credit institution and
5. The holders of beneficial interests in which have the right to pledge or exchange those interests without restriction.

**Article 121**

**(Financial instruments and related terms)**

(1) "Financial instrument" shall mean any contract that gives rise to both a financial asset of one party and a financial liability or equity instrument of another party. The term "financial instrument" shall comprise both an underlying instrument and a derivative and shall include at least all financial instruments according to the act regulating the financial instrument market.

(2) "Option" shall mean a unilateral constitutive entitlement which gives to the option holder the right to enter into a purchase, sale or swap agreement of which the subject is the underlying instrument.

(2) "Convertible" shall mean a security which, at the option of the holder, may be exchanged for another security.

(4) "Warrant" shall mean a security

1. Which gives the holder the right to purchase an underlying asset at a stipulated price until or at the expiry date of the warrant and
2. Which may be settled by the delivery of the underlying itself or by cash settlement.

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(5) "Derivative financial instrument" shall mean a financial instrument from paragraphs (2), (3) and (4) of this Article and any other financial instrument of which the value is dependent upon the price of the underlying financial instrument or price or index of another underlying asset.

**Article 122  
(Regulated market)**

"Regulated market" shall mean a multilateral system operated and/or managed by a market operator

1. Which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems,
2. Which is authorized by the competent supervisory authority,
3. Which functions regularly and in accordance with the provisions of relevant regulations.

**Article 123  
(Recognized exchange)**

"Recognized exchange" shall mean an exchange which is recognized as such by the Bank of Slovenia and which meets the following conditions:

1. It functions regularly,
2. It has rules
  - issued or approved by the appropriate competent authority of the home country of the exchange,
  - defining the conditions for the operation of the exchange, the conditions of access to the exchange as well as the conditions that shall be satisfied by a derivative before it can effectively be dealt on the exchange, and
3. It has a clearing mechanism whereby contracts in derivatives are subject to daily margin requirements which, in the opinion of the Bank of Slovenia, provide appropriate protection.

**4.2. Fundamental risk management rules**

**Article 124  
(Sound and reliable management system)**

(1) Banks shall set up and implement a sound and reliable management system, which shall include the following:

1. Clear organisational structure with precisely defined, transparent and consistent internal relations regarding responsibilities,

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2. Effective procedures of identifying, assessing, measuring or evaluating, mitigating and monitoring of risks to which the banks are or might be exposed during their operations,
3. Appropriate internal control system which includes appropriate administrative and accounting procedures.

(2) Organisational structure, procedures and systems from paragraph (1) of this Article shall be defined in a clear and understandable manner and shall be proportionate to the characteristics, volume and complexity of transactions performed by the banks.

**Article 125**

**(Capital adequacy of banks)**

(1) Banks shall ensure that they always have an adequate capital level with respect to the extent and types of services and risks to which they are exposed in the provision of these services (capital adequacy).

**Article 126**

**(Strategies and processes of assessing the required internal capital)**

(1) Banks shall lay down and implement appropriate, effective and overall strategies and processes for the purpose of permanent assessment and maintenance of amounts, types and distribution of internal capital which they deem as a necessary cover in respect of the nature and levels of risks to which they are or might be exposed during their operations.

(2) The strategies and processes from the preceding paragraph shall be the subject of regular internal auditing in order to ensure that they remain defined in a clear and integral manner and proportionate to the nature, scale and complexity of the activities performed by the banks.

**Article 127**

**(Operations subject to restrictions)**

The banks shall conduct their operations so that the risks to which they are exposed in individual or all types of transactions they perform exceed in no event the restriction of maximum allowable exposures or total exposure, restriction on investments in qualifying holdings in non-financial sector undertakings, or other restrictions laid down by this Act and risk management regulations.

**Article 128**

**(Assurance of bank solvency)**

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Banks shall conduct their operations in such a manner that they may be able to meet their obligations on maturity (hereinafter referred to as "liquidity") and that they may be permanently able to meet all their obligations.

**Article 129  
(Risk management regulations)**

The Bank of Slovenia shall lay down the following:

1. Detailed rules on the scope and method of consolidation for the purpose of meeting obligations on a consolidated basis,
2. In connection with calculation of the bank's own funds:
  - characteristics and types of items taken into account in calculation of own funds for the purpose of meeting all or individual capital requirements,
  - ratios and limits between own funds items in the calculation of own funds for the purpose of meeting all or individual capital requirements,
3. In connection with valuation of items for calculating capital requirements and restrictions:
  - detailed valuation rules for this items for the purpose of all or individual capital requirements and restrictions,
  - method and scope of considering individual items in calculating individual types of capital requirements or restrictions,
4. In connection with calculating capital requirement for credit risk and for dilution risk for purchased receivables:
  - types and characteristics of exposure categories,
  - detailed rules on calculating risk-weighted exposure amounts for individual types of exposure and amounts of expected losses,
  - detailed criteria for recognizing international credit rating institutions as appropriate and the method of availability of data in connection with external credit rating institutions recognized as appropriate by the Bank of Slovenia and their liability to report to the Bank of Slovenia on circumstances from paragraph (2) of Article 142 of this Act,
  - detailed rules on the method of utilization of external credit assessment for calculating risk-adjusted exposure amounts,
  - for the method based on internal rating systems: detailed terms and conditions of use, method and scope of the use of the internal ratings based approach as well as the method and conditions for roll-out and permanent exemptions,
  - detailed criteria for appropriateness of credit protection and minimum requirements for their implementation in calculating their effects,
  - detailed rules on the method of considering securitization,
5. In connection with calculating capital requirements for market risks:
  - detailed characteristics of trading book positions,
  - detailed rules on approaches, conditions for use of approaches and on the method of calculating capital requirements for individual market risk types,
  - in connection with internal models: conditions for their use and the scope and method of their use,
6. In connection with calculating operational risk capital requirement:

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- conditions for using standardized or advanced approach and for a combined use of approaches,
  - detailed rules on calculating operational risk capital requirement by using individual types of approaches,
7. In connection with large exposures: detailed rules on exposure calculation and on monitoring and reporting on large exposures,
  8. In connection with qualifying holdings in non-financial sector undertakings: detailed rules on:
    - calculation of limits of qualifying holdings and
    - treatment of cases of exceeded limits in qualifying holdings,
  9. Detailed risk management rules,
  10. Detailed liquidity position rules,
  11. In connection with reporting:
    - detailed contents of reports and notices,
    - time limits and method of reporting,
  12. Appropriate measures for managing interest rate risk arising from sudden and unexpected changes in interest rates; however, only for banks whose loss arising from interest rate fluctuations exceeds 20 per cent of their capital,
  13. Criteria for suitable export agencies and
  14. Detailed rules on assessing internal capital requirement.

### **4.3. Level of performance of obligations**

#### Article 130

##### (Performance of obligations on an individual basis)

(1) The banks shall perform the following obligations on an individual basis:

1. Obligations concerning the systems and standards of management from Article 124 and Section 4.6 of this Act,
2. Obligations concerning the minimum capital requirement set out in Article 136 of this Act and
3. Obligations concerning the exposure set out in sub-section 4.5.5. of this Act.

(2) A bank which is neither a subsidiary bank nor parent bank in the Republic of Slovenia, and a bank which is not subject to supervision on a consolidated basis shall also meet the following obligations on an individual basis:

1. Obligations concerning investments in qualifying holdings in non-financial undertakings set out in sub-section 4.5.6. of this Act and
2. Obligations concerning strategies and processes of assessing the internal capital requirement from Article 126 of this Act.

(3) A bank which is neither a subsidiary bank nor a parent bank in the Republic of Slovenia, and a bank which is not subject to supervision on a consolidated basis shall also meet the disclosure obligations set out in Articles 207 to 209 of this Act:

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Article 131

(Performance of obligations on a consolidated basis)

(1) A parent bank in the Republic of Slovenia shall perform the following obligation on a consolidated basis at the level of the Republic of Slovenia:

1. Obligations concerning the minimum capital requirement set out in Article 136 of this Act,
2. Obligations concerning investments in qualifying holdings in non-financial sector undertakings set out in sub-section 4.5.6. of this Act,
3. Obligations concerning strategies and processes of assessing the internal capital requirement from Article 126 of this Act,
4. Obligations concerning the exposure set out in sub-section 4.5.5. of this Act.

(2) A bank which is a subsidiary undertaking of a financial holding company in the Republic of Slovenia shall perform its obligations from paragraph (1) of this Article on the basis of the consolidated position of such financial holding company at the level of the Republic of Slovenia.

(3) A bank which is a EU parent bank shall perform its obligations concerning the disclosures set out in Articles 207 through 209 of this Act on the basis of its consolidated financial position at the level of the European Union.

(4) A bank which is a subsidiary undertaking of an EU financial holding company shall perform its obligations from paragraph (3) of this Article on the basis of the consolidated position of such financial holding company at the level of the European Union.

(5) Notwithstanding the paragraphs (3) and (4) of this Article, the Bank of Slovenia may adopt a decision imposing on the subsidiary bank, which is important to the banking system of the Republic of Slovenia, the performance of obligations from points 3. and 4. of paragraph (1) of Article 207 of this Act in the following manner:

1. When it is a parent undertaking of a banking group in the Republic of Slovenia: on a consolidated basis,
2. In other cases: on an individual basis.

(6) A subsidiary bank which participates in another credit institution, financial institution or management company established in a third country either by itself or through its parent financial holding company, shall meet the obligations from paragraph (1) of this Article on a consolidated basis at a subgroup level.

(7) In order to ensure that organisational structure, processes and systems within a banking group are consistent and well integrated so that they enable a smooth preparation of all data and information necessary for supervision, the parent bank in the banking group shall meet the obligations from Article 124 of this Act on a consolidated basis at a group or subgroup level.

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(8) Paragraph (2) or (4) of this Article shall not apply to a bank whose parent financial holding company in the Republic of Slovenia or EU financial holding company are an investment firm that performs its obligations on a consolidated basis.

#### **4.4. The bank's own funds**

**Article 132  
(The bank's own funds)**

(1) For the purpose of assessing the bank's compliance with risk management-related liabilities, the bank's own funds (hereinafter referred to as "the bank's own funds") shall be calculated in the manner laid down by Section 4.4. of this Act and by risk management regulations.

(2) In calculating the bank's own funds, the following shall be observed:

1. Characteristics of individual own funds items,
2. Deduction items which are deducted from individual own funds items,
3. Ratios between individual own funds items and
4. Purpose of individual own funds items.

**Article 133  
(The bank's original own funds)**

(1) In calculating the bank's original own funds, the following items shall be taken into account:

1. Paid-up subscribed capital and share premium accounts, except subscribed capital paid in on the basis of cumulative preference shares and capital reserves associated with those shares,
2. Reserves from profit,
3. Net profit or loss from previous periods,
4. Other items which, according to their characteristics, are similar to those referred to in points 1. to 3. of this paragraph.

(2) In calculating the core capital, the following items shall be considered to be deduction items:

1. Own shares,
2. Intangible assets,
3. Net loss for the current financial year,
4. Other items which, according to their characteristics, are similar to those referred to in points 1. to 3. of this paragraph.

**Article 134  
(The bank's additional own funds)**

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(1) The bank's additional own funds shall be composed of additional own funds (Tier II capital) and ancillary own funds (Tier III capital).

(2) In calculating the bank's additional own funds (Tier II capital), the following items shall be taken into account:

1. subscribed capital paid up on the basis of cumulative preference shares and share premium accounts associated with these shares,
2. Subordinated debt instruments,
3. Other items which, according to their characteristics, are similar to those referred to in points 1. or 2. of this paragraph.

(3) In calculating ancillary own funds (Tier III capital) takes into consideration subordinated debt and other items which are, according to their characteristics, suitable for meeting capital requirements for market risk, except for capital requirements for settlement risk and counterparty credit risk.

#### **4.5. Capital requirements and restrictions**

##### **4.5.1. Common provisions**

###### Article 135

(Valuation of items for calculating capital requirements and restrictions)

Unless special rules for valuating asset items and off-balance sheet items for the purpose of calculating capital requirements and restrictions are laid down by this Act or risk management regulations, the general rules on valuating items of the banks' financial statements shall be applied to valuating these items for the purpose of calculating capital requirements and restrictions.

###### Article 136

(Minimum level of own funds)

(1) The bank's own funds shall always be equal to at least the sum of the following capital requirements:

1. In respect of all business activities carried out by the bank, except trading-book positions: capital requirement for credit risk and dilution risk (hereinafter referred to as "capital requirement for credit risk"),
2. In respect of trading-book positions relating to capital requirements for the following market risks:
  - position risk,
  - settlement risk and counterparty credit risk,
  - should the bank exceed the limits of maximum allowable exposure from trading : risk of exceeding these limits,
3. In respect of all business activities carried out by the bank, capital requirements for the following market risks:

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- foreign-exchange risks and
  - commodities risk,
4. In respect of all business activities carried out by the bank, capital requirements for operational risk.

(2) Notwithstanding the provision of paragraph (1) of this Article, the bank's own funds may never be lower than the amount of initial capital referred to in Article 42 of this Act.

#### **4.5.2. Minimum own funds requirement for credit risk**

##### **4.5.2.1. Common provisions**

Article 137  
(Capital requirement for credit risk)

Capital requirement for credit risk shall be 8 per cent of the sum of risk weighted exposure amounts.

Article 138  
(Approaches to calculating capital requirement for credit risk)

In calculating risk weighted exposure amounts, the banks shall use the following:

1. A standardized approach or
2. Internal ratings based approach subject to Bank of Slovenia's approval.

##### **4.5.2.2. Standardized approach**

Article 139  
(Determining of exposure value)

- For the purpose of calculating risk-weighted exposure amounts
1. The exposure value having the characteristic of an asset item shall be equal to its book value,
  2. The exposure value having the characteristics of an off-balance sheet item shall be equal to the corresponding percentage of its book value.

Article 140  
(Assignment of exposures to exposure classes)

The bank shall assign each exposure to an appropriate exposure class depending on the risk level associated with this exposure.

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**Article 141**  
**(Use of risk-weights)**

(1) The bank shall use appropriate risk weights in calculating risk-weighted exposure amounts.

(2) The bank shall choose a risk weight for each individual exposure according to

1. The exposure class to which the exposure is assigned and
2. Credit quality of such exposure if it is assigned to an exposure class for which the credit quality level is being determined.

(3) Risk-weighted exposure amount shall be calculated by multiplying the exposure value by the appropriate risk weight.

**Article 142**  
**(Use of external credit assessment for the determination of credit quality)**

(1) In order to determine the credit quality of individual exposures, the bank may use a credit assessment of an external credit assessment institution, provided that such credit assessment institution is recognized as appropriate for this purpose by the Bank of Slovenia, or of an export credit agency (hereinafter referred to as "external credit assessment").

(2) The Bank of Slovenia shall recognize an external credit assessment institution as appropriate provided that the assessment methodology used by such institution complies with the requirements of objectivity, independence, ongoing review and transparency and provided that credit assessments resulting from the assessment methodology applied are in conformity with requirements of credibility and transparency.

**4.5.2.3. Internal ratings based approach**

**Article 143**  
**(Conditions for using the internal ratings based approach)**

(1) The Bank of Slovenia shall grant the bank, upon request, a permission to use the internal ratings based approach provided that the bank's systems for management and measurement of credit risk are sound and implemented with integrity, in particular, that they meet the following requirements:

1. The bank's internal rating systems provide for a meaningful assessment of obligor and transaction characteristics, a meaningful differentiation of risk and accurate and consistent quantitative estimates of risk,
2. Internal rating systems and default and loss estimates used in the calculation of capital requirements and associated systems and processes play an essential role in the bank's following business functions:

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- risk management and decision-making process and
  - credit approval, internal capital allocation and corporate governance functions,
3. The bank has a special credit risk control unit which is
    - responsible for its rating systems,
    - appropriately independent and
    - free from undue influence,
  4. The bank shall collect and store all relevant data to provide effective support to its credit risk measurement and management process,
  5. The bank shall consistently document its rating systems and the rationale for their design and validate its rating systems.

(2) A bank applying for the use of own estimates of loss given default and/or conversion factors in exposure classes to central government units and to central banks, institutions and corporates shall, in addition to the permission from paragraph (1) of this Article, also obtain a special Bank of Slovenia's permission to use its own estimates.

**Article 144**

(Extent and method of application of the internal ratings based approach)

(1) Banks shall implement the internal ratings based approach for all exposures.

(2) Subject to the approval of the Bank of Slovenia, implementation may be carried out by banks sequentially.

(3) Banks shall assign each exposure to an appropriate exposure class. The methodology used by banks in assigning exposures to different exposure classes shall provide for an appropriate and consistent creation of exposure classes.

(4) The banks shall use appropriate risk weighting methods in calculating risk weighted exposure amounts.

(5) Banks shall calculate appropriate risk weights for any kind of exposure depending on the exposure class.

(6) Banks shall calculate expected loss amounts for each type of exposure depending on the exposure class.

(7) Notwithstanding the provision of paragraph (1) of this Article, banks may implement a standardized approach to calculate risk-weighted exposure amounts and expected loss amounts for certain exposures or exposure classes.

**4.5.2.4. Considering credit protection in calculating minimum own fund requirement for credit risk**

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**Article 145**  
**(Taking account of credit protection)**

(1) In calculating risk weighted exposure amounts and expected loss amounts the bank may take into account credit protection relating to these exposures.

(2) In accordance with paragraph (1) of this Article, the bank may take into account only those types of credit protection that meet the following conditions:

1. That they are eligible for credit risk reduction and
2. That they meet the minimum requirements regarding their implementation.

(3) Funded credit protection shall be eligible for credit risk reduction:

1. if they are sufficiently liquid and
2. if their value over time is stable so that it provides sufficient certainty regarding repayment.

(4) Eligibility of unfunded credit protection shall be assessed according to the credit rating of its providers.

(5) Assessment of the minimum requirements for credit protection implementation shall take into account particularly the following criteria:

1. Its legal effectiveness and enforceability according to the applicable law,
2. Its quality regarding the effects on credit risk reduction and
3. Operational requirements for effective credit risk implementation met by the bank.

(6) The calculation of credit protection effects on credit risk reduction shall reflect their present value, anticipated changes of this value for the duration of the protection and other characteristics of such protection.

(7) The bank shall also treat appropriately the risks associated with the implementation of individual types of credit protection.

(8) The provisions of this Article shall not apply to banks using internal ratings based approach with own estimates of loss given defaults or conversion factors.

**4.5.2.5. Treatment of securitization**

**Article 146**  
**(Treatment of securitization)**

Originator banks, sponsor banks or other banks participating in securitization shall appropriately take into consideration the characteristics of this securitization and their role in securitization in calculating risk weighted amounts and expected loss amounts in connection with its securitization position.

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#### 4.5.3. Minimum capital requirements for market risks

Article 147  
(Trading book)

(1) The bank shall keep in its trading book all positions in financial instruments and commodities which are held

1. For trading intent or
2. For hedging other trading book positions which are
  - either free of any restrictive covenants on their tradability
  - or able to be hedged.

(2) Positions held with trading intent shall be positions held intentionally by the bank

1. for short-term resale and/or
2. In order to make profit
  - from actual or anticipated short-term differences between buying and selling prices or
  - from changes in other price or rate of interest variations.

(3) The bank's trading-book positions shall include all proprietary positions and positions arising from client servicing and market making.

(4) Trading intent shall be evidenced on the basis of appropriate strategies, policies and procedures set up by the bank to manage the position or portfolio.

(5) The bank shall establish and maintain appropriate systems and controls to manage their trading-book.

Article 148  
(Exemption from the rules on capital requirements for market risks)

Instead of calculating capital requirements for position risk, settlement risk and counterparty credit risk for positions included in its trading book the bank may for these positions calculate the capital requirement for credit risk provided that the size of the trading book business meets the following requirements:

1. The trading-book business does not normally exceed 5% of its total business,
2. Total trading-book positions do not normally exceed 15,000,000 euros,
3. The trading-book business never exceeds 6% of its total business and
4. Total trading book positions never exceed 20,000,000 euros.

Article 149  
(Valuation of trading book positions and calculating the net position)

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(1) The bank shall ensure that the value applied to each of its trading-book positions appropriately reflects the current market value. This value shall contain an appropriate degree of certainty having regard to the following:

1. The dynamic nature of trading-book positions,
2. The demand of prudential soundness and
3. The mode of operation and purpose of capital requirements for trading-book positions.

(2) The bank shall re-value its trading-book positions at least daily.

(3) The excess of the bank's long (short) positions over its short (long) positions in the same equity, debt and convertible issues and identical derivative financial instruments shall be its net position in each of these different instruments. In calculating the net position, positions in derivative financial instruments shall be treated as positions in the underlying (or notional) financial instruments. The bank's own debt financial instruments shall not be taken into account in calculating specific risk.

**Article 150**

**(Capital requirement for position risk)**

(1) The bank shall calculate its capital requirement for position risk on the basis of its net positions in individual types of financial instruments unless otherwise specified.

(2) Capital requirement for position risk on a financial instrument shall be calculated as a sum of the capital requirement for specific and general risks associated with this instrument.

**Article 151**

**(Calculation of capital requirement for position risk on debt instruments)**

(1) The bank shall calculate its capital requirement for specific risk on debt instruments so that each of its net positions is

1. Assigned to an appropriate category in respect of the following:
  - issuer or obligor,
  - external and internal credit assessment and
  - residual maturity,
2. Multiplied by an appropriate weight depending on the category to which this instrument belongs.

(2) The bank shall calculate its capital requirement for general risk on debt financial instruments by using either a maturity or duration-based approach. The bank shall apply the selected approach consistently.

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**Article 152**

(Calculation of capital requirement for position risk on equities )

(1) The bank shall calculate its capital requirement for specific risk on equities by multiplying its overall gross position in these instruments by the appropriate weight.

(2) The bank shall calculate its capital requirement for general risk on equities by multiplying its overall net position in these instruments by the appropriate weight.

**Article 153**

(Capital requirement for settlement risk)

(1) The bank shall calculate its capital requirement for settlement risk based on the difference between the price of the debt instrument, equity, foreign currency or commodity in question and its current market value which occurs when the transaction remains unsettled after due delivery dates and this difference involve a loss for the bank.

(2) The bank shall calculate its capital requirement for individual transaction by multiplying this price difference from paragraph (1) of this Article by the appropriate factor.

**Article 154**

(Capital requirement for counterparty credit risk)

(1) The bank shall calculate its counterparty credit risk in the event of OTC derivative instruments and credit derivatives, repurchase agreements, securities or commodities lending or borrowing transactions, margin lending transactions based on securities or commodities and long settlement transactions.

(2) Exposure values and risk-weighted exposure amounts shall be calculated in accordance with the rules for calculating the capital requirement for credit risk.

(3) The bank shall calculate its capital requirement for counterparty credit risk by multiplying the sum of all risk-weighted amounts of such exposures by the appropriate weight.

**Article 155**

(Capital requirement for foreign-exchange risk)

(1) The bank shall calculate its capital requirement for foreign-exchange risk if its overall foreign-exchange position and its net gold position exceeds 2% of its total own funds.

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(2) The bank shall calculate its capital requirement for foreign-exchange risk by multiplying the sum of its net foreign-exchange positions and its net gold position by 8%.

**Article 156**  
(Capital requirement for commodities risk)

The bank shall calculate its capital requirement for commodities risk by using

1. Maturity ladder approach or
2. Simplified approach.

**Article 157**  
(Use of internal models to calculate capital requirements for position risk, foreign-exchange risk or commodities risk)

The bank shall calculate its capital requirements for position risk, foreign-exchange risk or commodities risk according to the internal models method subject to a prior permission of the Bank of Slovenia.

**Article 158**  
(Capital requirement for the risk of exceeding the maximum allowable exposure from trading)

The bank shall calculate its capital requirement for the risk of exceeding the maximum allowable exposure from trading on the basis of individual trading exposures to an individual person, which exceed the limits laid down in paragraphs (1) or (3) of Article 165 of this Act

1. For which the calculation of the highest capital requirement for specific risk or the highest capital requirement for settlement and counterparty credit risk need to be calculated and
2. Of which the sum equals the amount of excess trading exposure.

**4.5.4. Minimum own funds requirement for operational risk**

**Article 159**  
(Approaches to calculating capital requirement for operational risk)

(1) The bank shall calculate its capital requirement for operational risk according to a

1. Basic indicator approach,
2. Standardized approach or

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3. Advanced measurement approach subject to Bank of Slovenia's permission for the use of the Advanced measurement approach.

(2) Banks using the standardized approach may revert to the Basic indicator approach only when justifiable cause is demonstrated subject to the Bank of Slovenia's permission.

(3) Banks using the Advanced measurement approach may reverse to the Basic indicator approach or Standardized approach only if demonstrated a good cause subject to the Bank of Slovenia's permission.

(4) Banks may use a combination of approaches from paragraph (1) of this Article subject to the Bank of Slovenia's permission.

**Article 160  
(Basic indicator approach)**

Under the Basic indicator approach, the capital requirement for operational risk shall be a percentage of the average over three years of the sum of net interest and net non-interest income.

**Article 161  
(Standardized approach)**

(1) Under the Standardized approach to calculating the capital requirement for operational risk, the bank shall divide all its activities across its business lines.

(2) The bank shall calculate its capital requirement which equals the appropriate percentage of the of the average over three years of the sum of net interest and net non-interest income for individual business line.

(3) The capital requirement for operational risk calculated under the Standardized approach shall equal the sum of the capital requirement for operational risk across all business lines.

**Article 162  
(Advanced measurement approach)**

Calculation of the capital requirement for operational risk under the Advanced measurement approach shall be based on the bank's own risk measurement systems.

**4.5.5. Large exposures**

**Article 163**

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(The notion of large exposure)

(1) A bank's exposure to a single person shall be considered a large exposure where its value is equal to or exceeds 10% of its own funds.

(2) In determining large exposure and calculating limits on exposures to a single person, a group of connected clients shall also be considered as a single individual.

**Article 164**

(Persons in a special relationship with the bank)

Persons in a special relationship with the bank shall include the following:

1. Members of the bank's management board,
2. Members of the bank's supervisory board,
3. The bank's procurator,
4. Legal persons other than banks and whose management board member or procurator is a person from points 1., 2. or 3. of this Article,
5. Natural persons who are direct or indirect holders of the bank's shares granting them at least 5% of the voting rights or at least a 5% participation in the bank's capital,
6. Legal persons other than banks that are direct or indirect holders of the bank's shares granting them at least 10% of the voting rights or at least a 10% participation in the bank's capital,
7. Immediate family of persons from points 1. through 3. and 5. of this Article,
8. Members of the management board, members of the supervisory board or members of other management or supervision bodies of the legal person from point 6. of this Article.

**Article 165**

(Maximum allowable exposure to an individual person)

(1) The bank's exposure to an individual person shall not exceed 25% of its own funds unless otherwise specified for individual cases by paragraphs (2) to (4) of this Article.

(2) The bank's exposure to an individual person that holds a position of a person in a special relationship with the bank shall not exceed 20% of its own funds.

(3) The banks exposure to the following persons shall not exceed 20% of its own funds:

1. Its parent undertaking,
2. Individual persons that are directly or indirectly controlled by the bank and
3. Individual persons that are directly or indirectly controlled by the same person that controls the bank.

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(4) Notwithstanding paragraph (3) of this Article, the Bank of Slovenia may lay down the higher maximum allowable exposure by its regulation referred to in point (7) of Article 129 of this Act, provided that, at the same time, it also lays down the special risk management measures and procedures for such exposures, not exceeding, however, 25% of the bank's own funds.

(5) The Bank of Slovenia shall notify the Commission and the European Banking Committee of the issuance of the regulation pursuant to paragraph (4) of this Article.

**Article 166**  
**(Limitation of exposure amount)**

(1) The bank may not incur large exposures which in total exceed 800% of its own funds.

(2) The bank may not incur exposures to persons in a special relationship with the bank, which in total exceed 200% of its own funds.

**Article 167**  
**(Approval from the supervisory board)**

(1) Conclusion of legal transactions, which, in respect of the bank's overall exposure, would result in a large exposure to a single individual, shall be subject to approval from the bank's supervisory board. Approval from the supervisory board shall also be required for the conclusion of legal transactions on account of which the bank's large exposure to a single individual might increase so that it is equal or exceeds 15% or 20% of the bank's own funds.

(2) Conclusion of legal transactions which are the fundamental reason for the bank's incurrence of exposure to a single individual in a special relationship with the bank and whose value exceeds 22,000 euros shall be subject to approval from the bank's supervisory board.

**Article 168**  
**(Exceeding of limits on exposures)**

(1) If the bank exceeds the maximum allowable exposure to a single person or the total of exposures resulting from the merger of two legal persons or due to other reasons beyond its control, it shall notify the Bank of Slovenia forthwith thereof (hereinafter referred to as "notification of exceeded limits on exposures").

(2) The notification of exceeded limits on exposures shall include a specification of measures to be undertaken by the bank for the purpose of harmonization with the

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limits from Article 165 or Article 166 of this Act as well as the time limits within which such measures will be carried out.

(3) In the case from paragraph (1) of this Article, the Bank of Slovenia may issue an order imposing on the bank the following obligations:

1. The time limit for harmonization with the limits referred to in Article 165 or Article 166 of this Act,
2. The method of implementing the measures proposed by the bank in its notification of exceeded limits on exposures or the implementation of other measures,
3. The method of treating exceeded limits on exposures.

(4) Provisions of this Act on the order for remedy of non-compliance shall apply, *mutatis mutandis*, to the provision of paragraph (3) of this Article.

**4.5.6. Investments in qualifying holdings in non-financial sector undertakings**

Article 169  
(Non-financial sector undertakings)

Non-financial sector undertakings shall be all legal persons other than the following undertakings:

1. Credit or financial institutions,
2. Ancillary services undertakings,
3. Insurance and reinsurance undertakings or pension companies.

Article 170  
(Restrictions on investments in qualifying holdings  
in the non-financial sector undertakings)

(1) The bank may not have a qualifying holding in a individual non-financial sector undertaking, which exceeds 15% of its own funds.

(2) The total amount of the bank's qualifying holdings in non-financial sector undertakings may not exceed 60% of its own funds.

Article 171  
(Exceptions from limits in qualifying holdings)

In the calculation of limits from Article 170 of this Act the following shall not be considered::

1. In the first three years after acquisition: investments acquired by the bank on a temporary basis in the process of financial reconstruction of a legal person for such legal person's failure to meet its financial liability,

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2. Shares acquired by the bank through the course of underwriting or acquired for its client's account during the performance of services to such client,
3. Holdings in capital of legal persons acquired by the bank for reselling purposes.

**Article 172**

(Deduction item for exceeding limits in qualifying holdings)

(1) The bank may exceed the limits in qualifying holdings from Article 170 of this Act provided that it provides capital to cover such excess.

(2) The amount exceeding the limits from paragraph (1) of this Article shall be a deduction item in the calculation of the bank's own funds.

**4.6. General standards of risk management**

**4.6.1. Common provisions**

**Article 173**

(Responsibility of the management body for compliance with risk management rules)

The management body shall ensure that the bank operates in accordance with the risk management rules and shall particularly do the following:

1. Lay down precisely defined, transparent and consistent internal relations regarding responsibility which
  - provide a clear segregation of duties within the bank and
  - prevent conflicts of interests,
2. Approve and periodically review the bank's strategies and policies for identifying, measuring or assessing, managing and monitoring risks to which the bank is or might be exposed in its operations, including the risks deriving from the bank's macroeconomic environment in relation to the status of the bank's business cycle.

**Article 174**

(Planning and implementation of risk management measures)

(1) To determine, measure and manage the risks connected with its operation, the bank shall lay down a plan of measures for risk management, which shall include the following:

1. Internal risk management procedures,
2. Measures for managing risks and internal procedures for executing such measures,
3. Internal procedures for monitoring the implementation of risk management measures.

(2) Risk management measures and procedures for the implementation and monitoring of such measures shall be laid down by the plan from paragraph (1) of this

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Article for each type of risk to which the bank is exposed in individual types of transactions it performs and for risks to which it is exposed in all transactions it performs.

(3) The bank shall lay down and carry out risk management measures set out in this Act or risk management regulation as well as other measures required for managing such risks with regard to the characteristics and type of risk to which the bank is or might be exposed in its operations.

**Article 175**

(Internal risk management procedures)

(1) The bank shall set up and carry out consistently appropriate administrative and accounting procedures and an appropriate system of internal controls in order to

1. Identify and measure the risks to which the bank is or might be exposed in its operations and in order to calculate and verify the capital requirement compliance relating to such risks and
2. Identify and monitor large exposures and their changes and in order to verify their compliance with the bank's policies regarding such exposures.

(2) The bank shall organise its operations and keep regularly its books of account, business documents and other administrative or business evidence in such a way that it may be verified at any time whether it operates in accordance with risk management the regulations.

**Article 176**

(Impairments and provisions)

The bank shall create appropriate impairments and provisions in respect of specific risks deriving from individual transactions or groups of individual transactions.

**4.6.2. Credit risk management**

**Article 177**

(Credit risk management policies and procedures)

(1) The bank shall establish and implement appropriate policies and procedures of measuring and managing all material credit risk factors and effects.

(2) The bank's decision to grant loans shall be based on appropriate and well-defined criteria.

(3) The bank shall clearly define its procedures for loan approval, change, renewal and refinancing of a loan.

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(4) Prior to approving any credit or prior to concluding any other contract that is the basis for occurrence of exposure, the bank shall assess the borrower's ability to meet his obligations to the bank and the quality of the collateral according to the type and extent of such collateral.

(5) The bank shall monitor the obligor's operations and the quality of collateral throughout the duration of the legal relationship that is the basis for occurrence of the exposure.

**Article 178**  
**(Portfolio monitoring systems)**

(1) The bank shall set up effective systems for regular managing and monitoring of various portfolios associated with the credit risk and of the bank's exposure, which include the following:

1. Identifying and managing problem exposures and
2. Creation of appropriate impairments and provisions.

(2) Diversification of the bank's credit portfolios shall be in line with its target markets and general credit policies.

**Article 179**  
**(Treatment of residual risk)**

If recognized credit protection used by the bank proves to be less effective in mitigating credit risk than expected, the bank shall treat and manage the residual risk in accordance with written policies and procedures.

**4.6.3. Market risk management**

**Article 180**  
**(Market risk management policies and procedures)**

(1) The bank shall establish and implement appropriate policies and procedures of measuring and managing all major market risk factors and effects.

**Article 181**  
**(Treatment of interest-rate risk)**

The bank shall set up appropriate risk assessment and management systems due to eventual changes in rates of interest that influence its non trading book transactions.

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**Article 182**  
**(Harmonization of assets)**

The bank shall appropriately harmonize its assets for which it is exposed to risks due to potential losses resulting from changes in interest rates, foreign-exchange rates, prices or other market risk factors with the bank's liabilities whose amount depends on identical changes and shall appropriately manage risk associated with other items.

**4.6.4. Liquidity risk management**

**Article 183**  
**(Assets and liabilities management)**

(1) The bank shall manage its assets and liabilities so that it can meet its obligations at due time.

**Article 184**  
**(Assurance of appropriate liquidity position)**

(1) Liquidity position shall mean the bank's anticipated need for liquid assets expressed in terms of a ratio between the actual and potential sources of liquidity and the actual and potential use of liquid assets in the same period.

(2) The bank shall maintain an appropriate liquidity position at any time.

**Article 185**  
**(Liquidity risk management policies and procedures)**

(1) For the purpose of liquidity risk management, the bank shall shape and carry out a policy of regular liquidity management to be approved by the bank's management, encompassing the following:

1. Planning of anticipated identified and eventual cash outflows and sufficient cash inflows, by taking into account the normal course of business and eventual liquidity crisis situations,
2. Regular liquidity monitoring and management,
3. Definition of appropriate measures for preventing or eliminating causes of illiquidity and definition of other possibilities for such measures.

(2) The bank shall verify regularly the correctness and appropriateness of assumptions used in establishing liquidity management policies.

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(3) The bank shall adopt a contingency plan and create conditions for implementing this plan in order to prevent or eliminate the causes of liquidity crises.

**4.6.5. Operational risk management**

Article 186

(Operational risk management policies and procedures)

(1) The bank shall shape and implement appropriate policies and procedures for operational risk assessment and management, which shall also include a specification of approaches to treating rare but very serious events representing a major operational risk.

(2) For the purposes of the policies and processes from paragraph (1) of this Article, the bank shall clearly define and specify operational risk factors to which the bank is or might be exposed.

Article 187

(Contingency and business continuity plan)

The bank shall prepare a contingency and business continuity plans in order to ensure the bank's ability to operate on an ongoing basis and limit losses in the event of severe business disruption.

**4.6.6. Management of other risks**

Article 188

(Concentration risk)

The bank shall establish and implement appropriate policies and processes in order to deal with, monitor and control the following concentration risks:

1. Risks based on exposure to a single individual, groups of connected clients and persons connected by common risk factors such as:
  - the same economic sector or geographical area,
  - transactions or goods of the same kind,
2. Risks of using credit protection and particularly risks associated with a direct large credit exposure (for example, to a single personal collateral issuer).

Article 189

(Risks arising from securitization transactions)

The bank shall evaluate and address risks arising from securitization transactions in relation to which the bank is originator, sponsor or other participant through appropriate policies and procedures, to ensure in particular that the economic

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substance of the transaction is fully reflected in the risk assessment and management decisions.

**4.6.7. Other measures for ensuring capital adequacy and liquidity of banks**

Article 190  
(Prohibition on the distribution of profits)

(1) The bank may not pay out profits either in the form of interim dividend or dividend, or in the form of payment deriving from participation in profit by the management board, the supervisory board or employees, in the following cases:

1. When the bank's own funds are lower than the minimum level of own funds or or if because of the pay-out of profits the bank's own funds were reduced to a level below the minimum level of own funds specified by Article 136 of this Act,
2. When the bank fails to provide appropriate liquidity position or if, due to the distribution of profits, the bank no longer provides an appropriate liquidity position or
3. When the Bank of Slovenia orders the bank to eliminate the violation in connection with false presentation of on- or off-balance sheet asset or liability items of which a correct presentation might have a significant impact on the bank's profit and loss account.

(2) The prohibition from paragraph (1) of this Article shall apply:

1. In the case referred to in point 1.: until the bank provides an appropriate level of own funds,
2. In the case referred to in point 2.: until the bank provides an appropriate liquidity position,
3. In the case referred to in point 3.: until the bank provides for a correct presentation of items, unless a reason for prohibition referred to in points 1. or 2. of paragraph (1) of this Article arises on account of incorrect presentation.

Article 191  
(Measures taken by the management board in order to comply with the minimum level of own funds)

(1) If the level of the bank's own funds fall short of the minimum level of own funds specified by Article 136 of this Act because of increased capital requirements or other causes, the bank's management board shall adopt forthwith measures to ensure the compliance with the minimum level of own funds for which the decision falls within its own responsibility or formulate a proposal of measures for which the decision falls within the responsibility of the bank's other bodies.

(2) The bank's management board shall report forthwith to the Bank of Slovenia on measures or proposed measures from paragraph (1) of this Article.



#### **4.7. Calculation of capital requirements and restrictions and reporting to the Bank of Slovenia**

Article 192  
(Liquidity position calculation)

The bank shall calculate its liquidity position on a regular basis.

Article 193  
(Risk assessment and measurement)

The bank shall calculate and assess regularly the following:

1. The level of own funds,
2. Risks to which it is exposed, including interest-rate risk,
3. Capital requirement for each type of risk,
4. The level and changes of large exposures and
5. The level of qualifying holdings in the non-financial sector undertakings.

Article 194  
(Reports on risk measurement)

The bank shall report to the Bank of Slovenia on calculations from Articles 192 and 193 of this Act and on the data on which these calculations are based.

Article 195  
(Reports on individual facts and circumstances)

(1) The bank shall report to the Bank of Slovenia on the following facts and circumstances:

1. Changes of information entered in the court register of companies,
2. Convocation of the general meeting and all resolutions adopted by the general meeting,
3. Holders of the bank's shares and acquisition or change in qualifying holdings,
4. Discharge and appointment of members of the management board,
5. Intended opening, transfer, closing or temporary dissolution of a branch or representative office, or changes in the types of business performed by the branch,
6. Repurchase or reverse repurchase transactions and securities or commodities lending or borrowing transactions in case of counterparty's default,
7. Any planned change in the bank's own funds which is equal to or exceeds 25% of the bank's own funds prior to such change,
8. Acquisition or disposal of shares, holdings and membership rights in legal persons and other changes regarding such investments,
9. Major changes in the capital structure,

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10. Termination of the performance of individual services from paragraph (1) of Article 41 of this Act,
11. All facts and circumstances that are important for assessing whether a bank is a member of a banking group and on persons and type of facilitation within the banking group,
12. All other facts and circumstances that are important for assessing whether the bank operates in accordance with risk management rules.

(2) The bank's management board shall notify the Bank of Slovenia forthwith of the following events:

1. Threats to the bank's liquidity or capital adequacy,
2. Grounds for termination or withdrawal of the authorization to provide banking services or for prohibition against providing individual banking services or other services from paragraph (1) of Article 41 of this Act,
3. Changes in the bank's financial position so that the bank's capital falls short of the minimum capital requirement from Article 136 of this Act,
4. When the bank starts a substantial renovation of the information systems or if the bank starts developing new services which are predominantly supported by information technology,
5. Other events that may significantly affect the bank's operations in accordance with the risk management rules.

**Article 196**

**(Notification of acquisition of a qualifying holding in a third-country undertaking)**

(1) The bank shall notify the Bank of Slovenia of its acquisition of a qualifying holding in a third-country undertaking exceeding 10% of the bank's own funds three months prior to acquiring such qualifying holding.

(2) The bank shall also notify the Bank of Slovenia accordingly three months prior to each subsequent acquisition by which its share of the voting rights or capital of the third-country financial undertaking from paragraph (1) of this Article or holding by which the bank becomes a parent entity of this undertaking is equal to or exceeds 10%, 20%, 33% or 50%.

(3) The notification from paragraphs (1) or (2) of this Article shall be accompanied by the following documents:

1. A list of qualifying holders in a third-country financial undertaking, including the data on their holdings, and a translation of a certified extract from the companies register or other public register for each of them,
2. Translation of a certified extract from the companies register or other public register for the third-country financial undertaking,
3. Annual report of the third-country financial undertaking,

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4. When the third-country financial undertaking is subject to auditing under the regulations of its country of establishment: auditor's report including auditor's opinion on the annual report for the past financial year,
5. A list of persons which have close links with the foreign financial undertaking, including a specification of the manner in which they are linked,
6. Management strategy of the third-country financial undertaking with an estimate of the economic efficiency of the investment.

(4) The bank may dispose of its shares or holdings held in a third-country financial undertaking from paragraph (1) of this Article subject to a prior notification of the Bank of Slovenia.

#### **4.8. Internal auditing**

Article 197  
(Internal audit department)

(1) The bank shall organise its internal audit department as an independent organisational unit which is directly subordinated to the bank's management board and is organisationally separated from the bank's other organisational units.

(2) The purpose, importance and tasks of the internal audit department shall be defined by a written document approved by the bank's management board in agreement with the bank's supervisory board.

Article 198  
(Tasks of internal audit department)

(1) Internal auditing shall comprise the following:

1. Monitoring and evaluating the efficiency of risk management systems and providing assistance in risk management;
2. Review, assessment and testing of efficiency of internal control systems;
3. Evaluation of the process of assessing the necessary internal capital of the bank in terms of its risk evaluation,
4. Assessment of reliability of the information system, including the electronic information system and electronic banking services,
5. Assessment of accuracy and reliability of accounting records and financial reports,
6. Verification of completeness, reliability and timeliness of reporting in compliance with regulations,
7. Verification of compliance of the bank's operations with regulations, internal rules and measures adopted on their basis,
8. Conduct of special investigations.

(2) The internal audit department shall audit the bank's operations in accordance with

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1. Standards of professional conduct for internal auditing,
2. Code of principles of internal auditing and
3. Code of ethics of internal auditors.

**Article 199  
(Internal auditors)**

(1) The bank shall employ at least one person having acquired the title of auditor (hereinafter referred to as "auditor") or certified internal auditor (hereinafter referred to as "internal auditor") in accordance with the act governing the auditing.

(2) Persons who carry out the tasks of internal auditing may not carry out any other tasks in the bank.

(3) Tasks of the internal audit department may not be carried out by members of the bank's management board.

**Article 200  
(Annual plan of activities of the internal audit department)**

(1) The annual plan of activities of the internal audit department shall be based on the assessment of risks made at least once a year.

(2) The annual plan of activities of the internal audit department shall be adopted by the bank's management board in agreement with the supervisory board.

(3) The annual plan of activities of the internal audit department shall include the following:

1. Areas of operations that will be subject to the auditing and,
2. Specification of the content of planned reviews of operations by individual areas.

**Article 201  
(Internal audit report)**

(1) The internal audit department shall draw up half yearly internal audit reports comprising the following elements:

1. Description of operational audits carried out,
2. General assessment of risk management adequacy and efficiency,
3. Appropriateness and effectiveness of internal control systems operation,
4. Violations and irregularities identified by the internal audit department during individual operational audits and proposed measures for eliminating such violations and irregularities,
5. Findings relating to the elimination of violations and irregularities established by the internal audit department.

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(2) The internal audit department shall prepare an internal audit annual report comprising the following:

1. Report on the implementation of the annual programme of activities,
2. Summary of major findings during operational audits.

(3) The internal audit department shall submit its semi-annual and annual reports to the bank's management and supervisory boards.

(4) The management board shall submit the internal audit annual report and the supervisory board's opinion to the bank's general meeting simultaneously with the bank's annual report and the supervisory board's report from Article 282 of the ZGD-1.

**Article 202**

(Notification to the bank's management board and supervisory board)

(1) If the operational audit performed by the internal audit department shows that the bank has violated the risk management rules and is, therefore, threatened by illiquidity or capital inadequacy or that the safety of its operations is thereby endangered, and that there is a possibility of activation of the deposit-guarantee scheme, it shall notify thereof forthwith the bank's management board.

(2) If the operational audit performed by the internal audit department shows that the bank's management board has violated the risk management rules, it shall notify thereof forthwith the management and the supervisory board.

**Chapter 5: Books of account and annual report**

**Article 203**

(Application of the Companies Act and of the Auditing Act provisions)

(1) Unless special rules are laid down by Chapter 5 of this Act and by the regulation from Article 204 of this Act, the bank's books of account, annual report and audit shall be subject to the general rules laid down by Chapter Eight of Part I of ZGD-1 and by the act governing auditing.

(2) The bank shall keep its books of account, draw up bookkeeping documents, value bookkeeping items and prepare reports in accordance with the rules from paragraph (1) of this Article.

**Article 204**

(Rules on books of account and annual reports, auditing and disclosures)

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(1) The Bank of Slovenia shall lay down the following elements relating to books of accounts and annual reports:

1. Types and schemes of the bank's financial and consolidated financial statements,
2. Detailed contents of
  - accounting report and
  - business report,
3. Detailed method of valuation bookkeeping items and
4. A detailed form, content, method, and time limits for submission of monthly reports from Article 206 of this Act.

(2) In connection with the audit of the bank's annual reports, the Bank of Slovenia shall lay down a detailed scope and contents of

1. The audit of the bank's annual report,
2. Auditor's report and
3. Detailed manner of publication of the audited annual report on the bank's public websites.

(3) The Bank of Slovenia shall lay down a detailed range of information to be published by branches of Member State and third-country banks.

(4) In connection with the bank's disclosures referred to in Article 207 of this Act, the Bank of Slovenia shall lay down the following:

1. Criteria for defining material and confidential information and proprietary,
2. Detailed content of disclosures,
3. Detailed criteria for omission of disclosures,
4. Detailed rules for verification and the manner of annual publication of disclosures and
5. Detailed criteria, time limits and method of verification and publication of disclosures more than once a year.

**Article 205**

**(Special rules on the bank's annual financial statements)**

(1) The financial year covered by the financial and consolidated financial statements that make up the bank's annual report shall coincide with the calendar year.

(2) The bank shall submit its unaudited annual financial statements to the Bank of Slovenia within two months after the end of the calendar year, and unaudited annual consolidated financial statements within three months after the end of the calendar year.

**Article 206**

**(Monthly report)**

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The bank shall submit to the Bank of Slovenia a monthly report on its account items.

**Article 207**  
(Disclosure of additional information)

(1) The bank shall disclose the information about

1. Risk management objectives and policies;
2. Persons involved in disclosures;
3. Own funds intended for meeting the minimum level of own funds from Article 136 of this Act;
4. Meeting capital requirements and estimating the necessary internal capital;
5. The bank's counterparty credit risk exposure;
6. Exposure to credit risk and dilution risk,
7. Approach to calculating capital requirement for credit risk employed by the bank;
8. Market risks capital requirements for and internal models for calculating capital requirements for such risks;
9. Approaches and the method and scope of use of approaches to calculating the capital requirement for operational risk;
10. Investments in equity instruments not included in trading book positions;
11. Exposure to interest-rate risk in respect of positions not included in trading book positions;
12. Securitized exposures;
13. Types of credit protection.

(2) The bank shall shape a clear policy for meeting the requirements regarding disclosures from paragraph (1) of this Article and shall establish and implement the policies for assessing the appropriateness of these disclosures, which shall also include the assessment and verification of the appropriateness of the contents and frequency of disclosures.

(3) The bank shall explain to the commercial undertaking or another legal person which have applied for a loan with the bank its decision regarding their credit rating on their request and shall also provide this explanation in writing if so indicated in their request. Administrative costs of providing such explanation shall be commensurate with the amount of the loan.

**Article 208**  
(Omission of disclosure of some information)

(1) The bank may omit the disclosure of some information from paragraph (1) of Article 207 of this Act provided that it is not material.

(2) The bank may omit the disclosure of some information from paragraph (1) of Article 207 of this Act if this information has the characteristics of confidential

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information or trade proprietary. In this case, the bank shall indicate that this information has not been disclosed and disclose some more general information on a particular issue unless such more general disclosure might have the characteristic of confidential information or proprietary.

(3) The Bank of Slovenia may permit the bank upon its request to fully or partially omit the disclosure of information from paragraph (1) of Article 207 of this Act if this information is disclosed by the parent undertaking of a third-country bank on a consolidated basis and if such disclosures are equal to the disclosures under this Act.

**Article 209**

(Frequency and manner of publication of disclosures)

(1) The bank shall publish the disclosures from paragraph (1) of Article 207 of this Act simultaneously with the publication of its annual report.

(2) The bank shall judge at its sole discretion whether to publish all or some of the information from paragraph (1) of this Act more often than once a year. In its judgment, the bank shall appropriately take into consideration the characteristics of its operations.

(3) The Bank of Slovenia may issue an order for elimination of violations whereby it instructs the bank to make more frequent disclosures from paragraph (2) of this Article if such disclosures are necessary in respect of the characteristics of the bank's operations.

(4) The bank shall publish the disclosures from paragraphs (1) and (2) of this Article on its public websites.

**Article 210**

(Special rules for the audit of the bank's annual report)

(1) The tasks of auditing the annual and consolidated annual report of the parent bank within a banking group and annual report of subsidiary banks in that banking group shall be carried out by the same auditing company unless it is not possible because of other countries' regulations or because it is opposed by the competent authority of another state.

(2) The bank shall submit to the Bank of Slovenia its audited annual report and audited consolidated annual report within eight days of receiving the auditor's report; however, not later than within five months after the end of the calendar year.

**Article 211**

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(Additional rules on audit)

(1) In addition to auditing and examination pursuant to paragraph (1) of Article 57 of the Companies Act (ZGD-1) and the contents of auditor's report pursuant to paragraph (2) of ZGD-1, the audit of the bank's annual report and the auditor's report shall also include an audit and examination as well as a report on the following:

1. Disclosures from paragraph (1) of Article 207 of this Act,
2. Quality of the bank's information system,
3. Compliance with the bank's risk management rules.

(2) In case of branches of Member State and third-country banks, the audit shall also comprise the information from paragraph (3) of Article 204 of this Act.

(3) The Bank of Slovenia may require the certified auditor to provide additional explanations concerning the audit.

(4) If the audit or auditor's report are not carried out or prepared pursuant to paragraph (1) of this Article or the requirement from Article 204 of this Act, the Bank of Slovenia may

1. Request the auditor to amend or modify his report accordingly,
2. Reject the auditor's report and request that the audit should be performed by another certified auditor's at the bank's expenses.

**Article 212**

**(Obligations of certified auditors to the Bank of Slovenia)**

(1) Certified auditors performing an audit of the bank's annual report shall notify the Bank of Slovenia forthwith of any fact or circumstance identified during the audit that might

1. Represent a major violation of regulations from paragraph (1) of Article 222 of this Act,
2. Affect the bank's smooth operation or
3. Result in a qualified auditor's opinion, adverse auditor's opinion or result in a refusal to deliver an opinion.

(2) The obligation from paragraph (1) also applies to the facts or circumstances associated with an undertaking which has close links with the bank based on control.

(3) The certified auditor shall also provide the Bank of Slovenia at its request with other information required by the Bank of Slovenia in conducting supervision of the bank under this Act.

(4) The transmission of information to the Bank of Slovenia according to paragraphs (1) to (3) of this Article shall not have the characteristics of breach of the

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auditor's duty to safeguard confidential information in accordance with the act governing the audit or on a contractual basis.

**Article 213  
(Publication of the bank's audited annual report)**

(1) The bank shall submit its annual report and consolidated annual report, including auditor's report, to the Agency of the Republic of Slovenia for Public and Legal Records and Services pursuant to paragraph (1) of Article 58 of ZGD-1 for the purpose of its publication and shall publish it on its public websites within 15 days from approval; however, not later than within six months after the end of the calendar year.

(2) The provision of paragraph (1) of this Article shall also apply, *mutatis mutandis*, to the publication of the information about the operation of branches of Member State and third-country banks.

**Chapter 6: Protection of confidential information**

**Article 214  
(Confidential information)**

The bank shall treat as confidential and protect all information, facts and circumstances about individual clients notwithstanding the manner in which this information has been obtained.

**Article 215  
(Obligation to protect confidential information)**

(1) Members of the bank's governing bodies, shareholders, employees or other persons who have access to the confidential information from article 214 of this Act in connection with their work at the bank or provision of services for the bank, may not disclose this information to third parties or use them by themselves or enable third parties to use them.

(2) The obligation to protect confidential information shall not apply in the following cases:

1. If the client expressly agrees in writing with the disclosure of some confidential information,
2. If this information is required by the Bank of Slovenia or another competent authority for the purposes of supervision carried out within its competencies,
3. In cases of disclosure of information to parent undertakings in connection with supervision on a consolidated basis subject to the provisions of sub-section 7.9.3 of this Act or ZFK,

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4. Exchange of information on credit rating of clients among banks or within a banking group for the purpose of credit risk management and
5. Take other measures stipulated by the law.

**Article 216**  
(Use of confidential information)

The Bank of Slovenia or other authorities or persons may use the information acquired in accordance with paragraph (2) of Article 215 of this Act solely for the purpose for which the information has been acquired.

**Chapter 7: Bank supervision**

**7.1. General provisions**

**Article 217**  
(Bank of Slovenia's competence to perform bank supervision)

(1) The Bank of Slovenia shall be competent and responsible for bank supervision in respect of all services and transactions performed by the bank in the territory of the Republic of Slovenia, in the territory of a Member State or in the territory of a third country.

(2) When it is necessary for the attainment of the purpose of bank supervision, the Bank of Slovenia may request appropriate reports and information from and perform a operational auditing for the following persons:

1. Persons who have close links with the bank,
2. Persons to which the bank has transferred a major part of its business processes and
3. Holders of qualifying holdings in the bank.

(3) When the supervision of individual persons from paragraph (2) of this Article falls within the competence of another competent authority, the operational auditing of these persons shall be carried out by the Bank of Slovenia in cooperation with this competent authority pursuant to the provisions of section 7.2 of this Act.

(4) For the purpose of attaining the object of bank supervision, the Bank of Slovenia shall also be competent and responsible for the supervision of

1. Management board members to the extent laid down by Articles 68 through 70 of this Act and
2. Holders of qualifying holdings to the extent laid down by section 2.4 of this Act.

**Article 218**

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(Bank of Slovenia's competence to supervise  
Member State banks and their branches)

The Bank of Slovenia shall have the competence and responsibility to exercise supervision over Member State banks in respect of services and transactions which they perform in the territory of the Republic of Slovenia and over the branches of Member State banks established in the Republic of Slovenia to the extent laid down by subsection 7.9.2 of this Act.

**Article 219**

(Bank of Slovenia's competence to supervise  
branches of third-country banks)

The Bank of Slovenia shall have the competence and responsibility to exercise supervision over branches of third-country banks established in the Republic of Slovenia.

**Article 220**

(Bank of Slovenia's competence to supervise other persons)

The Bank of Slovenia shall have the competence and responsibility to exercise supervision over the persons which, contrary to the prohibition from Article 35 of this Act, accept deposits from the public, to the extent laid down by subsection 7.9.4 of this Act.

**Article 221**

(Application of provisions on supervision)

(1) Provisions of Chapter 7 of this Act on bank supervision shall be applied, *mutatis mutandis*, to the supervision from Articles 218 and 219 of this Act unless otherwise provided by this Act for individual cases.

(2) Provisions of Sections 7.3 and 7.4 of this Act shall apply, *mutatis mutandis*, to the supervision from paragraphs (2) to (4) of Article 217 and from Article 220 of this Act, unless otherwise provided by this Act for individual cases.

(3) Provisions of this chapter on subsidiary banks, Member State banks or third-country banks shall also apply to subsidiary electronic money institutions, Member State electronic money institutions or third-country electronic money institutions.

**Article 222**

(Purpose and scope of bank supervision)

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(1) The Bank of Slovenia shall perform bank supervision in order to verify whether banks operate in line with the risk management rules and other rules laid down by this Act and regulations issued on the basis thereof as well as with other acts governing the performance of financial services provided by the bank and regulations issued on the basis thereof.

(2) Bank supervision performed by the Bank of Slovenia shall include the following:

1. Checking the organisational structure, strategies, processes and mechanisms set up by the bank for the purpose of harmonizing its operations with the provisions of this Act and regulations issued on the basis thereof.
2. Assessment of risks to which the bank is or might be exposed in its operations and
3. Assessment of the financial position and risks to which the bank is or might be exposed as a result of its relations with other persons within a banking group.

(3) The Bank of Slovenia shall perform the verifications and assessments from paragraph (2) of this Article in order to ascertain whether the organisational structure, strategies, processes and mechanisms set up by the bank and the bank's own funds provide for a sound and reliable management system and appropriate coverage of risks to which the bank is or might be exposed in its operations.

(4) The Bank of Slovenia shall determine the frequency and details of verification and assessment of individual banks pursuant to paragraph (2) of this Article by taking into consideration the size and importance of the bank within the system as well as the characteristics, volume and intricacy of transactions performed by the bank, and by observing the principle of proportionality.

(5) The Bank of Slovenia shall perform the verification and assessment of individual banks from paragraph (2) of this Article at least once a year.

**Article 223  
(Method of exercising supervision)**

The Bank of Slovenia shall conduct its supervision of banks by:

1. Monitoring, collecting and verifying reports and notifications by banks and other persons which are obliged to report to and notify the Bank of Slovenia of individual facts and circumstances,
2. Auditing the banks' operations and
3. Imposing measures of supervision.

(2) The Bank of Slovenia may impose on the bank the following supervision measures under the conditions provided for by the law:

1. Recommendation and admonishment,
2. Order to eliminate a violation,
3. Additional measures for implementing risk management rules,
4. Withdrawal of authorization or permission,

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5. Appointment of special administration,
6. Institution of liquidation,
7. Decision on grounds for bankruptcy.

**Article 224**

(Annual fee for conducting supervision)

(1) Banks shall pay to the Bank of Slovenia a fee for conducting supervision referred to in points 1. and 2. of Article 223 of this Act, of which the level shall be determined by the Bank of Slovenia's rates depending on the amount of risk-weighted assets from paragraph (1) of Article 70 of this Act.

(2) The Bank of Slovenia may fix the fee referred to in paragraph (1) of this Article so that the total fee that all banks are obliged to pay in a particular year does not exceed the actual costs of the supervision for that year.

**Article 225**

(Payment of annual fee for conducting supervision)

(1) If the bank fails to pay the fee for conduction supervision for a particular year by 30 June of the following year, the Bank of Slovenia shall issue a decision ordering payment.

(2) The decision from paragraph (1) of this Article shall be an instrument permitting enforcement.

**Article 226**

(Rules on supervision)

The Bank of Slovenia shall lay down the following:

1. The contents of the form for lodging claims by creditors from Member States in the process of compulsory iquidation of the bank,
2. Detailed contents of the information and notifications from Article 289 of this Act and the method of their conveyance,
3. Detailed contents of the information and notifications from Article 299 of this Act and the method of their conveyance,
4. Detailed rules for supervision of transactions carried out with a mixed-activity holding company and its subsidiaries referred to in Article 300 of this Act.

**7.2. Cooperation of supervisory authorities and exchange of information**

**Article 227**

(Collection and processing of information)

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(1) The Bank of Slovenia shall have the authority and responsibility to collect and process the information about facts and circumstances which are important to the performance of its tasks and responsibilities laid down by this Act.

(2) The information from paragraph (1) of this Article shall be deemed particularly the information concerning the following:

1. Authorizations to perform banking services and other authorizations and permissions issued by the Bank of Slovenia in accordance with this Act;
2. Members of the management boards and supervisory boards of banks, their organisation and operation of their internal audit departments;
3. Branches or direct provision of banking services by banks in Member States and branches or direct provision of banking services by Member State banks in the Republic of Slovenia;
4. Bank branches in third countries and third-country bank branches in the Republic of Slovenia;
5. Financial position and operation of banks and other persons which it is competent and responsible to supervise;
6. Holders of qualifying holdings;
7. Supervision measures adopted by the Bank of Slovenia in accordance with this Act;
8. Information obtained from other supervisory authorities of the Republic of Slovenia, Member States or third countries within the framework of exchange of information.

(3) The Bank of Slovenia shall be exempt from payment of court and administrative fees for the information obtained from registers and records kept by the courts or other state authorities.

**Article 228**

**(Obligation to safeguard confidential information)**

(1) The Bank of Slovenia's employees, auditors and other professionals who acted under the authority of the Bank of Slovenia shall safeguard all information obtained during the performance of supervision and other transactions for the Bank of Slovenia as confidential (hereinafter referred to as "confidential information").

(2) Confidential information shall not be disclosed to any other person or state authority except in the form of an extract from which one cannot identify individual banks to which such confidential information relates.

(3) The prohibition from paragraph (2) shall not apply in the following cases:

1. To confidential information required for carrying out criminal proceedings or
2. In case of bankruptcy or compulsory liquidation of the bank, to confidential information which is necessary for putting forward creditors' claims against the bank and other requirements relating to bankruptcy or compulsory liquidation proceedings, or civil procedures associated with these two proceedings other than those that also relate to other persons participating in attempted financial reconstruction or reorganisation of the bank.

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(4) The obligation to safeguard confidential information from paragraphs (1) to (3) of this Article shall also apply to the information obtained by the Bank of Slovenia or persons from paragraph (1) of this Article in the exchange of information with other supervisory authorities.

**Article 229  
(Use of confidential information)**

The Bank of Slovenia may use confidential information solely for the following purposes:

1. To check the conditions for issuing authorizations, permissions and approvals decided upon according to this Act and to ensure supervision on an individual or consolidated basis over the banks' operations, particularly in respect of liquidity, capital adequacy, large exposures and their management and accounting procedures and internal control mechanisms,
2. To impose supervision measures and penalties for violations,
3. In judicial protection procedure against its own decisions and in other judicial proceedings relating thereto.

**Article 230  
(Cooperation among supervisory authorities of the Republic of Slovenia)**

(1) The Bank of Slovenia and competent authorities of the Republic of Slovenia which are responsible for the supervision of other supervised financial undertakings shall, upon request by individual competent authorities, provide these authorities with all the information concerning the bank or other supervised financial undertaking required in the process of supervising this undertaking, in the process of issuing authorizations and permissions or deciding on other individual matters.

(2) Competent authorities shall be obliged to notify each other of any irregularity identified during the supervision if such irregularities are relevant to the work of other competent authorities.

(3) The detailed contents and method of cooperation among supervisory authorities shall be laid down by the minister responsible for finance on the basis of opinions previously delivered by supervisory authorities.

**Article 231  
(Persons allowed to disclose confidential information)**

(1) The Bank of Slovenia may disclose confidential information to the following persons in the Republic of Slovenia and other Member States:

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1. Supervisory authorities responsible for the supervision of supervised financial undertakings;
2. Judicial and other authorities performing actions in the process of compulsory liquidation or bankruptcy of the bank or in other similar proceedings;
3. Auditors in charge of auditing financial statements of supervised financial undertakings;
4. Persons or authorities managing deposit guarantee schemes;
5. Authorities responsible for supervising authorities that perform activities in the process of compulsory liquidation or bankruptcy of the bank or in another similar proceedings;
6. Authorities responsible for supervising auditors that perform the tasks of auditing financial statements of supervised financial undertakings;
7. Judicial authority, state prosecutor's office or the police if such information is required for the proceedings conducted within their competencies;
8. The central bank or another body with similar tasks and responsibilities as the central monetary authorities or another body responsible for payment systems supervision;
9. Ministry responsible for finance or state authority of another Member State responsible for the implementation of the laws governing supervision of credit institutions, financial institutions, investment firms or insurance undertakings; however only to the extent necessary for the implementation of their tasks and responsibilities in the field of monitoring the financial system and preparation of legislation and
10. Central securities clearing corporation or other clearing corporation or settlement system according to the act governing financial instruments market in connection with the performance of clearing and settlement transactions concluded on one of the markets in the Republic of Slovenia if the Bank of Slovenia deems that his information is necessary in order to provide for appropriate action to be taken by such corporation regarding non-compliance or eventual non-compliance by participants in these markets.

(2) The person to whom the Bank of Slovenia discloses the information pursuant to paragraph (1) of this Article may use this information only for the exercise of its supervisory competencies and tasks from paragraph (1) of this Article and shall be bound to safeguarding the confidential information from Article 228 of this Act.

(3) The Bank of Slovenia may also disclose confidential information to persons from paragraph (1) of this Article, who are persons of individual third countries, subject to the following conditions:

1. That it has concluded a cooperation agreement with this third country on mutual exchange of information with the persons in the Republic of Slovenia and other Member States referred to in paragraph (1) of this Article
2. That persons of a third country use the rules on compulsory safeguarding of confidential information in that country, of which the contents is laid down by Articles 228 and 229 of this Act and

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3. That the information that is the subject of disclosure to a third-country person is intended solely for the purpose of exercising supervisory competencies or performing tasks by persons from paragraph (1) of this Article.

(4) If the Bank of Slovenia obtains confidential information from the supervisory authority of another Member State or during the operational auditing of a branch of a Member State bank according to Article 284 of this Act, it may disclose this information only subject to the approval by the supervisory authority of this Member State.

**Article 232  
(Notification of EU bodies)**

- (1) The Bank of Slovenia shall notify the European Commission of the following:
1. Issue and withdrawal of authorizations to perform banking services,
  2. Refusal of the request to transmit the notification to a Member State's supervisory authority referred to in Article 92 of this Act,
  3. Supervisory measures imposed on the Member State bank pursuant to paragraph (3) of Article 285 of this Act,
  4. Agreement on the transfer of responsibility for supervision on a consolidated basis from Article 288 of this Act,
  5. Agreement on the transfer or acceptance of responsibility for supervision from paragraphs (3) and (4) of Article 294 of this Act.

(2) The Bank of Slovenia shall notify the European Commission and the European Banking Committee of any authorization for establishing a branch of a third-country bank in the Republic of Slovenia.

(3) The Bank of Slovenia shall also notify the European Commission, the European Banking Committee and other EU bodies of other matters if so required by the rules of the *acquis communautaire*.

**Article 233  
(Disclosure of general information on supervision)**

- (1) The bank shall disclose the following information:
1. Wordings of acts and other regulations and general guidelines used in the Republic of Slovenia in connection with prudential supervision and risk management of credit institutions,
  2. The method of exercising options and discretions granted by EU regulations in the area of prudential supervision and risk management of credit institutions,
  3. General criteria and methodologies used in verification and assessment pursuant to Article 222 of this Act,
  4. Aggregate statistical data about the key aspects of implementing prudential supervision and risk management of credit institutions in the Republic of Slovenia,
  5. A list of parent financial holding companies referred to in Article 303 of this Act.

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(2) Disclosures from paragraph (1) of this Article shall be sufficient in order to enable a comprehensible comparison of approaches used by the competent authorities of various Member States.

(3) The Bank of Slovenia shall publish all disclosures from paragraph (1) of this Article together on its websites and update them regularly with any changes.

**7.3. Reporting at the request of the Bank of Slovenia and on-site examination**

**Article 234**

**(Reporting at the request of the Bank of Slovenia)**

(1) At the request of the Bank of Slovenia, the bank shall submit reports and information on all matters of importance for the conduct of supervision or execution of other competencies and tasks by the Bank of Slovenia.

(2) The Bank of Slovenia may require reports and information from paragraph (1) of this Article also from the members of the bank's management board and persons employed at the bank.

(3) The Bank of Slovenia may request the persons from paragraph (2) of this Article to draw up a written report on the matters from paragraph (1) of this Article within a time limit which may not be shorter than three days, or to make an oral statement on these matters.

**Article 235**

**(Authorized persons of the Bank of Slovenia)**

(1) The bank's operations shall be examined by a Bank of Slovenia's professional who is authorised to conduct this on-site examination by the governor of the Bank of Slovenia (hereinafter: "inspector of the Bank of Slovenia").

(2) The governor of the Bank of Slovenia may authorize a certified auditor or another professionally qualified person to conduct individual tasks in connection with the on-site examinations.

(3) Authorized persons from paragraph (2) of this Article shall have identical competencies as the Bank of Slovenia in the performance of on-site examinations for which they have been authorized by the Governor of the Bank of Slovenia,

**Article 236**

**(Scope of on-site examination)**

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(1) The bank shall allow the authorized person to examine all books of account, acts and other documents.

(2) On request of the Bank of Slovenia's authorized person, the bank shall deliver to such authorized person computer printouts or copies of records or other books of account and documents.

(3) Members of the bank's management board and employees shall provide the Bank of Slovenia's authorized person at its request with reports and information about all matters of importance for bank supervision.

(4) The Bank of Slovenia's authorized person may also conduct an examination of the operations of persons from paragraph (2) of Article 217 of this Act if this is necessary for a complete examination of the bank's operations.

**Article 237  
(On-site examination)**

(1) At the request of the Bank of Slovenia's authorized person, the bank shall allow this person to conduct an on-site examination at the bank's head office or on other premises in which the bank or another person authorized by the bank carry out activities and business in connection with which the Bank of Slovenia is conducting supervision.

(2) At the request of the Bank of Slovenia's authorized persons, the bank shall allow this person to examine its books of account, administrative or business documentation and records to the extent required for conducting individual on-site examinations.

(3) The bank shall deliver to the Bank of Slovenia's authorized person computer printouts or copies of books of account, business documents and administrative or business records at its request.

(4) On-site examination from paragraphs (1) and (2) of this Article shall be performed by the Bank of Slovenia on weekdays from 8 a.m. and 6 p.m. When the extent or nature of on-site examination so require, the Bank of Slovenia may also perform an on-site examination after 6 p.m. or on days other than weekdays.

(5) The Bank of Slovenia shall conduct its on-site examination without disturbing the bank's operations only to the extent required to attain the purpose of the examination.

**Article 238  
(Request for on-site examination)**

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(1) A request for on-site examination shall be submitted to the bank at least eight days prior to the beginning of the on-site examination.

(2) Notwithstanding the provision of paragraph (1) of this Article, the Bank of Slovenia's authorized person may submit a request for on-site examination as late as at the beginning of on-site examination if the purpose of individual on-site examinations might otherwise not be possible to achieve.

(3) The request for on-site examination shall comprise a specific indication of books of account, business documents, and administrative or business records which are the subject of the examination.

(4) In the case from paragraph (3) of Article 237 of this Act, a request for on-site examination shall contain a specific indication of books of account, business documents, and administrative or business records to be submitted in the form of computer printouts or copies as well as the time limit for their submission.

(5) The request for on-site examination shall also contain a legal instruction on legal consequences which may occur if the bank fails to act in accordance with the request for on-site examination or allow the Bank of Slovenia to carry out the on-site examination in the manner defined by Article 237 of this Act.

(6) The Bank of Slovenia may supplement its request for on-site examination during the conduct of on-site examination. Paragraphs (3) and (4) of this Article shall apply, *mutatis mutandis*, to the supplementing of the request.

**Article 239**

**(Conditions for performing on-site examination)**

(1) The bank shall provide the Bank of Slovenia's authorized persons with appropriate premises where they may conduct an on-site examination in undisturbed manner and without the presence of other persons.

(2) The bank shall ensure that, during the time in which the Bank of Slovenia's authorized persons conduct an on-site examination on the premises from paragraph (1) of Article 237 of this Act, the bank's authorized persons who can provide explanations regarding the bank's books of account, business documents, accounting events and administrative or business records which are the subject of the examination on request of the Bank of Slovenia's authorized persons, are present at such premises.

**Article 240**

**(Conditions for examining computerized books of account and records)**

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(1) The bank which processes data by computer or keeps its books of account and other records in computerized form shall, at the request of the Bank of Slovenia's authorized person, provide appropriate devices for examining books of account and records and for testing the adequacy of computer-processed data.

(2) The bank shall submit to the Bank of Slovenia the documentation showing a complete specification of operations of its accounting system. The documents shall clearly show the subsystems and files of the bank's accounting system. The documents shall provide an insight into:

1. Computer solutions,
2. Procedures relating to computer solutions;
3. Controls ensuring a correct and reliable data processing,
4. Controls which prevent unauthorized addition, alteration or deletion of saved computer entries.

(3) Each change to the computer solution (computer software) referred to in paragraph (1) of this Article shall be documented according to the time sequence of occurrence of changes, together with the date when changes are made. The documents shall also show all change in the file form.

**Article 241**  
**(Recommendations and admonishments)**

(1) If the Bank of Slovenia's authorized person identifies cases of underperformance and inconsistency in the bank's operations, which do not have the characteristics of violation of regulations from paragraph (1) of Article 222 of this Act, the Bank of Slovenia shall issue appropriate recommendations to the management board for improving the efficiency of the bank's operations.

(2) If on-site examination of the bank's operations performed by the Bank of Slovenia's authorized person shows violations of the regulations from paragraph (1) of Article 222 of this Act but the nature and extent of such violations produce no major effect, the Bank of Slovenia may issue the bank an admonishment calling its attention to these violations instead of an order for elimination of violations (hereinafter referred to as "admonishment").

(3) The Bank of Slovenia's admonishment may also impose on the bank the obligation to eliminate identified violations and lay down a time limit for their elimination.

(4) If the bank fails to comply with the admonishment from paragraph (3) of this Article, the Bank of Slovenia may issue an order for elimination of violations.

(5) If the Bank of Slovenia's authorized person finds no violation of regulations from paragraph (1) of Article 222 of this Act during the on-site examination, the Bank of Slovenia shall issue a decision suspending the on-site examination.

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(6) The provisions of the Administrative Procedure Act shall not apply to on-site examination.

#### **7.4. Elimination of violations**

Article 242  
(Order for elimination of violations)

(1) If the Bank of Slovenia established violations of regulations from paragraph (1) of Article 222 of this Act during on-site examination, it shall issue an order imposing on the bank the obligation to eliminate such violations or irregularities or to abandon certain actions (hereinafter referred to as "elimination of violations").

(2) The Bank of Slovenia's order for elimination of violations shall lay down a time limit for elimination of violations.

Article 243  
(Submission of certified  
auditor's report on elimination of violations)

When the Bank of Slovenia finds violations regarding the keeping of books of account or administrative and other records which the bank is required to keep, or major violations regarding the bank's operations, it may also order the bank to submit a report on the elimination of such violations, comprising a certified auditor's positive opinion that the identified violations have been remedied.

Article 244  
(Report on elimination of violations)

(1) The bank shall eliminate the established violations and submit to the Bank of Slovenia a report specifying the measures for their elimination within the time limit set by the order for elimination of violations (hereinafter referred to as ("report on elimination of violations").

(3) The report on elimination of violations shall be accompanied by documents and other evidence showing that the established violations have been remedied and, in the case from Article 243 of this Act, also a certified auditor's report on elimination of violations.

(3) If the report is incomplete or the report and the attached evidence do not show that the established violations have been remedied, the Bank of Slovenia shall issue an order imposing on the bank the obligation to complete the report and shall set a deadline for its completion (hereinafter referred to as "order for completing the report on elimination of violations").

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**Article 245**

(Declaratory decision on elimination of violations)

(1) If the report on elimination of violations and the attached evidence show that the violations have been eliminated, the Bank of Slovenia shall issue a decision stating that the violations have been eliminated (hereinafter referred to as ("decision on elimination of violations")).

(2) Prior to issuing the decision on elimination of violations, the Bank of Slovenia may carry out another on-site examination to the extent necessary to determine whether the violations have been eliminated.

(3) If the bank remedies the violations established during on-site examination prior to the completion of on-site examination, the Bank of Slovenia shall issue a decision on elimination of violations without prior order for elimination of violations.

**Article 246**

(Time limit for issuing a decision on elimination of violations)

The Bank of Slovenia shall issue an order for completing the report on elimination of violations or decision on elimination of violations within two months from receipt of the report on elimination of violations; otherwise, the violations shall be deemed to have been remedied.

**7.5. Additional measures for implementing risk management rules,**

**Article 247**

(Reasons for adopting additional measures for implementing risk management rules)

The Bank of Slovenia shall impose on the bank additional measures for implementing risk management rules in the following cases:

1. When the bank has not set up or has not yet implemented a sound and reliable management system pursuant to Article 124 or the provisions of Section 4.6. of this Act and risk management regulations;
2. When the bank does not attain the minimum capital requirement from Article 136 of this Act;
3. When the bank has not set up or has not yet implemented the strategies and processes of assessing the internal capital requirement pursuant to Article 126 of this Act and risk management regulations;
4. When the bank's operations exceed restrictions regarding the bank's exposure or other restrictions laid down by this Act and risk management regulations;

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5. When the bank fails to calculate capital requirements and restrictions or fails to report to the Bank of Slovenia pursuant to the provisions of Section 4.7 of this Act and risk management regulations;
6. When the bank fails to meet its obligations relating to the provision of funds for payments made under the deposit guarantee scheme or
7. When the bank fails to act in compliance with the order for elimination of violations.

**Article 248**

**(Types of additional measures for implementing risk management rules)**

(1) The Bank of Slovenia may impose on the bank the following additional measures for implementing risk management rules:

1. Impose on bank's management board the obligation to adopt a plan of measures for meeting the bank's minimum capital requirement from Article 136 of this Act;
2. Impose on the bank's management board and the supervisory board the obligation to call a general meeting of shareholders and to propose the adoption of appropriate measures, such as:
  - resolution to increase the bank's initial capital through new contributions,
  - resolution to increase the bank's initial capital with bank's assets,
3. Impose on the bank's supervisory board the obligation to discharge a member or members of the management board and to appoint a new member or members of the management board;
4. Prohibit the bank from:
  - granting loans or performing banking services or services from paragraph (1) of Article 41 of this Act on behalf of some persons with inadequate credit rating,
  - conclude transactions with individual shareholders, members of the management board and supervisory board, undertaking having close links with the bank, or investment funds managed by the management company which close links with the bank,
5. Prohibit or restrict the provision of individual or all transactions of a particular kind or expansion of the bank's branch network;
6. Impose on the bank's management board the obligation to adopt and implement measures for:
  - improving the management system in accordance with Article 124 of this Act,
  - improving strategies and processes of assessing the internal capital requirement pursuant to Article 126 of this Act,
  - changing the areas of the bank's operations,
  - restricting the granting of loans,
  - improving the procedures of recovering the bank's outstanding claims,
  - proper valuation of asset and off-balance sheet items,
  - improving the accounting information system,
  - improving the procedures of internal control system and internal audit system,
7. Impose on the bank the obligation to reduce risks typical of its operations, products or systems in its further operations;

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8. Impose on the bank's supervisory board the obligation to appoint appropriate committees for individual areas within the supervisory board's competence;
9. Impose on the bank the obligation to adopt other measures required for the implementation of risk management rules.

(2) In the event from point 1. or 3. of Article 247 of this Act, the Bank of Slovenia may also order the bank to hold own funds in excess of the minimum level of own funds from Article 136 of this Act if other measures referred to paragraph (1) of this Article cannot ensure within the appropriate period of time that the bank will duly improve its risk management systems or strategies and internal capital requirement assessment processes.

(3) By issuing an order imposing on the bank additional measures from paragraph (2) of this Article, the Bank of Slovenia shall also lay down other measures referred to in paragraph (1) of this Article, which should be taken by the bank in order to become subject again to the provision on the extent of the minimum level of own funds from Article 136 of this Act.

**Article 249**

(Application of provisions on elimination of violations)

The provisions of Section 7.4. of this Act shall apply, *mutatis mutandis*, to additional measures for implementing risk management rules. The words "elimination of violations" shall be replaced by the words "implementation of additional measures for implementing risk management rules".

**7.6. Withdrawal of authorization**

**Article 250**

(Grounds for withdrawal of authorization to provide banking services)

(1) The Bank of Slovenia shall withdraw the bank's authorization to perform banking services in the following cases:

1. If the authorization was obtained by stating false information,
2. If the bank fails to satisfy the conditions regarding capital adequacy and other operating conditions in accordance with risk management rules,
3. If the bank violates the obligation of timely and correct reporting or notifying the Bank of Slovenia more than twice in a period of three years or if it in any other way hinders the supervision of its operations,
4. If the bank fails to act in compliance with the order for elimination of violations,
5. If the Bank of Slovenia imposed on the bank an additional measure from point 3 of paragraph (1) of Article 248 of this Act and the supervisory board failed to discharge the member or members of the management board within the time limit set for the implementation of the additional measure and to appoint new ones,

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6. If there are grounds for withdrawal of authorization to acquire a qualifying holding granted to a person that is directly or indirectly the bank's parent entity.
7. If the bank fails to meet its obligations relating to the provision of funds for payments made under the deposit guarantee scheme or
8. If the bank fails to meet technical, organisational, personnel or other conditions for the provision of banking services.

(2) If, at the same time, there are grounds for withdrawal of authorization under paragraph (1) of this Article as well as grounds for compulsory liquidation according to Article 266 of this Act, the Bank of Slovenia shall combine both procedures.

(3) If the bank fails to comply with technical, staff, organisational or other conditions for the provision of individual types of banking services or individual other financial services, the Bank of Slovenia may, instead of withdrawing the authorisation, issue a decision prohibiting the bank from providing these banking services or other financial services.

(4) The procedure for decision prohibiting the bank to provide individual types of banking services or services pursuant to paragraph (1) of Article 41 of this Act shall be subject to application, *mutatis mutandis*, of the provisions of this Act governing the procedure for withdrawal of authorization.

#### Article 251

##### (Conditional withdrawal of authorization)

(1) Simultaneously with the decision to withdraw the authorization, the Bank of Slovenia may decide not to withdraw the authorization if, within the time limits of the trial period set by the Bank of Slovenia and which may not be less than six months or more than two years from the date of issue of the decision, the bank does not commit another violation that may represent the grounds for withdrawing the authorization.

(2) When the Bank of Slovenia issues a decision on conditional withdrawal of authorization, it may also decide to withdraw the authorization if, within the specified time limit, the bank fails to eliminate the violations for which the conditional withdrawal of authorization has been imposed. The time limit for compliance with these obligations shall be set by the Bank of Slovenia within the limits of the trial period.

#### Article 252

##### (Revocation of conditional withdrawal of authorization)

The Bank of Slovenia shall revoke the conditional withdrawal of authorization and shall withdraw the authorization if the bank commits a new infringement during the trial period on the grounds of which the authorization may be withdrawn, or if it fails to meet the additional conditions from paragraph (2) of Article 251 of this Act.

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## **7.7. Special administration**

### Article 253

(Grounds for introducing special administration)

The Bank of Slovenia shall issue a decision on instituting special administration in the following cases:

1. When the Bank of Slovenia imposes on the bank additional measures for implementing risk management rules and when the bank fails to proceed to their implementation or fails to implement them at all within the time limits set for their implementation,
2. When the bank fails to attain the minimum capital requirement from Article 136 of this Act in spite of implemented additional measures or
3. When the bank's further operations might threaten its liquidity or capital adequacy.

### Article 254

(Duration of special administration)

(2) The Bank of Slovenia shall issue a decision on special administration laying down the duration of such special administration, which may not exceed one year from the issue date of the decision.

### Article 255

(Notification of supervisory authority of another Member State)

(1) If the Bank of Slovenia issues a decision on special administration to a bank with a branch in another Member State, it shall notify the competent authority of that Member State prior to issuing the decision. The notification shall also indicate legal consequences and actual effects of the issued decision.

(2) If the issue of the decision from paragraph (1) of this Article cannot be delayed due to the protection of interests of the bank's clients or other public benefits, the Bank of Slovenia shall notify the competent authority of a Member State thereof immediately after the issue of the decision.

### Article 256

(Members of special administration)

The Bank of Slovenia shall issue a decision appointing two or more special administrators as members of the bank's special administration and shall define the type and scope of operation to be managed by individual special administrators.

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**Article 257**

(Entry in the court register of companies)

(1) The issue of the decision on instituting special administration shall be entered in the court register of companies. At the same time, appropriate change of the persons authorized to act on behalf of the bank shall also be registered.

(2) The special administration shall make a proposal for registering the information from paragraph (1) of this Article not later than three days from receipt of the decision. The proposal shall be accompanied by the Bank of Slovenia's decision on special administration.

**Article 258**

(Legal consequences of instituting special administration)

(1) During the period of special administration, responsibilities of the bank's supervisory board shall be assumed by the Bank of Slovenia.

(2) The Bank of Slovenia shall also be entitled to give the special administrators mandatory instructions for managing the banks operations.

(3) The provisions of this Act referring to members of the management board shall also apply to special administrators unless the Bank of Slovenia determines otherwise in its instructions from paragraph (2) of this Article.

(4) As from the date of issue of the decision on special administration, the powers and responsibilities of members of the bank's management and supervisory board, as well as the responsibilities of the bank's general meeting of shareholders, except those from Article 261 of this Act, shall be terminated.

**Article 259**

(Powers during the period of special administration)

(1) Members of the bank's management board shall forthwith allow the special administrators access to the bank's all business and other documents and shall draw up a report on the transfer of duties to special administrators.

(2) Members of the bank's management board shall provide the special administration or individual special administrators with all explanations or additional reports on the bank's operations at their request.

(3) Special administrators shall be entitled to remove a person that interferes with their work and, depending on circumstances, to request help also from the police.

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Article 260  
(Reports by special administration)

(1) The special administration shall prepare and submit to the Bank of Slovenia a report on the bank's financial position and operating conditions under special administration at least for each quarter following the issue of the decision on instituting special administration.

(2) Within nine months after its appointment, the special administration shall prepare and submit to the Bank of Slovenia a report on the bank's financial position and operating conditions under special administration together with an evaluation of the bank's economic stability and of the possibility of the bank's further operation, which shall include:

1. An assessment of the possibility that the bank's shareholders might offset the losses and of its consequences for the bank's financial position,
2. An assessment of the possibility of allocation and dispersion of the bank's potential losses,
3. Contingent expenses which may affect the bank's liabilities,
4. An assessment of the possible measures to eliminate the bank's financial difficulties together with an assessment of the costs of implementing these measures,
5. An assessment of the conditions for instituting liquidation or bankruptcy of the bank.

Article 261  
(Increase of initial capital  
for ensuring the bank's economic stability)

(1) If, based on the report of the bank's special administration from paragraph (1) or (2) of Article 260 of this Act, the Bank of Slovenia estimates that the bank's initial capital needs to be increased through new financial contributions in order to provide the bank's minimum capital or in order to eliminate the causes of the bank's illiquidity or capital inadequacy, it shall impose on the special administration the obligation to call a general meeting of shareholders and to propose to it the adoption of a resolution on such increase of the bank's initial capital. The Bank of Slovenia may fix the date on which the special administration is to call the bank's general meeting; however the convocation of the general meeting shall be announced at least eight days prior to the meeting.

(2) The special administration shall announce the convocation of the bank's general meeting of shareholders for the purpose of deciding on the initial capital increase from paragraph (1) of this Article not later than within three days of receiving the Bank of Slovenia's instruction from paragraph (1) of this Article.

(3) The invitation to the general meeting of shareholders shall call the shareholders' attention to legal consequences from Article 262 of this Act.

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Article 262

(The right to sell the bank's shares)

(1) The Bank of Slovenia shall acquire the right to sell the bank's shares on its own behalf and for the account of shareholders (hereinafter referred to as "the right to sell shares") in the following cases:

1. When the general meeting of shareholders rejects the proposed resolution from paragraph (1) of Article 261 of this Act if the first sale of shares based on this resolution is not successful and
2. When another person expresses a serious intention to make a financial contribution for increasing the bank's initial capital.

(1) If the Bank of Slovenia intends to exercise its right to sell bank's shares, it shall announce a public auction for selling the bank's shares within one month from the acquisition of such right.

(3) In the announcement of the public auction, the Bank of Slovenia shall set the opening price based on the book value of shares determined on the basis of the bank's audited balance sheet as of the last day of the month preceding the acquisition of the right to sell shares, drawn up under the assumption of a non-going concern.

(4) The Bank of Slovenia shall sell the shares at a public auction to the highest bidder above the opening price. If there are no bids for least the opening price at the auction, the Bank of Slovenia shall offer the shares for sale at a price which is 5% lower than the opening price, and shall continue to lower the offered price until a bidder declares that he is willing to buy the shares at the price asked in the last leg of the auction.

(5) Simultaneously with announcing the auction, the Bank of Slovenia shall issue to the clearing and depositary corporation an order to enter in the central register a ban on disposal of all shares in favour of the Bank of Slovenia.

(6) The clearing and depositary corporation shall transfer the bank's all shares to the account of the highest bidder from paragraph (4) of this Article, as instructed by the Bank of Slovenia. The Bank of Slovenia shall give the instruction from the first sentence of this paragraph within eight days from the date when the buyer effects an appropriate increase of the bank's initial capital.

Article 263

(Evaluation of results of special administration)

(1) The Bank of Slovenia shall evaluate the results of special administration at least every three months.

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(2) The Bank of Slovenia shall approve the final evaluation of results of special administration not later than three months after the receipt of the report from paragraph (2) of Article 260 of this Act.

(3) If the Bank of Slovenia estimates that the bank's financial position during the period of special administration has improved to such an extent that the bank has attained the minimum capital from Article 136 of this Act and that it regularly meets its matured obligations, the Bank of Slovenia shall issue a decision terminating the special administration discharging the special administrators.

(4) If the Bank of Slovenia estimates that the bank's financial position during the period of special administration has not improved to the extent permitting the bank to attain the minimum capital from Article 136 of this Act or permitting it meet its matured obligations on as regular basis, it shall issue a decision initiating liquidation or establishing the conditions for initiating a bankruptcy procedure for the bank.

(5) In the case of the paragraph (4) of this Article, the Bank of Slovenia shall also issue a decision extending the special administration for not more than six months after the expiration of the time limit from Article 254 of this Act if there are no conditions for initiating bankruptcy proceedings for the bank and if the Bank of Slovenia estimates that the bank might to attain the minimum capital requirement from Article 254 of this Act in the next six months.

**Article 264**

**(Early activation of the deposit guarantee scheme)**

(1) Whenever during the period of special administration the bank's liquidity is threatened because of increased withdrawals of deposits, the Bank of Slovenia may decide to activate the deposit guarantee scheme earlier.

(2) By adopting the decision from paragraph (1) of this Article, the Bank of Slovenia shall also prohibit the bank from making any payments except payments of matured guaranteed deposits and payments of wages to the bank's employees up to the amount of the guaranteed wages.

(3) In the case from paragraph (1) of this Article, the Bank of Slovenia shall transfer to the bank liquid funds for payment of matured guaranteed deposits provided by early activation of the deposit guarantee scheme in the manner referred to in Article 316 of this Act. The Bank of Slovenia shall transfer the funds from the first sentence of this paragraph to the bank's special account.

(4) The bank may use the funds of the paragraph (3) of this Article only for payment of matured guaranteed deposits.



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(5) The Bank of Slovenia may prohibit payments from paragraph (2) of this Article for no longer than three months after the issue of the decision from paragraph (1) of this Article.

(6) If by the expiration of the period from paragraph (5) of this Article the bank's financial position does not improve to the extent that the bank may be able to meet its matured obligations regularly, the Bank of Slovenia shall issue forthwith a decision on establishing the conditions for initiating bankruptcy proceedings.

(7) If bankruptcy proceedings are initiated for the bank after an early activation of the deposit guarantee scheme, payments of guaranteed deposits which the bank has made upon an early activation of the deposit guarantee shall be deemed as payments of guaranteed deposits in the event of bankruptcy.

(8) Funds on the account from paragraph (3) of this Article may not represent the object of execution, and, in the event of bankruptcy, they shall be excluded from the bankrupt's estate and transferred to a special account of the assuming bank.

(9) The guarantee from paragraph (1) of this Article shall be subject to the application, *mutatis mutandis*, of the provisions of Articles 310, 312, 313, 316 and 317 of this Act.

**Article 265**

**(Early activation of the deposit guarantee scheme in a bank having a branch in another Member State)**

(1) Whenever during the period of special administration in a bank which has a branch in another Member State the Bank of Slovenia issues a decision on early activation of the deposit-guarantee scheme, it shall notify the competent authority of that Member State prior to issuing the decision. The notification shall also indicate legal consequences and actual effects of the issued decision.

(2) If the issue of the decision from paragraph (1) of this Article cannot be delayed due to the protection of interests of the bank's clients or other public benefits, the Bank of Slovenia shall notify the competent authority immediately after the issue of the decision.

(3) The Bank of Slovenia shall publish the decision from paragraph (1) of this Article in a summarized form in the Official Journal of the EU and in two newspapers circulated throughout the territory of the Member State in which the bank has a branch. The summary of the decision shall be published in the Slovenian language and in the language of the Member State in which the bank has a branch.

(4) The published summary shall include the following:

1. Legal basis and grounds for issuing the decision,

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2. Name and address of the judicial authority to decide on action in the process of judicial protection against the decision,
3. Time limit for bringing action in the process of judicial protection against the decision.

## **7.8. Compulsory liquidation**

### **7.8.1. General provisions**

#### Article 266

#### (Grounds for the initiating compulsory liquidation)

(1) The Bank of Slovenia shall issue a decision to initiate compulsory liquidation proceedings in the following cases:

1. When, based on the report from paragraph (2) of Article 260 of this Act, it estimates that the bank's financial position during the period of special administration has not improved to the extent that the bank may attain the minimum capital requirement from Article 136 of this Act and that there are no conditions for initiating a compulsory liquidation proceedings,
2. When the general meeting of shareholders rejects the proposed decision from paragraph (1) of Article 261 of this Act or if the first sale of shares based on this decision proves unsuccessful, and there are no conditions for exercising the right to sell shares from Article 262 of this Act or initiating bankruptcy proceedings,
3. When the bank's authorization to provide banking services has been withdrawn,
4. When a bank's management board member's authorization to perform the function of a member of the bank's management board has been withdrawn by final decision, or if a management board member has been discharged or relieved of his duties, or if a management board member has not performed the function of management board member for more than six months, and the supervisory board has not appointed a new management board member within a three months' period according to this Act, and therefore, the bank lacks at least two members of the management board or
5. When the authorization to perform banking services has been terminated for reasons from point 1. or 2. of paragraph (1) of Article 87 of this Act, and the bank's general meeting of shareholders has not adopted a resolution to wind up the bank from Article 76 or resolution to change the bank's activity referred to in Article 80 of this Act within two months from the issue of the decision from paragraph (2) of Article 87 of this Act.

(2) The Bank of Slovenia shall issue a decision to initiate the compulsory liquidation within eight days.

(3) The time limit from paragraph (2) of this Article shall commence as follows:

1. In the case from point 1. of paragraph (1) of this Article: on the expiration of the time limit for adopting the final assessment of special administration results from paragraph (2) of Article 263 of this Act,
2. In the case from point 2. of paragraph (1) of this Article: on the date when the general meeting rejects the proposed resolution from paragraph (1) of Article 261 of

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this Act, or on the date of expiration of the time limit for subscription and payment of shares based on unsuccessful first sale of shares,

3. In the case from point 3. of paragraph (1) of this Article: on the date of issue of the decision to withdraw the authorization,
4. In the case from point 4. of paragraph (1) of this Article: on the expiration of the three months' time limit for appointing a new management board member,
5. In the case from point 5. of paragraph (1) of this Article: on the expiration of the two months' time limit for adoption of the resolution for compulsory liquidation or changing the bank's activity.

**Article 267  
(Liquidator)**

(1) The Bank of Slovenia shall issue a decision appointing one or more liquidators and shall define the type and extent of activities performed by individual liquidators.

(2) The liquidator must notify all creditors in a regular and appropriate manner of the course of compulsory liquidation proceedings.

(3) The Bank of Slovenia shall determine the contents of notifications and time limits from paragraph (2) of this Article by a decision referred to in paragraph (1) of this Article.

**Article 268  
(Legal consequences of compulsory liquidation)**

(1) As of the date of issue of the decision on compulsory liquidation, all competencies and powers of members of the bank's management and supervisory boards and powers of the general meeting of shareholders, with the exception of competencies for approving the liquidator's proposal for distribution of assets from paragraph (1) of Article 416 of ZGD-1 shall be terminated.

(2) Competencies of the bank's supervisory board and of the general meeting of shareholders in compulsory liquidation proceedings, except competencies for approving the liquidator's proposal for distribution of assets from paragraph (1) of Article 416 of ZGD-1, shall be assumed by the Bank of Slovenia.

**Article 269  
(Application of compulsory liquidation provisions)**

Unless otherwise provided by Subsection 7.8.1. of this Act, compulsory liquidation of the bank shall be subject to the application, *mutatis mutandis*, of the following provisions:

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1. Articles, 405, 407, 411, 412, 415, paragraph (1) of Article 416, Articles 417, 418, 419, 420, 421, 423 and 424 of ZGD-1 and
2. Article 257, paragraph (3) of Article 258 and Article 259 of this Act.

**Article 270**  
(Prohibition to enter into new transactions)

During the compulsory liquidation proceedings, the bank may not enter into any new transactions except those necessary for the sale of the estate in liquidation.

**Article 271**  
(Occurrence of grounds for instituting bankruptcy proceedings)

If the liquidator establishes that the bank's assets do not suffice for the settlement of all creditors' claims or that the bank lacks sufficient liquid funds for the settlement of creditors' claims when due, he shall notify forthwith the Bank of Slovenia thereof.

**7.8.2. Special provisions on compulsory liquidation of banks having branches in another Member State and of banks having branches in the Republic of Slovenia**

**Article 272**  
(Direct effect of decisions of competent authorities of the Member States)

A decision to initiate the proceedings for a Member State bank with a branch in the Republic of Slovenia issued by a competent authority of the Member State in which the bank is established, which has the same effect as a decision for liquidating the bank pursuant to this Act, shall have a direct effect in the territory of the Republic of Slovenia, with no special procedure of recognition and execution being required, immediately when it becomes executable in the Member State.

**Article 273**  
(Notification to supervisory authorities of another Member State of the initiation of compulsory liquidation proceedings)

(1) If the bank has a branch in another Member State, the Bank of Slovenia shall notify the competent authority of the Member State concerned that it will issue a decision to initiate the compulsory liquidation proceedings. The notification shall also indicate legal consequences and actual effects of the issued decision.

(2) If the issue of the decision from paragraph (1) of this Article cannot be delayed due to the protection of interests of the bank's clients or other public benefits, The official language of the document translated herein is Slovene. In case of any doubt or misunderstanding the Slovene version should therefore be considered final.

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the Bank of Slovenia shall notify the competent authority of a Member State thereof immediately after the issue of the decision.

**Article 274**

(Publication of the summary of the decision to initiate compulsory liquidation proceedings in the Official Journal of the EU)

(1) The Bank of Slovenia shall publish the decision to initiate compulsory liquidation proceedings in the form of a summary in the Slovenian language in the Official Journal of the EU. The summary of the decision shall also be published in two national newspapers circulated throughout the territory of the Member State in which the bank has a branch.

(2) The public announcement of the summary of the decision shall include the following:

1. The name and address of the authority conducting the compulsory liquidation proceedings,
2. The law applicable to compulsory liquidation proceedings,
3. The names of liquidators,
4. The time limit for lodging claims, and legal consequences in case that a creditor fails to lodge a claim.

**Article 275**

(Lodging of claims by creditors from a Member State)

(1) A creditor may lodge a claim against the liquidation estate in the Slovenian language or in the official language of the Member State in which the creditor has residence or registered office. The liquidator may request the creditor to submit a translation of the lodgement of his claim in the Slovenian language.

**Article 276**

(Competencies of the liquidator)

(1) The Bank of Slovenia may authorize the liquidator upon issued decision on compulsory liquidation proceedings for the bank to exercise his competencies also in the territory of the Member State in which the bank has a branch.

(2) The liquidator may appoint persons to assist him and, if appropriate, to represent him in the Member State in which the bank has a branch.

(3) A liquidator appointed by the decision of the competent authority of the Member State in which the bank having a branch in the Republic of Slovenia is established may carry out the actions in the compulsory liquidation proceedings in the Republic of Slovenia with competences which are equal to those in the Member State,

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except those implying the use of coercive measures. The liquidator shall comply with the laws of the Republic of Slovenia In the exercise of his duties.

(4) In the exercise of his competencies pursuant to paragraph (1) and (3) of this Article, the liquidator shall prove his identity by means of a certified copy of the original decision on his appointment.

(5) The Bank of Slovenia may require the liquidator from paragraph (3) of this Article, who performs actions in the liquidation proceedings in the Republic of Slovenia, to submit the Slovenian translation of the decision on his appointment.

**7.8.3. Specific provision on compulsory liquidation of branches of third-country banks**

**Article 277**

(Compulsory liquidation of branches of third-country banks)

(1) If the Bank of Slovenia initiates the compulsory liquidation proceedings for a branch of a third-country bank, it shall notify all competent authorities of the Member States in which the third-country bank has branches prior to issuing its decision. The notification shall contain the legal consequences and actual effects of such proceedings.

(2) If the issuing of the decision from paragraph (1) of this Article cannot be delayed because of the protection of interests of the bank's clients or other public benefits, the Bank of Slovenia shall notify the competent authorities immediately after the issue of the decision.

(3) During the compulsory liquidation proceedings from paragraph (1) of this Article, the Bank of Slovenia shall coordinate its actions with the actions of competent authorities of other Member States. This obligation shall also apply to liquidators.

**7.9. Specific provisions for individual types of supervision**

**7.9.1. Supervision of banks' operations in a Member State**

**Article 278**

(Cooperation with the competent authority of the Member State in which the bank performs its services)

The Bank of Slovenia shall cooperate with the competent authority of Member State in which the bank performs banking or other mutually recognized financial services directly or through a branch and shall provide it with all the information available that is required for the monitoring of such bank, particularly regarding its liquidity, capital adequacy, deposit guarantee, restriction on exposure, administrative and accounting procedures and internal control systems.

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Article 279  
(On-site examination of the bank's branch  
in a Member State)

(2) The Bank of Slovenia may request the competent authority of the Member State in which the bank provides banking services to carry out an on-site examination of the operation of the bank's branch in that Member State if this might accelerate or simplify the supervisory procedure or if this conforms to the interests of efficiency, simplicity, promptness or reduced costs of the procedure. The Bank of Slovenia's authorized persons may participate in the supervision carried by the Member State's competent authority under the same conditions.

Article 280  
(Measures of supervision over the bank  
that performs services in a Member State)

(1) If a bank that provides banking or other mutually recognized services in a Member State violates that Member State's regulations notwithstanding a warning by the Member State's competent authority, the Bank of Slovenia shall adopt supervisory measures in accordance with this Act.

(2) The Bank of Slovenia shall notify the Member State's competent authority forthwith of the adopted measures.

Article 281  
(Notification to a Member State's supervisory authority  
of the bank's authorisation withdrawal)

If the Bank of Slovenia withdraws the bank's authorization to provide banking services or prohibits it from providing individual banking services or services from paragraph (1) of Article 41 of this Act, it shall notify in writing the competent authorities of the Member States in which the bank provides banking services forthwith thereof.

**7.9.2. Supervision of Member State banks in the Republic of Slovenia**

Article 282  
(Liquidity supervision of branches of Member State  
banks in the Republic of Slovenia)

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(1) The Bank of Slovenia shall have the competence to supervise the liquidity of branches of Member State banks in cooperation with the competent authority of the Member State in which the banks has its registered office.

(2) The Bank of Slovenia shall be exclusively responsible for taking measures against branches of Member State banks, which represent the implementation of the monetary policy.

**Article 283**

**(Cooperation with the competent authority of the Member State in which the bank is established)**

The Bank of Slovenia shall cooperate with the competent authority of Member State in which the bank performs banking or other mutually recognized financial services directly or through a branch and shall provide it with all the information available that is required for the monitoring of such bank, particularly regarding its liquidity, capital adequacy, deposit guarantees, limitation on exposures, administrative and accounting procedures and internal control systems.

**Article 284**

**(On-site examination of branches of Member State banks)**

(1) The competent authority in a Member State or persons authorized by it may perform an on-site examination of a branch of a bank from that Member State in the territory of the Republic of Slovenia. The Member State's competent authority shall notify the Bank of Slovenia of the intended on-site examination from the first sentence of this paragraph.

(2) In the event from paragraph (1) of this Article, the competent authority or persons authorised by it shall have the same responsibilities as the Bank of Slovenia according to the provisions of Articles 240 of this Act.

(3) Upon request by a Member State's competent authority, the Bank of Slovenia shall carry out an on-site examination of the branch of that Member State's bank in territory of the Republic of Slovenia. The Member State's competent authority may take part in the on-site supervision from the first sentence of this paragraph at its own request.

(4) Notwithstanding the provisions of paragraphs (1) through (3) of this Article, the Bank of Slovenia shall also have the competence to carry out an on-site examination of the branch of this Member State's bank in the territory of the Republic of Slovenia in order to verify whether the branch acts in compliance with the provisions of regulations from paragraphs (2) and (3) of Article 97 of this Act.

**Article 285**

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(Supervisory measures over banks and  
Member State banks)

(1) If a Member State bank which performs banking or other mutually recognized financial services in the territory of the Republic of Slovenia directly or through a branch violates the provisions of the regulations from paragraphs (2) or (3) of Article 97 of this Act, the Bank of Slovenia shall issue an order imposing on the bank the obligation to eliminate such violation.

(2) If a Member State bank fails to comply with the order from paragraph (1) of this Article within the time limit set by the order, the Bank of Slovenia shall notify the competent authority of that Member State thereof.

(3) If a Member State bank continues to violate the provisions from paragraph (1) of this Article notwithstanding the measures imposed on it by the competent authority of its home Member State or if such measures cannot be imposed on it in its home Member State, the Bank of Slovenia shall prohibit it from providing banking or other mutually recognized financial services in the territory of the Republic of Slovenia.

(4) Prior to imposing the measures from paragraph (3) of this Article, the Bank of Slovenia shall notify thereof the competent authority of the bank's home Member State .

(5) Notwithstanding the provision of paragraph (4) of this Article, the Bank of Slovenia may prohibit the Member State bank from providing banking services or other mutually recognized financial services in the territory of the Republic of Slovenia without prior notification to the competent authority of bank's home Member State if the decision cannot be delayed due to the protection of interests of the bank's clients or other public benefits.

(6) In the case from paragraph (5) of this Article, the Bank of Slovenia shall notify the competent authority of the bank's home Member State and the European Commission of the prohibition to provide banking services at its earliest convenience.

Article 286  
(Measures resulting from withdrawal  
of authorization of Member State banks)

If the competent authority of the Members State in which the bank which performs banking or other mutually recognized financial services directly or through a branch is established notifies the Bank of Slovenia of the withdrawal of this bank's authorization to perform such services, the Bank of Slovenia shall undertake appropriate measures according to this Act in order to prevent the bank from further provision of these services and to protect the interests of the bank's clients.

### 7.9.3. Supervision on a consolidated basis

#### Article 287

(The Bank of Slovenia's competence for  
supervision on a consolidated basis)

(1) The Bank of Slovenia shall be competent and responsible for supervision on a consolidated basis in the following cases:

1. When the bank is a parent bank in the Republic of Slovenia or a parent bank in the EU or
2. When the bank is a subsidiary of a
  - parent financial holding company in the Republic of Slovenia or
  - an EU parent financial holding company,
3. In cases from paragraph (6) of Article 131 of this Act.

(2) Where in addition to the bank itself, subsidiary banks of other Member States have as their parent the same parent financial holding company in the Republic of Slovenia or the same EU parent financial holding company, the Bank of Slovenia shall be competent and responsible for supervision on a consolidated basis provided that the financial holding company is established in the Republic of Slovenia.

(3) Where the parents of the bank comprise more than one financial holding company with head offices in different Member States and there is a bank in each of these States, supervision on a consolidated basis shall be exercised by the Bank of Slovenia if the bank's balance sheet total exceeds the balance sheet total of other subsidiary banks in other Member States.

(4) Where in addition to the bank itself, banks of other Member States have as their parent the same parent financial holding company and none of these banks has been authorized in the Member State in which the financial holding company was set up, supervision on a consolidated basis shall be exercised by the Bank of Slovenia if the bank's balance sheet total exceeds the balance sheet total of other subsidiary banks in other Member States (hereinafter referred to as the "subsidiary bank of an EU parent financial holding").

(5) The Bank of Slovenia shall be also competent and responsible for exercising supervision on a consolidated basis in cases when it assumed the responsibility for such supervision based on an agreement with the competent authority of another Member State, which would have otherwise been competent and responsible for exercising this kind of supervision.

(6) Notwithstanding the provision of point 2. of paragraph (1) of this Article, the Bank of Slovenia shall not be competent and responsible for supervision on a consolidated basis in the following cases:

1. When the parent financial holding company in the Republic of Slovenia or EU parent financial holding is an investment firm and

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2. When the supervision on a consolidated basis for this investment firm falls within the competence and responsibility of another competent authority.

**Article 288**

(Transfer of competence for supervision on a consolidated basis to the competent authority of another Member State)

(1) In agreement with competent authorities of Member States in which other subsidiary banks were set up, the Bank of Slovenia may transfer its competencies and responsibilities for exercising supervision on a consolidated basis from paragraphs (2), (3) or (4) of Article 287 of this Act to competent authorities of the Member States in which individual other subsidiary banks were established.

(2) Prior to taking the decision from paragraph (1) of this Article, the Bank of Slovenia shall, acting jointly with other competent authorities, give the EU parent bank, EU parent financial holding company or subsidiary bank with the largest balance sheet total the opportunity to declare themselves on it.

**Article 289**

(Obligations of subsidiaries and the parent financial holding company regarding supervision on a consolidated basis)

(1) Subsidiaries shall provide the parent bank in a banking group or the bank controlled by a parent financial holding company with all information which it requires in order to comply with its obligations on a consolidated basis.

(2) The parent financial holding company shall provide its subsidiary bank with all information which it requires in order to comply with its obligations on a consolidated basis.

(3) If the parent financial holding company fails to provide the bank with the information from paragraph (2) of this Article, the bank shall notify the Bank of Slovenia forthwith thereof.

(4) Subsidiary undertakings and the parent financial holding company shall allow the Bank of Slovenia or other competent authority which is competent and responsible for exercising supervision on a consolidated basis to carry out an on-site examination for the purpose of verifying the information from paragraphs (1) and (2) of this Article.

(5) In order to ensure that organisational structure, processes and systems within a banking group are consistent and well integrated so that they enable a smooth preparation of all data and information necessary for supervision, all persons within the banking group shall meet the obligations from Article 124 of this Act on a consolidated basis at a group or subgroup level.

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(6) Obligations from paragraphs (1) to (5) of this Article shall also apply if the parent bank, the parent financial holding company or the subsidiary bank of the parent financial holding company are not established in the Republic of Slovenia.

(7) Subsidiaries of a bank or a financial holding company which are not included in supervision on a consolidated basis of this bank or a financial holding company shall:

1. Provide the competent authority responsible for exercising supervision on a consolidated basis for this bank or financial holding company at its request with all the information necessary for supervision of individual banks within a banking group and
2. Allow the competent authority responsible for exercising supervision on a consolidated basis for this bank or financial holding company to perform an on-site examination in order to verify the information from point 1. of this paragraph.

(8) If the undertaking from paragraph (7) of this Article is an insurance undertaking or an investment firm, the information may also be obtained and verified in cooperation among the competent authorities from Article 302 of this Act.

(9) When the undertaking from paragraph (7) of this Article is established in another Member State, the on-site examination from point 2. of paragraph (7) of this Article may also be carried out in the manner referred to in Article 304 of this Act.

**Article 290**

(Additional tasks of supervision on a consolidated basis)

If the Bank of Slovenia is competent and responsible for the exercise of supervision on a consolidated basis of an EU parent bank or a bank controlled by an EU parent financial holding pursuant to Article 287 of this Act, it shall, in addition to its regular supervision activities, also perform the following tasks in going concern and emergency situations

1. Coordination the gathering and dissemination of relevant and essential information among competent authorities included in supervision on a consolidated basis and
2. Planning and coordination of supervisory activities, including verification and assessment according to Article 222 of this Act, in cooperation with the competent authorities involved in supervision on a consolidated basis.

**Article 291**

(Cooperation with other competent authorities in deciding on permissions relating to capital requirement calculation)

(1) If the Bank of Slovenia is competent and responsible for exercising supervision on a consolidated basis of an EU parent bank or a bank controlled by an EU

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parent financial holding company pursuant to Article 287 of this Act, and the application for one of the following permissions:

1. For using the internal ratings based approach,
2. For the use of own estimates of loss given defaults or conversion factors,
3. For the use of Advanced measurement approach to calculating the capital requirement for operational risk,
4. For the use of the internal methods model for calculating exposure values or
5. For the use of internal models for calculating capital requirement for position risk, foreign-exchange risk or commodity risk,

is submitted jointly by the EU parent bank and its subsidiary institutions or banks and other subsidiary institutions of this EU parent financial holding company, the Bank of Slovenia shall work together, in full consultation, with other competent authorities in Member States in which other institutions included in this banking group are established in order to decide whether or not to grant the permission sought and to determine the terms and conditions to which such permission should be subject.

(2) The Bank of Slovenia shall communicate the request from paragraph (1) of this Article forthwith to other competent authorities responsible for the supervision of institutions which submitted the above-stated application.

(3) The Bank of Slovenia and other competent authorities shall do everything within their power to reach a joint decision on the application referred to in paragraph (1) of this Article within six months from the date of the request for permission.

(4) In the absence of a joint decision between the competent authorities to issue a permission referred to in paragraph (1) of this Article within six months, the Bank of Slovenia shall make its own decision on the application. The decision from the first sentence of this paragraph shall be set out in a document substantiating the grounds for such decision in addition to the contents to be included therein, and shall take into account the Bank of Slovenia's views on the views and reservations of other competent authorities.

(5) The Bank of Slovenia shall also deliver the decision from paragraphs (3) or (4) of this Article to the competent authorities responsible for supervision of institutions that submitted the application from paragraph (1) of this Article.

(6) If supervision on a consolidated basis falls within the competence of the competent authority of another Member State, and this competent authority adopts a decision to grant one of the permissions from paragraph (1) of this Article pursuant to paragraphs (3) or (4) of this Article, the Bank of Slovenia shall grant, *ex officio*, the subsidiary bank a permission subject to the contents of the decision by this competent authority.

(7) The Bank of Slovenia shall issue the decision from paragraph (6) of this Article within two months from receipt of the notification from the Member State's competent authority about its decision.

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Article 292  
(Notification on emergency situations)

Where an emergency situation arises within a banking group that falls within the Bank of Slovenia's competence and responsibility for supervision on a consolidated basis, which potentially jeopardizes the stability of the financial system in any of the Member States where entities of a group have been authorized, the Bank of Slovenia shall alert as soon as practicable other competent authorities in Member States participating in the supervision of this group as well as the competent authorities in each of these Member States:

1. The central bank or another authority with similar tasks and responsibilities as monetary authorities and
2. The state authority responsible for legislation governing supervision of credit institutions, financial institutions, investment firms or insurance undertakings.

Article 293  
(Obtaining information from other competent authorities)

The Bank of Slovenia, which is responsible for supervision on a consolidated basis under this Act, shall, when it needs the information which has already been given to another competent authority, contact this authority whenever possible in order to prevent duplication of reporting to the various authorities involved in supervision.

Article 294  
(Arrangements with competent authorities for supervision on a consolidated basis)

In order to facilitate and establish effective supervision on a consolidated basis, the Bank of Slovenia and the other competent authorities shall have written coordination and cooperation arrangements in place.

(2) Under the arrangements from paragraph (1) of this Article, additional tasks may be entrusted to the competent authority responsible for supervision on a consolidated basis and procedures for the decision-making process and for cooperation with other competent authorities may be specified.

(3) The Bank of Slovenia may, by bilateral agreement, delegate its responsibility for supervision to the competent authority that has authorized and supervises the parent undertaking so that it may assume responsibility for supervising that bank subsidiary .

(4) If the Bank of Slovenia authorizes and supervises the parent bank, it may, by bilateral agreement with the competent authority which has authorized and is

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responsible for supervision of the subsidiary bank, assume the competence and responsibility for supervision of the subsidiary bank.

**Article 295**

(Exchange of information among competent authorities in Member States)

(1) The Bank of Slovenia shall cooperate with competent authorities in other Member States. It shall provide them with the information that is essential or relevant for the exercise of their supervisory tasks. In this regard, the Bank of Slovenia shall:

1. Communicate on request of the other competent authority all information that is essential or relevant for the exercise of supervision by this authority,
2. Communicate on its own initiative all information that is essential or relevant for the exercise of supervision by this authority.

(2) Information referred to in paragraph (1) of this Article shall be regarded as essential if it could materially influence the assessment of the financial soundness of a credit institution or financial institution in another Member State.

(3) When the Bank of Slovenia is responsible for consolidated supervision of EU parent banks or banks controlled by EU parent financial holding company, it shall provide the competent authorities in other Member States who supervise subsidiaries of these parents with all relevant information. In determining the extent of relevant information, the importance of these subsidiaries within the financial system in those Member States shall be taken into account.

(4) The essential information from paragraph (3) of this Article shall include, in particular, the following items:

1. Identification of the group structure of all major banks in a group, as well as of the competent authorities of banks in the group,
2. Procedures for the collection of information from the banks in a group, and the verification of that information,
3. Adverse developments in banks or in other entities of a group, which could seriously affect the banks in a group,
4. Major sanctions imposed on the bank, including the imposition of an additional capital charge from paragraph (2) of Article 248 of this Act and the imposition of any limitation on the use of the advanced measurement approach for the calculation of the capital requirement for operational risk.

(5) When the Bank of Slovenia is responsible for the supervision of banks controlled by an EU parent credit institution, it shall whenever possible contact the competent authority responsible for the EU parent credit institution when it needs the information regarding the implementation of approaches, methodologies and restrictions that may already be available to that competent authority.

**Article 296**

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(Consultation with competent authorities in Member States involved in supervision on a consolidated basis)

(1) The Bank of Slovenia shall, prior to taking individual decisions, consult the competent authorities concerned with regard to the following items, where the decisions are of importance for other competent authorities' supervisory tasks:

1. Changes in the shareholder, organisational or management structure of banks in a group, which require the approval, permission or authorization of competent authorities and
2. Major sanctions intended to be imposed on the bank, including the imposition of an additional capital charge from paragraph (2) of Article 248 of this Act and the imposition of any limitation on the use of the advanced measurement approach for the calculation of the capital requirement for operational risk.

(2) In cases from point 2. of paragraph (1) of this Article, the Bank of Slovenia shall always consult with the competent authority responsible for supervision on a consolidated basis.

(3) Notwithstanding paragraphs (1) and (2) of this Article, the Bank of Slovenia may not decide to consult in cases of urgency or where such consultation might jeopardize the effectiveness of the decisions. In these cases, the Bank of Slovenia shall, without delay, inform the other competent authorities.

**Article 297**

(Scope and method of consolidation for the purpose of supervision on a consolidated basis)

(1) The Bank of Slovenia shall, for the purpose of supervision on a consolidated basis, require full consolidation of all the credit institutions and financial institutions that are subsidiaries of a parent undertaking with a parent undertaking.

(2) Notwithstanding the provision of paragraph (1) of this Article, the Bank of Slovenia may require only proportional consolidation where, in its opinion, the liability of a parent undertaking holding a share of the capital is limited to that share of the capital in view of the liability of the other shareholders whose solvency is satisfactory. The liability of the other shareholders from paragraph (1) of this Article shall be clearly established, if necessary by means of formal signed commitments presented to the Bank of Slovenia.

(3) In the case where undertakings are placed under single management, the Bank of Slovenia shall determine how consolidation is to be carried out.

(4) The bank shall use the proportional consolidation of participations in credit institutions or financial institutions managed by an undertaking included in the consolidation together with one or more undertakings not included in the consolidation, where those undertaking's liability is limited to the share of the capital they hold.

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(5) In the case of participations or capital ties other than those referred to in paragraphs (1) to (4) of this Article, the Bank of Slovenia shall determine whether and how consolidation is to be carried out.

(6) In cases where the methods set out in paragraphs (1) through (5) of this Article are used, ancillary services undertakings, asset management companies and financial holding companies shall also be included in consolidation.

(7) Individual financial institutions, ancillary services undertakings or asset management companies which are subsidiaries of a bank or a financial holding company or are parties affiliated to a group may be excluded from consolidation.

**Article 298  
(Specific cases of consolidation)**

The Bank of Slovenia shall determine whether and how consolidation is to be carried out:

1. Where, in its opinion, a bank exercises a significant influence over one or more credit institutions or financial institutions, but without holding a participation or other capital ties in these institutions and
2. Where two or more credit institutions or financial institutions are placed under single management other than pursuant to a contract or clauses of their memoranda or Articles of Association.

**Article 299  
(Liabilities of a mixed-activity holding company and  
undertakings it controls with regard to supervision on a consolidated basis)**

(1) Where the parent undertaking of one or more banks is a mixed-activity holding company, the mixed-activity holding company and its subsidiary undertakings shall provide the banks or competent authorities that are responsible for exercising supervision of these banks with any information relevant for the purpose of supervising these subsidiaries.

(2) Subsidiary undertakings and the parent mixed-activity holding company shall allow the Bank of Slovenia or other competent authority responsible for exercising supervision of subsidiary banks to conduct an on-site examination for the purpose of verifying the information from paragraph (1) of this Article.

(3) Obligation from paragraphs (1) and (2) of this Article shall also apply if the subsidiary undertaking, the parent mixed-activity holding company or the subsidiary bank of the parent mixed-activity holding company is not established in the Republic of Slovenia.

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**Article 300**  
**(Supervision of transactions between a mixed-activity holding company and subsidiaries)**

(1) Where the parent undertaking of one or more banks is a mixed-activity holding company, the Bank of Slovenia shall, within the scope of its competencies for the supervision of these banks, also be responsible for supervision of transactions between these banks and the mixed-activity holding company and its other subsidiaries.

(2) In the case from paragraph (1) of this Article, the bank shall set up and consistently apply appropriate internal procedures referred to in Article 175 of this Act in order to identify, measure, monitor and supervise transactions with its parent mixed-activity holding company and its subsidiaries.

(3) The bank shall report to the Bank of Slovenia on all significant transactions carried out with the mixed-activity holding company and its other subsidiaries.

(4) Where the transactions from paragraph (1) of this Article within a group jeopardize the bank's financial position, the Bank of Slovenia shall impose in the bank appropriate supervisory measures under this Act.

**Article 301**  
**(Exchange of information for supervision on a consolidated basis)**

Where a parent undertaking and any of its subsidiary banks are situated in different Member States, the Bank of Slovenia shall communicate to competent authorities in such other Member States all relevant information which may allow or aid the exercise of supervision on a consolidated basis.

**Article 302**  
**(Cooperation among supervisory authorities when one of the subsidiaries is an insurance company or investment firm)**

(1) Where a bank, financial holding company or mixed-activity holding company controls one or more subsidiaries that are insurance companies or other supervised financial undertaking, the Bank of Slovenia shall also cooperate with competent authorities responsible for supervision of this undertaking.

(2) The Bank of Slovenia and competent authorities from paragraph (1) of this Article shall provide one another with any information likely to simplify their task and to allow supervision of the activity and overall financial situation of the undertakings they supervise.

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(3) Where the mixed-activity holding company or its subsidiary are an insurance company, on-site examination from paragraph (2) of Article 299 of this Act may be carried out in cooperation with the competent authority responsible for the supervision of insurance companies.

**Article 303**  
**(List of parent financial holding companies)**

The Bank of Slovenia shall establish lists of parent financial holding companies in the Republic of Slovenia and communicate them to the competent authorities of the other Member States and to the Commission.

**Article 304**  
**(On-site examination for the purpose of verifying the information)**

(1) Where, for the purpose of supervision for which it is competent and responsible under this Act, the Bank of Slovenia wishes to verify the information concerning a bank, financial holding company, financial institution, ancillary services undertaking, mixed-activity holding company or subsidiary from paragraph (1) of Article 299 of this Act situated in another Member State, it shall ask the competent authority of that other Member State to perform an on-site examination of this undertaking in order to have that verification carried out or to allow it to perform such on-site examination by itself.

(2) The competent authority which is responsible for supervision on a consolidated basis or for supervision of a Member State bank, may, for the purpose of verifying the information relating to a bank, financial holding company, financial institution, ancillary services undertaking, mixed-activity holding company or subsidiary from paragraph (1) of Article 299 of this Act which are situated in the Republic of Slovenia, carry out an on-site examination of these companies. The competent authority in a Member State shall notify the Bank of Slovenia of the intended on-site examination from the first sentence of this paragraph.

(3) In the event from paragraph (2) of this Article, the competent authority or persons authorized by it shall have the same responsibilities as the Bank of Slovenia according to the provisions of Articles 236 to 240 of this Act.

(4) At the request of the competent authority of a Member State, the Bank of Slovenia shall carry out the on-site examination from paragraph (2) of this Article. The Member State's competent authority may take part in the on-site examination from the first sentence of this paragraph at its own request.

**Article 305**

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(Measures of supervision over financial holding companies and mixed-activity holding companies)

(1) When a financial holding company or a mixed-activity holding company violates its obligations set out in Sub-section 7.9.3. of this Act, the Bank of Slovenia shall issue a decision imposing on it the obligation to eliminate such violation.

(2) Where a financial holding company or a mixed-activity holding company has its head office in another Member State, the Bank of Slovenia shall notify this Member State's competent authority of the decision from paragraph (1) of this Article.

(3) The Bank of Slovenia shall cooperate with competent authorities in other Member States when imposing measures aimed at ending observed breaches or the causes of such breaches committed by the financial holding company or a mixed-activity holding company.

**Article 306**

(Supervision when the parent bank has the head office in a third country)

(1) Where a bank, the parent undertaking of which is a bank or a financial holding company, the head office of which is in a third country, is not subject to consolidation supervision which falls within the competence and responsibility of the Bank of Slovenia according to Article 287 of this Act or within the competence and responsibility of another Member State, the Bank of Slovenia shall, either at the request of the parent entity or another supervised entity in a banking group or on its own initiative, verify whether the bank is subject to consolidated supervision by a third-country competent authority which is equivalent to that governed by the principles of this Act.

(2) In carrying out the verification according to paragraph (1) of this Article, the Bank of Slovenia shall take into account eventual general guidelines regarding the consolidated supervision arrangements of competent authorities in third-country, issued by the European Banking Committee, and shall consult the other competent authorities in Member States involved in supervision of persons in a group.

(3) If there is no such equivalent supervision on a consolidated basis in a third country, the Bank of Slovenia shall lay down and apply other appropriate supervisory methods and measures that might attain the purpose of the bank's supervision on a consolidated basis. The Bank of Slovenia may, in particular, require that a financial holding company with head office in the EU should be established and that rules on supervision on a consolidated basis for this financial holding company should be applied.

(4) Following prior consultation with competent authorities in other Member States, the supervisory methods and measures from paragraph (3) of this Article shall be subject to the approval by a Member State's competent authority which may be responsible for exercising supervision on a consolidated basis.

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(5) The Bank of Slovenia shall notify other competent authorities of Member States involved in supervision and the Commission of the supervisory methods and measures from paragraph (3) of this Article.

**Article 307**

(Exclusion of liability for supervision on a stand-alone basis)

No responsibility of the Bank of Slovenia in relation to a financial holding company, mixed-activity holding company or other undertaking other than a bank as set out in Subsection 7.9.3. of this Act shall mean that the Bank of Slovenia is responsible for exercising the supervision over such undertaking on a stand-alone basis.

**7.9.4. Supervision of other persons**

**Article 308**

(Order for suspension of accepting deposits from the public)

(1) If a person contrary to the prohibition set out in Article 35 of this Act continues to accept deposits from the public, the Bank of Slovenia shall issue an order imposing it to suspend accepting such deposits (hereinafter referred to as "order for suspension of accepting deposits from the public")

(2) The Bank of Slovenia may, prior to issuing an order for suspension of accepting deposits from the public, examine the books of account and other documentation of the person concerned and gather other evidence on whether that person is accepting deposits from the public.

(3) In the order for suspension of accepting deposits from the public, the Bank of Slovenia shall order the person to submit, within a period of not less than 8 or more than 15 days, a report in which the person shall specify the measures undertaken in connection with the suspension of accepting deposits from the public and in which the person may express its view as to the justification of the order. The person's report shall be accompanied by evidence showing that it has taken the measures for suspension of accepting deposits from the public.

**Article 309**

(Decision establishing the grounds for winding up)

(1) If a legal person fails to comply with the order for suspension of accepting deposits from the public, the Bank of Slovenia shall issue a decision establishing the existence of grounds for liquidation of that person (hereinafter referred to as ("decision establishing the grounds for liquidation").

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(2) The decision establishing the grounds for liquidation shall be substantiated.

(3) The competent court shall initiate the liquidation proceedings on the basis of the final decision establishing the grounds for liquidation and on the proposal of the Bank of Slovenia.

(4) The court shall issue a order to initiate liquidation proceedings without repeated verification of the conditions for initiating these proceedings within three business days from the submission of the proposal referred to in paragraph (3) of this Article.

(5) No appeal shall be allowed against the order to initiate liquidation proceedings from paragraph (4) of this Article.

(6) The Bank of Slovenia shall be exempt from fees and charges during the liquidation proceedings initiated on its proposal from paragraph (3) of this Article.

## **Chapter 8: Guaranteed deposits**

### Article 310 (Guaranteed deposits)

(1) A deposit shall mean the total of all accounts receivable of a natural or legal person from the bank on the basis of:

1. A contract on managing a transaction account,
2. A savings deposit,
3. A money deposit,
4. A certificate of deposit or bills provided that they are issued as registered securities.

(2) The net deposit of individual person shall be the balance of this person's deposit less liabilities of this person to the bank.

(3) According to this Act, a guaranteed deposit shall mean a net deposit up to 22,000 euros on the date when bankruptcy proceedings for the bank are initiated.

(4) Notwithstanding paragraph (3) of this Article, bearer deposits shall not be considered as guaranteed deposits.

(5) Notwithstanding the provision of paragraph (3) of this Article, deposits of the following persons shall not be considered as guaranteed deposits:

1. Deposits by other banks and financial undertakings which placed deposits on their behalf and for their own account,
2. Deposits arising out of transactions for which the holder of the deposit has been convicted by final judgment for the criminal offence of money laundering,
3. Deposits by states, central banks and local communities,

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4. Deposits by members of the management board and of the supervisory board and their immediate family;
5. Deposits by the bank's shareholders which hold at least a 5% share of the bank's capital or voting rights,
6. Deposits by legal persons which are subsidiaries of the bank,
7. Deposits by members of the management board and of the supervisory board or any other management or supervisory body of legal persons from points 5. and 6. of this paragraph and their immediate family,
8. Deposits which, due to their characteristics, are taken into consideration in the calculation of the banks' own funds,
9. Deposits by legal persons that are large or medium-sized enterprises according to ZGD-1.

**Article 311**

(Publication and advertising of information on the deposit-guarantee scheme)

(1) The bank shall post the information about the deposit-guarantee scheme in a visible place on its premises in which it transacts business with its clients.

(2) In advertising its banking services, the bank may, in connection with the deposit-guarantee scheme, only indicate the deposit-guarantee scheme in which it participates, without quoting of any other details (for example, the level and extent of the guarantee). Advertising on the bank's premises and on the bank's public websites shall not be considered as advertising pursuant to the first sentence of this paragraph.

**Article 312**

(Regulation on guaranteed deposits)

The Bank of Slovenia shall lay down the following:

1. The method of calculating the amount of liquid assets from Article 314 of this Act and detailed features of financial instruments which are the subject of these assets,
2. Detailed conditions and procedures for assuring funds for repayment of guaranteed deposits and activating the guarantee,
3. The method of treating:
  - custody accounts and other similar deposits held by a single person for the account of one or more other persons and
  - deposits held by two or more persons,
4. The manner of including the bank's branch in the deposit-guarantee scheme of the Republic of Slovenia.

**Article 313**

(Guarantee for payment of guaranteed deposits)

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(1) Banks with their head offices in the Republic of Slovenia shall guarantee repayment of the guaranteed deposits by the bank for which bankruptcy proceedings have been initiated, to the extent and in the manner laid down by this Act.

(2) Individual banks shall guarantee for repayment of guaranteed deposits by another bank to the extent which is equal to the share represented by the total guaranteed deposits with such bank in respect of the total guaranteed deposits with all banks, reduced by the total guaranteed deposits which are the object of the guarantee.

**Article 314**

**(Liquid assets for payment of guaranteed deposits)**

For the purpose of assuring liquid assets required for repayment of guaranteed deposits, the bank shall invest funds equivalent to the amount proportional to its share from paragraph (2) of Article 313 of this Act, to be calculated in the manner laid down by the regulation on guaranteed deposits, into financial instruments having the characteristics defined by this regulation.

**Article 315**

**(Assumption of obligation to pay guaranteed deposits)**

(1) As from the date of initiating bankruptcy proceedings for the bank, the Bank of Slovenia shall assume on its own behalf and for the account of the banks from paragraph (1) of Article 313 of this Act the obligation to repay guaranteed deposits of the bank under bankruptcy proceeding.

(2) Repayment of guaranteed deposits shall be made by the successor bank.

(3) The Bank of Slovenia shall provide the successor bank with liquid funds for the repayment of the guaranteed deposits from paragraph (1) of this Article by activating the deposit-guarantee scheme from Article 316 of this Act.

(4) The successor bank may use the funds from paragraph (3) of this Article only for repayment of guaranteed deposits.

**Article 316**

**(Activation of deposit guarantee scheme)**

(1) The Bank of Slovenia shall impose on the banks from paragraph (1) of Article 313 of this Act the obligation to pay in an appropriate share of funds necessary for paying the guaranteed deposits.



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(2) The Bank of Slovenia may also provide cover for activating the deposit-guarantee scheme by realizing or otherwise disposing of funds chargeable to investments from Article 314 of this Act. The Bank of Slovenia shall enter into legal transactions necessary for providing cover for activating the deposit-guarantee scheme on its own behalf and for the account of the banks from paragraph (1) of Article 313 of this Act.

**Article 317**  
**(Reimbursement of funds paid in)**

After repayment of claims for guaranteed deposits from the bankrupt's estate, the Bank of Slovenia shall reallocate the funds received to the banks in proportion to the amount of funds which they had paid pursuant to Article 316 of this Act.

**Chapter 9: Bankruptcy of the bank**

**Article 318**  
**(Prohibition against compulsory settlement)**

Compulsory settlement proceedings may not be initiated for a bank.

**Article 319**  
**(Application of provisions relating to bankruptcy proceedings)**

Unless otherwise provided by this Act, bankruptcy proceedings for a bank shall be subject to the provisions of the Act governing bankruptcy of commercial undertakings.

**Article 320**  
**(Grounds for bankruptcy)**

The Bank of Slovenia shall issue a decision establishing the grounds for initiating bankruptcy proceedings in the following cases:

1. When, on the basis of the report from paragraph (2) of Article 260 of this Act, it estimates that the bank's financial position has not improved during the period of special administration, and that the bank is not able to meet its obligations when due notwithstanding the special administration or
2. When, in exercising supervision over the bank, it determines that the bank's assets are insufficient for payment of all claims by the bank's creditors.

**Article 321**  
**(Successor bank)**

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(1) By decision establishing grounds for initiating bankruptcy proceedings, the Bank of Slovenia shall designate a bank which will take over the operations of the bank under bankruptcy proceedings in connection with repayment of guaranteed deposits (hereinafter referred to as "successor bank").

(2) The successor bank shall be entitled to the reimbursement of actual costs associated with the payment of guaranteed deposits.

**Article 322  
(Commencement of bankruptcy proceedings)**

(1) The Bank of Slovenia shall submit a request for initiating bankruptcy proceedings to the competent court on the first working day after the issue of a certified copy of the decision establishing the grounds for initiating bankruptcy proceedings. The proposal shall be accompanied by the decision establishing the terms and conditions for initiating bankruptcy proceedings.

(2) The court shall issue an order to initiate bankruptcy proceedings without renewed verification of the conditions for instituting bankruptcy proceedings within three working days from submitting the request from paragraph (1) of this Article.

(3) No appeal shall be allowed against the decision to initiate bankruptcy proceedings from paragraph (2) of this Article.

(4) The Bank of Slovenia shall be exempt from fees and charges during bankruptcy proceedings initiated by the court at its request from paragraph (1) of this Article.

**Article 323  
Application of provisions in bankruptcy proceedings for  
a bank having a branch in another Member State)**

(1) Bankruptcy proceedings for a bank having a branch in another Member State shall be subject, *mutatis mutandis*, to the provisions of the second sentence of paragraph (2) of Article 267 and the provisions of Articles 273 to 276 of this Act unless paragraphs (2) or (3) of this Article provide otherwise.

(2) The order to initiate bankruptcy proceedings shall be published by bankruptcy court in the form of a summary in the Official Journal of EU and two daily newspapers circulated in the entire territory of the Member State in which the bank has a branch.

(3) Claims by creditors shall be lodged with the bankruptcy court.

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**Article 324**

(Notifying identified creditors of the commencement of bankruptcy proceedings for a bank having a branch in another Member State)

(1) The receiver shall notify the order to initiate bankruptcy proceedings to all known creditors of the bank who operated through the bank's branch in a Member State and who have their residence or registered office in a Member State in the Slovene language by using a form containing the title "Invitation to lodge claims. Time limits to be observed" in all EU official languages.

(2) The notification from paragraph (1) of this Article shall particularly include the following:

1. Name and address of the authority conducting bankruptcy proceedings,
2. Time limit within which creditors shall lodge their claims with the bankruptcy panel and consequences of missed deadlines;
3. Information on the rights and duties associated with the institution of bankruptcy proceedings.

**Article 325**

(Receiver)

(1) The receiver shall be appointed by the court on the proposal of the Bank of Slovenia. The receiver candidate proposed by the Bank of Slovenia may be only a person that meets the conditions required for the exercise of the function of receiver.

(2) If there are grounds for discharging the receiver, the court shall notify the Bank of Slovenia of such grounds prior to making the decision on his dismissal and invite it to express its views on the grounds for discharge within a period of time of not less than three and not more than eight days.

**Article 326**

(Payment of guaranteed deposits)

(1) The bank under receivership and the successor bank shall, within 10 days from the initiation of bankruptcy proceedings, determine the total amount of guaranteed deposits on the date of issue of the order to institute bankruptcy proceedings for the bank and send a record thereof to the Bank of Slovenia.

(2) The Bank of Slovenia shall approve the minutes from paragraph (1) of this Article not later than 10 days from receipt thereof and shall send it to the court conducting the bankruptcy proceedings.

(3) The Bank of Slovenia shall provide the successor bank with liquid funds for payment of guaranteed deposits by activating the deposit guarantee scheme not later

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than within three months reckoned from the institution of bankruptcy proceedings for the bank.

(4) Guaranteed deposits in foreign currencies shall be paid in euro equivalent according to reference rate of exchange published by the Bank of Slovenia on the date of instituting bankruptcy proceedings.

**Article 327**  
**(Opinion of the Bank of Slovenia)**

(1) Whenever the court adopts a decision regarding the realization of bankrupt's estate according to the act governing bankruptcy of commercial undertakings on the basis of a prior opinion of the creditors' committee, it shall, in the event of bankruptcy of a bank, also obtain the Bank of Slovenia's opinion.

(2) The Bank of Slovenia's opinion from paragraph (1) of this Article shall be subject to the application, *mutatis mutandis*, of provisions of the act governing bankruptcy of commercial undertakings on the opinion of the creditors' committee.

**Article 328**  
**(Notification to the Bank of Slovenia)**

The receiver shall submit a copy of his progress reports on bankruptcy proceedings simultaneously to the court and to the Bank of Slovenia.

**Article 329**  
**(Claims for guaranteed deposits)**

(1) Claims arising from the activation of deposit guarantee scheme from paragraph (3) of Article 264 and paragraph (3) of Article 315 of this Act shall be lodged by the Bank of Slovenia during bankruptcy proceedings for the bank on its own behalf and for the account of banks which paid in an appropriate share of funds necessary for payment of guaranteed deposits according to Article 316 of this Act.

(2) Expenses incurred by the successor bank from paragraph (2) of Article 321 of this Act shall be reimbursed subject to the rules governing bankruptcy-relating expenses.

**Chapter 10: The Bank of Slovenia's decision procedure in individual matters**

**10.1. General provisions**

**Article 330**

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(Application of provisions governing the proceedings)

(1) The Bank of Slovenia shall decide on individual matters within its competence under this Act or other acts by following the procedure laid down in this Chapter, unless otherwise provided for individual types of procedures by this Act.

(2) Unless otherwise specified by this Act, the provisions of the General Administrative Procedure Act shall be applied to the decision-making process of the Bank of Slovenia.

(3) Notwithstanding the provision of paragraph (2) of this Article, no reinstatement in a previous condition or extraordinary redress in the Bank of Slovenia's decision-making process may be requested.

(4) Individual matters shall be decided by the Governing Board of the Bank of Slovenia as a collegiate body. Prior to the issuance of the decision, the procedure is conducted by a Bank of Slovenia's professional that meets the requirements from Article 31 of Administrative Procedure Act under the authority of the Governor of the Bank of Slovenia.

**Article 331  
(Statements by the parties)**

(1) The parties shall make their statements in writing.

(2) In the case from paragraph (2) of Article 333 of this Act, the parties may also make their statements orally at the hearing.

**Article 332  
(Possibility of making statements)**

(1) Prior to issuing the decision which shall be issued *ex officio* and against which no appeal shall be allowed, the Bank of Slovenia shall call upon the party concerned to express its view about the facts and circumstances relevant to the decision, unless, in individual cases, the Act specifies another manner of giving the party the possibility to express its views.

(2) The invitation from paragraph (1) of this Article shall include the following:

1. Explicit statement of facts and circumstances on which the party is supposed to express its views and evidence proving those facts,
2. Time limit for making the statement, which may not be less than eight days,
3. Instructions to the party that it should attach documentary evidence to its statement in making reference to them, and that, on the expiration of the time limit, it shall not have the right to provide new facts and submit new evidence.

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(3) In its statement, the party may refer to the facts which show that the facts and circumstances referred to in the invitation from paragraph (1) of this Article are non-existent, and may submit evidence whereby it substantiates the existence of the asserted facts. When the party refers to documentary evidence in its statement, it shall submit such evidence.

(4) If the party fails to attach documentary evidence to its statement, provisions on incomplete applications shall not apply, and the Bank of Slovenia shall take into consideration only that evidence which is attached to the statement.

(5) On the expiration of the time limit for making statements, the party shall not have the right to introduce new facts and present new evidence.

(6) Notwithstanding the provisions of paragraph (1) of this Article, the Bank of Slovenia shall, prior to issuing the decision on special administration, not be required to give the bank the possibility of making a statement if special administration is introduced on the grounds of the bank's illiquidity.

(7) Provisions of paragraphs (1) through (5) of this Article shall not apply to declaratory decisions of the Bank of Slovenia.

**Article 333  
(Decision-making process)**

(1) The Bank of Slovenia shall make decisions without a hearing.

(2) Notwithstanding paragraph (1) of this Article, the Bank of Slovenia shall call an oral hearing in the following cases:

1. Where witnesses or expert witnesses need to be examined,
2. Where the process involves one or more parties with conflicting interests,
3. Where there is a need for presentation of the bank's operations pursuant to paragraph (3) of Article 65 of this Act or
4. In other cases when it deems it useful for clarifying the matter.

**Article 334  
(Types of decisions)**

(1) The Bank of Slovenia shall make decisions in the form of decisions, resolutions and orders.

(2) No appeal shall be allowed against the Bank of Slovenia's decisions.

**Article 335  
(Decision)**

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(1) The Bank of Slovenia shall issue decisions on the granting and withdrawal of authorizations as well as on other matters except those that are subject to decision by resolution or order according to the law.

(2) Unless otherwise stipulated by the law, the decision shall be substantiated. The substantiation shall also include those resolutions for which no special procedure of judicial protection is allowed.

**Article 336  
(Resolution)**

(1) By issuing a resolution, the Bank of Slovenia shall decide on issues relating to or arising in connection with the procedure.

(2) The resolution shall be substantiated and shall include a legal instruction only if a special procedure of judicial protection is allowed for the resolution.

**10.2. Judicial protection procedure**

**10.2.1. Common provisions**

**Article 337  
(Judicial protection procedure)**

(1) Judicial protection against decisions of the Bank of Slovenia shall be provided by a procedure laid down by this Act (hereinafter referred to as "judicial protection procedure").

(2) Unless otherwise provided by this Act, provisions of Administrative Disputes Act (ZUS-1) shall apply to judicial protection procedure referred to in paragraph (1) of this Article.

**Article 338  
(Right to Judicial Protection)**

(1) A judicial protection procedure may be initiated against decisions of the Bank of Slovenia.

(2) Notwithstanding the provision of paragraph (1) of this Act, no special procedure of judicial protection shall be allowed against the following decisions:

1. Against a decision by which the Bank of Slovenia decides on the appeal against an order and dismisses or rejects it, or modifies the order,

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2. Against a decision by which the Bank of Slovenia initiates the procedure for withdrawal of authorization.

(3) The decision from point 1. of paragraph (2) of this Article may be challenged in a lawsuit in the procedure of judicial protection against a decision issued by the Bank of Slovenia since the subject of supervision has failed to act in compliance with the Bank of Slovenia's order.

(4) The decision from point 2. of paragraph (2) of this Article may be challenged in a lawsuit in the procedure of judicial protection against the decision on withdrawal of authorization.

(5) Notwithstanding point 1. of paragraph (2) of this Article, judicial protection procedure shall be allowed against an order by which the Bank of Slovenia imposes on the bank the additional measure referred to in point 3. of paragraph (1) of Article 248 of this Act.

(6) Judicial protection procedure may also be initiated against a resolution ending the Bank of Slovenia's decision-making process initiated on request of the client.

**Article 339**  
(Jurisdiction and structure of the court)

Decisions in judicial protection procedure shall be made by the Supreme Court acting through a panel of three judges.

**Article 340**  
(Priority decision-making)

Matters subject to judicial protection procedure shall be accorded priority treatment under this Act and shall be subject to priority decision by the court.

**Article 341**  
(Lawsuit and answer to the lawsuit)

(1) A lawsuit shall be brought within eight days.

(2) The time limit for answer to the lawsuit shall be eight days.

**Article 342**  
(New facts and evidence)

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The plaintiff in the judicial protection procedure may not introduce new facts and present new evidence.

**Article 343  
(Lawsuit testing limits)**

The court shall test the Bank of Slovenia's decision within the limits of the claim and within the limits of the grounds stated in the suit, and shall, *ex officio*, pay attention to essential violations of the provisions of the procedure referred to in paragraph (3) of Article 27 of the Administrative Disputes Act (ZUS-1).

**Article 344  
(Session)**

As a rule, the court shall decide without hearing.

**Article 345  
(Legal remedy)**

No appeal shall be allowed against a judgment or decision delivered in judicial protection procedure.

**10.2.2. Judicial protection procedure against decision for winding up the bank**

**Article 346  
(Application of provisions)**

The provisions of this Subsection 10.2.2 shall be used in the judicial protection procedure against a decision regarding the initiation of liquidation and against a decision regarding the establishment of grounds for the initiating bankruptcy proceedings (hereinafter referred to as: "decision for winding up the bank").

(2) Unless otherwise specified by Subsection 10.2.2. of this Act, provisions of Subsection 10.2.1. of this Act shall apply to the judicial protection procedure against the decision for winding up the bank.

**Article 347  
(The plaintiff)**

(1) A lawsuit against the decision for winding up the bank may be brought by:  
1. The bank,

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2. Shareholders whose total holdings amount to at least one tenth of the bank's initial capital.

(2) If the plaintiff is the bank, it shall be represented in the judicial protection proceedings by the management board whose other competencies and responsibilities have ceased as a result of the decision for winding up the bank.

**Article 348  
(New facts and evidence)**

(1) Notwithstanding the provision of article 342 of this Act, the plaintiff may state new facts and new evidence in his lawsuit against the decision for winding up the bank. If he refers to documentary evidence in his lawsuit, this evidence shall be attached to the lawsuit.

(2) The Bank of Slovenia may quote new facts and new evidence in its answer to the lawsuit. When reference is made to documentary evidence in its answer to the lawsuit, this documentary evidence shall be attached to the answer.

(3) If the plaintiff, i.e. the Bank of Slovenia attaches no documentary evidence to which reference is made in its lawsuit or its answer to the lawsuit, the provisions on incomplete petitions shall not apply but the court shall make in its decision by taking into consideration only that evidence which has been attached to the lawsuit or answer to the lawsuit.

(4) On the expiration of the time limit for bringing the lawsuit or the answer to the lawsuit, the parties shall have no right to state new facts or produce new evidence.

**Article 349  
(Main hearing and session)**

(1) The court shall hand down its ruling after the main hearing.

(2) The court may hand down its ruling without a main hearing if in the preparatory procedure it determines that the actual situation in the procedure of issuing the decision for winding up bank has been established fully and correctly or that it is not controversial.

**Article 350  
(Decision-making process)**

(1) If the court determines that there are grounds on which it could vacate the administrative act pursuant to Article 65 of the Administrative Disputes Act and decide the matter by judgement, the court shall not vacate the decision for winding up the bank

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but shall only establish in its judgment that the decision for winding up the bank is unlawful and that there have been no conditions for instituting compulsory winding up or bankruptcy.

(2) The judgement referred to in paragraph (1) of this Article shall not affect the course of the compulsory winding up or bankruptcy proceedings.

(3) In the case from paragraph (1) of this article, the shareholders may put forward eventual claims for damages against the Bank of Slovenia in a lawsuit.

(4) Notwithstanding the provision of Article 345 of this Act, an appeal shall be allowed against the court ruling on winding up of the bank adopted in the judicial protection procedure against the decision for winding up of bank, to be decided by the Supreme Court in a panel of three judges.

### **10.3. Supervision procedure**

#### **10.3.1. General provisions**

Article 351  
(Application of provisions)

(1) The provisions of Section 10.3. of this Act concerning the supervision procedure shall apply to all supervision procedures conducted by the Bank of Slovenia pursuant to the provisions of this Act or other acts unless the law provides otherwise for individual supervision procedures.

(2) The procedure of supervision shall be subject to the provision of Sections 10.1. and 10.2. of this Act unless otherwise provided by the provisions of Section 10.3. of this Act.

(3) Provisions of paragraph (3) of Article 20 and paragraphs (2) and (3) of Article 23 of Inspection Act (ZIN) apply, *mutatis mutandis*, to the supervision procedure.

Article 352  
(Party to the supervision procedure)

(1) The party to the supervision procedure shall be the person which is the subject of the Bank of Slovenia's supervision (hereinafter referred to as the "subject of supervision").

(2) Parties to the supervision procedure of a bank shall also be the members of the bank's management board.

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Article 353  
(Service of documents)

(1) Documents shall be served on the subject of supervision who is a legal entity or sole trader by delivering it to the person authorized to accept it or to an employee found in the office or on the premises.

(2) Service of documents on members of the bank's management board shall be effected out through service on the bank. Documents shall be considered to have been served on the members of the bank's management board at the same time when they are served on the bank.

(3) When a party to the supervision procedure is represented by an attorney, it shall be considered that a document has been served if the document is delivered to the attorney or an employee in the attorney's office.

(4) Documents shall be served on the subjects of supervision other than the persons referred to in paragraphs (1), (2) or (3) of this Article by delivering documents to them in their residence or on the business premises of the person by whom they are employed.

Article 354  
(Substitute personal service of documents)

Substitute personal service shall be subject to the provisions of paragraphs (3) and (4) of Article 87 of Administrative Procedure Act, only that the time limit of "fifteen days" shall be replaced by "eight days".

Article 355  
(Conduct of procedure and imposition of supervisory measures)

(1) The Bank of Slovenia shall conduct the supervision procedure and shall impose supervision measures *ex officio*.

(2) The Bank of Slovenia may impose supervision measures on the bank also on the proposal of a member of the management board or supervisory board or shareholders whose total holdings amount to at least one tenth of the bank's initial capital.

(3) The Bank of Slovenia shall initiate the procedure of supervision over another person from Article 220 of this Act based on the notification by market inspectorate or another competent government authority, and by its official duty when the information obtained during bank supervision or in the exercise of its powers shows that there are other reasons for such supervision.

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### 10.3.2. Order for elimination of violations

#### Article 356

(Application of the provisions on the order)

(1) Provisions of Subsection 10.3.2. of this Act shall apply to the procedure governed by the order for elimination of violations from Article 242 of this Act.

(2) Provisions of Subsection 10.3.2. of this Act shall apply, *mutatis mutandis*, also to the procedure governed by:

- order on additional supervisory measure for implementing risk management rules from Article 248 of this Act and
- order for suspension of accepting deposits from the public from Article 308 of this Act.

#### Article 357

(Contents of the order)

(1) The operative part of the order shall include the following:

- a specific definition of violations of which the elimination is imposed by the order,
- the time limit in which the subject of supervision is to eliminate the violations and submit a report on the elimination of violations,
- the manner of eliminating the violation when the Bank of Slovenia orders the subject of supervision to eliminate the violation in a specific manner,
- documents or evidence of elimination of the violations when the Bank of Slovenia orders the subject of supervision to submit specific documents or other evidence of elimination of the violation.

(2) The order shall be appropriately substantiated.

#### Article 358

(Objection against order)

(1) The subject under supervision shall have the right to lodge an objection against the order within eight days of service.

(2) If the entitled person has lodged an objection on time, the time limit for elimination of violations set by the order shall be extended for the duration of the period from lodging the objection to the service of the decision on the objection.

(3) Notwithstanding the second paragraph of this Article, the Bank of Slovenia may issue an order deciding that the objection shall not stay its execution when, due to the nature of the violation, the execution of the order cannot be delayed.

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(4) Member of the bank's management board to which the order relates shall also have the right to lodge an objection against the order referred to in point 3. of paragraph (1) of Article 248 of this Act.

**Article 359**  
**(Grounds for objection)**

An objection against the order shall be allowed in the following cases:

1. When the order is issued by a person that is not authorized to issue orders;
2. When there is no violation whose elimination is required by the order;
3. When the act or omission which represent the grounds for the issuing the order does not have the characteristics of a violation;
4. When the order cannot be executed or cannot be executed in the manner defined by the order;
5. When the execution of the order would cause an act which is contrary to the coercive regulations;
6. When the order required the elimination of violations from the person for which auditing is not within the competence of the Bank of Slovenia;
7. When, contrary to law, the order requires the submission of a report on the elimination of violations by the certified auditor;
8. When the actual situation is identified erroneously or incompletely in the order.

**Article 360**  
**(Contents of objection)**

(1) The objection shall include the following:

1. An indication of the order against which it is lodged,
2. A statement as to whether the order is being contested in whole or in part,
3. Grounds for objection;
4. Other information to be included in every petition.

(2) In his objection, the subject of supervision may state facts showing that there are no violations whose elimination was required by the order, and may submit evidence proving the existence of the asserted facts. If the subject of supervision refers to documentary evidence in his statement, he shall attach this evidence to his objection.

(3) If the subject of supervision attaches no documentary evidence to his objection, the provisions on incomplete petitions shall not apply, and the Bank of Slovenia shall take into consideration only the evidence attached to the objection.

(4) After the expiration of the time limit for objection, the subject of supervision shall not have the right to state new facts and present new evidence.

**Article 361**

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(Restrictions on testing the order)

The Bank of Slovenia shall test the order in the part in which it is contested by the objection and within the limits of the grounds stated and explained in the objection.

**Article 362**  
(Decision on objection)

(1) The Bank of Slovenia shall decide on the objection by issuing a decision.

(2) In its decision on the objection, the Bank of Slovenia may dismiss or reject the objection or change or vacate the order.

(3) The Bank of Slovenia shall reject the objection when no objection is allowed, when it is lodged too late, or when it is lodged by an unauthorized person.

(4) When the Bank of Slovenia establishes the existence of grounds from points 1., 2., 3., or 6. of Article 359 of this Act, it shall vacate the order.

(5) When the Bank of Slovenia establishes the existence of grounds from points 4., 5., 7. or 8. of Article 359 of this Act, it shall vacate or modify the order depending on the nature of the violation. In deciding on the objection, the Bank of Slovenia may not change its order to the detriment of the subject of supervision.

**10.3.3. Withdrawal of authorization**

**Article 363**  
(Initiation of the procedure for withdrawal of authorization)

(1) The Bank of Slovenia shall initiate the procedure for withdrawal of authorization issued by it when the available information points to a well-founded suspicion of the existence of any of the grounds for withdrawal of the authorization provided by the law.

(2) The Bank of Slovenia shall decide on initiating the procedure of withdrawal of authorization by a decision (hereinafter referred to as "decision to initiate the procedure for withdrawal of authorization").

(3) The decision to initiate the procedure for withdrawal of authorisation shall contain the following:

1. A specific description of actions, activities or circumstances which are supposed to be the grounds for initiating the procedure,
2. An indication of documents and other evidence on the basis of which the Bank of Slovenia has identified the existence of the well-founded suspicion from paragraph (1) of this Article,

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3. A statement of grounds for the decision to initiate the procedure.

(4) In its decision to initiate the procedure for withdrawal of authorization, the Bank of Slovenia shall set a time limit within which the subject of supervision may express his views on the grounds for initiating the procedure, were this time limit may not be less than 15 or more than 30 days reckoned from the date of service of the decision on the subject of supervision (hereinafter referred to as "statement of grounds for withdrawal of authorization").

**Article 364**

**(Statement of grounds for withdrawal of authorization)**

(1) In the statement of grounds for withdrawal of authorisation, the subject of supervision may state the facts which show that there are no grounds for withdrawal of authorization, and may submit evidence substantiating the existence of the asserted facts. When the subject of supervision refers to documentary evidence in his statement, he shall attach this evidence to the statement.

(2) If the subject of supervision attaches no documentary evidence to the statement of grounds for withdrawal of authorization, the provisions of this Act on incomplete requests shall not apply, and the Bank of Slovenia shall base its decisions only on the evidence attached to the statement.

(3) On the expiration of the time limit for submitting the statement of grounds for withdrawal of authorization, the subject of supervision shall not have the right to state new facts and present new evidence.

**Article 365**

**(Decision on withdrawal of authorization)**

(1) The Bank of Slovenia shall decide on the withdrawal of authorization within 30 days from the receipt of the statement of grounds for withdrawal of authorization or after the expiration of the time limit for submitting such statement.

(2) The Bank of Slovenia may decide on the withdrawal of authorization only on the grounds of those acts, activities or circumstances for which it has issued a decision to initiate the procedure for withdrawal of authorization, and only on the basis of those documents and other evidence which were quoted in the decision to initiate the procedure and which the subject of supervision attached to the statement of grounds for withdrawal of authorization.

**Article 366**

**(Termination of the procedure)**

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The Bank of Slovenia shall terminate the procedure for withdrawal of authorization:

1. When on the basis of the evidence referred to in paragraph (2) of Article 365 of this Act it comes to a conclusion that the action, activity or circumstance for which it has issued the decision to initiate the procedure of withdrawal of authorization have no characteristics of grounds for the withdrawal of authorization or
2. When on the basis of the evidence referred to in paragraph (2) of Article 365 of this Act it comes to a conclusion that there is no proof that the subject of supervision has committed the act or that there exist circumstances on the grounds of which it has issued the decision to initiate the procedure of withdrawal of authorization.

**Article 367**

(Decision on withdrawal of authorization)

(1) The operative part of the decision on withdrawal of authorization shall contain the following:

1. Decision on withdrawal of authorization, including the number and date of granting the authorization,
2. The name of the company and its head office, or the first and last name and the date of birth of the subject of supervision whose authorization has been withdrawn,
3. A specific description of actions, activities or circumstances, which are the grounds for withdrawal of authorization.

(2) The decision on withdrawal of authorization shall be substantiated.

**Article 368**

(Application of the provisions to the cancellation of the conditional withdrawal of authorization and letter of admonishment)

The provisions of Subsection 10.3.3. of this Act shall also apply, *mutatis mutandis*, to the procedure of cancelling the conditional withdrawal of authorization and to the procedure of issuing a letter of admonishment.

**10.4. Decision procedure for granting of authorizations**

**Article 369**

(Application of provisions)

(1) The provisions of Section 10.4. of this Act shall apply to the decision procedure for granting authorizations issued by the Bank of Slovenia unless the act governing individual procedures for issue of authorization or permission provides otherwise.

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(2) The decision procedure for granting authorizations shall be subject to the provisions of Sections 10.1. and 10.2. of this Act unless otherwise provided by the provisions of Section 10.4. of this Act.

**Article 370**  
**(Decision fee)**

Applicants for authorization shall pay a decision fee fixed by the Bank of Slovenia's rates.

**Article 371**  
**(Party to the proceedings)**

(1) A party to the proceedings shall be the applicant for authorization (hereinafter referred to as the "applicant").

(2) A party to the proceedings shall also be a person whose legal interest might be affected by the Bank of Slovenia's decision when it notifies its participation in the proceedings in writing.

(3) Each party shall bear its own costs relating to the proceedings.

**Article 372**  
**(Initiation of the proceedings)**

(1) The proceedings shall be initiated by filing an application for authorization (hereinafter referred to as "application").

(2) The Bank of Slovenia shall initiate the procedure ex officio or on request of another competent authority only when so provided by law.

**Article 373**  
**(Contents of the application)**

(1) The application shall include the following:

1. Personal data of the applicant,
2. Specific request for authorization, permission or approval;
3. Other information required by law.

(2) The application shall be accompanied by documents required by the law and other documents substantiating the application for authorization, as well as by a proof of payment of the decision fee.

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**Article 374**  
**(Procedural assumptions for decision-making)**

(1) In the procedure of preliminary testing of the request, the Bank of Slovenia shall test whether the procedural conditions for deciding on the matter have been complied with:

1. Whether the application is filed by an eligible person,
2. Whether the application contains all required information,
3. Whether all the required documents have been attached to the application,
4. Whether a proof of payment of the fee or compensation for Bank of Slovenia's services has been attached to the application,
5. Whether all other procedural conditions, which must be met for a decision to be made for each application, have been complied with.

(2) If the Bank of Slovenia finds that procedural conditions for deciding on the application have not been met, and the deficiencies involved cannot be eliminated, it shall reject the request by a resolution.

(3) If the Bank of Slovenia finds that the procedural conditions for deciding on the application have not been met, and that the deficiencies can be eliminated, it shall issue a resolution imposing on the petitioner the obligation to remedy the deficiencies (hereinafter referred to as "resolution to remedy the deficiencies") In its resolution it shall set the time limit in which the deficiencies are to be remedied, which may not be less than eight or more than 15 days.

(4) If the applicant fails to remedy the deficiencies within the time limit laid down by the resolution to remedy the deficiencies, the Bank of Slovenia shall adopt a decision on rejecting the application.

(5) There shall be no special procedure of judicial protection against the resolution on the remedy of deficiencies.

(6) If the application relates to the granting of authorization to perform banking services or for merger or breakup, the Bank of Slovenia shall issue a resolution on the remedy of deficiencies within two months from receipt of the application, and in other cases within one month from receipt of the application.

**Article 375**  
**(Taking of evidence and decision making)**

(1) In the deciding on an application, the Bank of Slovenia may also take evidence not produced by the applicant if it is required to determine the facts significant for deciding on the application. In this case, the Bank of Slovenia may request from the applicant the following:

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1. To submit additional data or documents within a period time of not less than eight days,
2. To allow it to carry out an on-site examination of his operations or operations of the persons affiliated with him.

(2) The on-site examination from point 2 of paragraph (1) of this Article shall be subject to the application, *mutatis mutandis*, of the provisions of Articles 235 to 240 of this Act.

(3) The Bank of Slovenia shall reject the application when:

1. The applicant fails to submit the required information or documents to the Bank of Slovenia within the time limit laid down by point 1 of paragraph (1) of this Article, or
2. The applicant rejects the Bank of Slovenia's request referred to in point 2 of paragraph (1) of this Article or in any other way obstructs the on-site examination.

**Article 376**

(Possibility of statement of rejection of the application for authorization)

(1) Prior to issuing the decision on rejection of application, the Bank of Slovenia shall give the applicant a possibility to express his views on the facts and circumstances that are important to the decision in the following cases:

1. When it considers that the application is unfounded according to the facts established pursuant to paragraph (1) of Article 375 of this Act,
2. When it intends to dismiss the application pursuant to paragraph (3) of Article 375 of this Act or
3. When it intends to dismiss the application for authorization to acquire a qualifying holding.

(2) The possibility of expressing the views from paragraph (1) of this Article shall be subject to the application, *mutatis mutandis*, of the provisions of paragraphs (1) through (5) of Article 332 of this Act, only that the time limit of "eight days" for expressing the views shall be replaced by "15 days".

**Article 377**

(Time limit for decision)

(1) The Bank of Slovenia shall decide on the application for authorization within six months from receipt of the application:

1. For authorization to perform banking services,
2. For authorization for merger or breakup,
3. For authorization or permission subject to the provisions of Chapter 4 of this Act or risk management regulation and
4. For decision from Article 142 of this Act.

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(2) The Bank of Slovenia shall decide on the application for other authorizations within three months from receipt of the application.

(3) When the Bank of Slovenia issues a decision on the remedy of deficiencies within the time limit from paragraph (6) of Article 374 of this Act, the time limit from paragraph (1) and (2) of this Article shall not start from the service of the decision to the expiration of the time limit for remedy of deficiencies or to the date of receipt of the completed or amended application if the same is completed within the time limit stipulated by the decision.

(4) When, pursuant to Article 376 of this Act, the Bank of Slovenia invites the applicant to express his views on the grounds for rejecting the application prior to the expiration of the time limit from paragraph (1) of this Article, the time limit from paragraphs (1) and (2) of this Article shall not start running from the service of the invitation to the expiration of the time limit for expression of views or till receipt of statement, provided that it has been submitted within the time limit determined by the invitation.

(5) The bank shall notify the Bank of Slovenia of such intention six months prior to submitting the application from point 3. of paragraph (1) of this Article.

**10.5. Execution of the Bank of Slovenia's decisions**

Article 378  
(Decisions)

(1) The Bank of Slovenia's decisions shall become executable when they become final, unless otherwise provided by paragraph (2) of this Article.

(2) As of the date of finality of the decision on withdrawal of the authorization to perform the function of a management board member, the person whose authorization has been withdrawn shall no longer satisfy the conditions for performing the function of a management board member.

(3) Final decisions of the Bank of Slovenia relating to the compliance with monetary obligations shall be executed by a court on the proposal of the Bank of Slovenia.

Article 379  
(Order)

(1) Orders of the Bank of Slovenia may not be subject to compulsory execution.

(2) Notwithstanding the provision of paragraph (1) of this Article, compulsory execution may be applied to the Bank of Slovenia's order imposing the additional  
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supervisory measure from point 5. of paragraph (1) of Article 248 of this Act, of which the content is a temporary or permanent ban on the provision of individual or all services or transactions.

(3) The execution of orders from paragraph (2) of this Article shall be subject to the provisions of Administrative Procedure Act on administrative execution and Article 35 of the Inspection Act.

## **Chapter 11: Savings banks**

### Article 380

(Application of provisions on banks)

(1) The provisions of other chapters of this Act relating to banks shall apply to savings banks unless otherwise provided in this chapter.

(2) A savings bank may transfer the internal audit function by contract to another person which meets the conditions for the performance of these tasks.

### Article 381

(Activities of savings banks)

(1) Savings banks shall not perform additional financial services from point 3. of paragraph (1) of Article 11 of this Act.

(2) Savings banks may take up foreign exchange transactions after they have obtained an appropriate authorization to perform such transactions from the Bank of Slovenia.

### Article 382

(Initial capital)

The minimum amount of initial capital of savings banks shall be 1,000,000 euros.

## **Chapter 12: Electronic money institutions**

### Article 383

(Application of provisions on banks)

(1) Electronic money institution shall be subject to the application, *mutatis mutandis*, of the provisions of other chapters of this Act which relate to banks, except

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Chapters 4, 8 and 13, unless otherwise specified by this chapter or regulation on electronic money institutions.

(2) The authorization to perform services of issuing electronic money shall be governed, *mutatis mutandis*, by the provisions of this Act relating to the authorization to perform banking services.

(3) The provision of services by electronic money institutions of a Member State shall be subject to the provisions of this Act relating to banks in a Member State.

(4) The provision of services by third-country electronic money institutions shall be subject to the provisions of this Act relating to third-country banks.

(5) Supervision of persons that perform electronic money issuing services contrary to the prohibition from Article 37 of this Act shall be subject to the application, *mutatis mutandis*, of the provisions of this Act on supervision of other persons referred to in Article 220 of this Act.

Article 384  
(Legal organisational form of  
electronic money institutions)

(1) Electronic money institutions may be organised as public limited companies or as limited-liability companies.

Article 385  
(Activities allowed to be performed by  
electronic money institutions)

(1) Electronic money institutions may perform the following activities:

1. Electronic money issuing services,
2. Financial and non-financial services associated with electronic money issuing services such as:
  - electronic money management by performing operational and other ancillary services associated with the issue thereof and
  - issue or management of other instruments of payment,
3. Services of storing data on electronic devices on behalf of other persons.

(2) Electronic money institutions may not perform any other activities except those referred to in paragraph (1) of this Article, and shall, in particular, not perform credit transactions in any form.

(2) The electronic money institutions may, either directly or indirectly through its subsidiaries, hold shares, holdings and other rights that grant him voting rights or

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participation in the capital of other legal persons only if such legal person carries out the activity from paragraph (1) of this Article.

**Article 386  
(Initial capital)**

(1) The minimum amount of initial capital of electronic money institutions shall be 1,000,000 euros.

**Article 387  
(Special rules of risk management)**

(1) The capital of electronic money institutions shall always be equal to at least 2 per cent of the following amounts, which is greater:

1. The current balance of all liabilities arising from the issue of electronic money or
2. The average balance of all liabilities arising from the issue of electronic money in the last six months.

(2) Notwithstanding the provision of paragraph (1) of this Article, the level of own funds of an electronic money institution may never be lower than the amount of initial capital referred to in Article 386 of this Act.

(3) Electronic money institutions shall have minimum assets which are equal to the total amount of their liabilities arising from the issue of electronic money, in the form of investments whose credit risk weighting is 0% and other investments which are, in terms of credit risk associated therewith and their liquidity, appropriate for offsetting liabilities arising from the issue of electronic money.

(4) An electronic money institution may transfer the internal audit function by contract to another person which meets the conditions for the performance of these tasks.

**Article 388  
(Waiver)**

(1) Upon request of an electronic money institution, the Bank of Slovenia may decide to apply the provisions of this Chapter to this undertaking only to the extent laid down by this decision when

1. Electronic money is issued only on electronic storage devices which enable the user to store electronic money up to a maximum of 150 euros,
2. The total amount of financial liabilities related to outstanding electronic money normally does not exceed 5,000,000 euros and never exceeds 6,000,000 euros and
3. When one of the following conditions is satisfied:

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- electronic money issued by such undertaking is accepted as a means of payment only by its subsidiaries that provide operational or other ancillary services associated with the issue of electronic money, its parent undertaking or other undertakings that have the same parent undertaking or
- electronic money issued by such undertaking is accepted only by a limited number of undertakings that operate on the same premises or in the same locally restricted area as the electronic money institution and there are close financial or business relations between them and the electronic money institution.

(2) Electronic money institutions from paragraph (1) of this Article shall not be subject to the provisions of this Act on mutual recognition of electronic money issuing services from Articles 91 through 95 of this Act.

Article 389  
(Regulation on electronic money institutions)

The Bank of Slovenia shall lay down detailed rules on electronic money institutions concerning:

1. Risk management and reporting,
2. Books of account, annual reports, auditing and disclosures.

**Chapter 13: Banking interest association**

Article 390  
(Banking interest association)

(1) Banks may organise themselves into a banking interest association established as an economic interest association according to the ZGD-1.

(2) In addition to the tasks specified in its articles of association the banking association may:

1. Set up a guarantee scheme for deposits exceeding the amount laid down by paragraph (3) of Article 310 of this Act and
2. Organise training of bank staff and issue certificates on the completion of such training.

(3) Notwithstanding whether they are members of a banking interest association, all banks shall set up a system of exchange of information about credit standing of clients who are natural persons among the banks from point 4. of paragraph (2) of Article 215 of this Act. This system may also be set up on behalf of the banks by a banking interest association.

(4) Banks shall provide the system from paragraph (3) of this Article with the information about credit standing of their clients.

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**Article 391**

(Settlement of disputes between service providers and customers)

(1) Banks shall establish a scheme of out-of-court settlement of disputes between service providers and customers.

(2) The form and composition of the body deciding in disputes, and the method and procedure of decision-making shall be laid down by the bank in its internal rules which shall be published in the daily press or professional publications intended for customers.

(3) The bank shall publish the information about the scheme of out-of-court settlement of disputes in a conspicuous place on all premises where it transacts business with its clients.

**Chapter 14: Penal provisions**

**Article 392**

(Major violations by banks)

(1) A fine from 80,000 to 370,000 euros shall be imposed on a bank for the following violations:

1. Performance of activities other than banking services, mutually recognized and additional financial services and ancillary banking services (paragraph (3) of Article 41);
2. Provision of credits or guarantees for the acquisition of shares in contravention of paragraph (5) of Article 43 of this Act;
3. Acquisition of shares or holdings from another legal person in contravention of paragraph (2) of Article 44 of this Act;
4. Carrying out any transactions during the winding-up proceedings contrary to the prohibition from paragraph (3) of Article 78 of this Act;
5. Performance of mutually recognized or additional financial services or ancillary banking services in the territory of the Republic of Slovenia without prior Bank of Slovenia's authorization or prior notification to the Bank of Slovenia (paragraph (2) of Article 81);
6. Entering into new transactions after the expiration of the authorization to perform banking services in contravention of the prohibition from paragraph (3) of Article 87 of this Act;
7. Establishment of a branch in a Member State without prior notification to the Bank of Slovenia (paragraph (1) of Article 91);
8. Taking up activities through a branch in a Member State in contravention of Article 93 of this Act;
9. Failure to notify the Bank of Slovenia or competent authority of a Member State of its branch one month prior to effecting the intended change in contravention with paragraph (1) of Article 94 of this Act;

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10. Taking up directly the provision of banking or other mutually recognized financial services in a Member State without prior notification to the Bank of Slovenia, which is in contravention of paragraph (1) of Article 95 of this Act;
11. Establishment of a branch in a third country without previous Bank of Slovenia's authorization (paragraph (1) of Article 96);
12. Failure to set up and implement a sound and reliable management system pursuant to paragraphs (1) and (2) of Article 124 of this Act;
13. Distribution of profits contrary to the prohibition from paragraph (1) of Article 190 of this Act;
14. Failure to report to the Bank of Slovenia pursuant to Article 194 of this Act;
15. Acquisition of a qualifying or higher share in a third-country financial undertaking without notification to the Bank of Slovenia pursuant to Article 196 of this Act;
16. Failure to organise an internal auditing in accordance with Articles 197, 198 or 199 of this Act;
17. Absence of annual plan of activities of the internal audit department or failure to draw up such plan in accordance with Article 200 of this Act;
18. Failure of the internal audit department to draw up internal audit reports or its failure to draw up such reports pursuant to Article 201 of this Act;
19. Failure of the internal audit department to report to the bank's management board or to the supervisory board in accordance with Article 202 of this Act;
20. Keeping of books of account, compiling bookkeeping documents, valuing bookkeeping items or drawing up of accounting reports in contravention of paragraph (2) of Article 203 of this Act;
21. Failure to submit unaudited annual financial statements to the Bank of Slovenia within two months after the end of the calendar year or unaudited consolidated financial statements within three months after the end of the calendar year (paragraph (2) of Article 205);
22. Failure to comply with Articles 207 and 209 of this Act in respect of disclosure of additional information;
23. Failure to submit to the Bank of Slovenia an audited annual report or an audited consolidated annual report within the time limit specified by paragraph (2) of Article 210 of this Act;
24. Failure to publish its audited annual report or consolidated annual report on its public web pages within the time limit specified by paragraph (1) of Article 213 of this Act;
25. Failure to allow an authorized person of the Bank of Slovenia to conduct on-site inspection in compliance with Articles 236 to 240 of this Act;
26. Entering into new transactions during the liquidation proceedings in contravention of Article 270 of this Act;
27. Failure to set up appropriate risk management procedures or internal control mechanisms, including appropriate reporting and accounting methods for the purpose of identification, measurement, monitoring and supervising of transactions with its parent mixed-activity holding company in accordance with paragraph (2) of Article 300 of this Act.

(2) A fine of 2,500 to 12,000 euros shall be imposed on the bank's responsible person who commits an offence specified in paragraph (1) of this Article.

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**Article 393**  
**(Minor violations by banks)**

(1) A fine from 12,000 to 120,000 euros shall be imposed on a bank for the following violations:

1. Failure to report to the Bank of Slovenia in accordance with paragraph (1) of Article 195 or Article 234 of this Act or regulation issued on the basis of point 1. of Article 226 of this Act;
2. Publication of information on the deposit-guarantee scheme in contravention of paragraph (1) of Article 311 of this Act or advertising in contravention of paragraph (2) of Article 311 of this Act;

(2) A fine of 400 to 4,000 euros shall be imposed on the bank's responsible person who commits an offence specified in paragraph (1) of this Article.

**Article 394**  
**(Violations by savings banks)**

(1) A fine from 12,000 to 120,000 euros shall be imposed on a bank for the following violations:

1. Commitment of offence from paragraph (1) of Article 392 of this Act,
2. Acting in contravention of paragraph (2) of Article 381 of this Act.

(2) A fine from 2,000 to 2,4000 euros shall be imposed on a savings bank for an offence from paragraph (1) of Article 393 of this Act.

(3) A fine from 2,500 to 12,000 euros shall be imposed on the responsible person of a savings bank for an offence from paragraph (1) of Article 392 of this Act.

(4) A fine from 400 to 4,000 euros shall be imposed on the responsible person of a savings bank for an offence from paragraph (1) of Article 393 of this Act.

**Article 395**  
**(Violations by electronic money institutions)**

(1) A fine from 12,000 to 120,000 euros shall be imposed on an electronic money institution for the following violations:

1. Performance of activities other than those referred to in paragraph (1) of Article 385 of this Act in contravention of the provision of paragraph (2) of Article 385 of this Act, particularly when it performs credit transactions in any form;
2. Failure to report to the Bank of Slovenia in accordance with the regulation issued on the basis of Article 389 of this Act.

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(2) A fine from 2,500 to 12,000 euros shall be imposed on the responsible person of an electronic money institution for an offence from paragraph (1) of this Article.

**Article 396**

(Violations by a management or supervisory board member)

(1) A fine of 400 to 3,600 euros shall be imposed on a management board member of a bank or savings bank for the following violations:

1. Failure to ensure that the bank operates in accordance with the rules from paragraph (1) of Article 66 of this Act;
2. Failure to notify the bank's supervisory board forthwith of the circumstances specified in Article 67 of this Act;
3. Failure to notify the bank's supervisory board forthwith of the events specified in paragraph (2) of Article 195 of this Act;
4. Failure to allow the special administration access to the bank's all business and other documents or failure to draw up a report on the transfer of duties (paragraph (1) of Article 259);
5. Failure to provide special administration or individual special administrators with all explanations or additional reports on the bank's operations on their request (paragraph (2) of Article 259).

(2) A fine of 400 to 3,600 euros shall be imposed on a supervisory board member of a bank or savings bank for the following violations:

1. Failure to comply with his duties from paragraph (1) of Article 74 of this Act;
2. Failure to notify the Bank of Slovenia forthwith of the events specified in paragraph (3) of Article 74 of this Act.

**Article 397**

(Violations by other persons)

(1) A fine from 80,000 to 370,000 euros shall be imposed on a legal person for the following violations:

1. Accepting of deposits from the public in contravention of the prohibition from Article 35 of this Act,
2. Performance of electronic money issuing services in contravention of the prohibition from Article 37 of this Act.

(2) A fine from 2,500 to 12,000 euros shall be imposed on the responsible person of a legal person for an offence referred to in paragraph (1) of this Article.

(3) A fine from 400 to 3,500 euros shall be imposed on a natural person for the following violations:

1. Accepting of deposits from the public in contravention of the prohibition from Article 35 of this Act,

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2. Performance of electronic money issuing services in contravention of the prohibition from Article 37 of this Act.

(4) A fine from 80,000 to 370,000 euros shall be imposed on a legal person for the following violations:

1. Acquisition of shares of a bank or a savings bank in contravention of paragraphs (1) or (3) of Article 45 of this Act,
2. Entering into a shareholders' agreement referred to in paragraph (2) of Article 57 of this Act without prior authorization by the Bank of Slovenia;
3. Becoming a parent entity have a bank or savings bank in contravention of Article 58 of this Act.

(5) A fine from 2,500 to 12,000 euros shall be imposed on the responsible person of a legal person for an offence referred to in paragraph (4) of this Article.

(6) A fine from 400 to 3,500 euros shall be imposed on a natural person – shareholder of a bank or a savings bank for an offence referred to in paragraph (4) of this Article.

(7) A fine from 80,000 to 370,000 euros shall be imposed on a legal person entering into an enterprise contract under the corporations law or into any other legal transaction on the basis of which it would acquire the status of a parent undertaking of a bank or a savings bank without prior authorization by the Bank of Slovenia from paragraph (1) of Article 58 of this Act.

(8) A fine from 2,500 to 12,000 euros shall be imposed on the responsible person of a legal person for an offence referred to in paragraph (7) of this Article.

(9) A fine of 400 to 3,500 euros shall be imposed on a natural person for an offence specified in paragraph (7) of this Article.

#### Article 398

##### (Violations by persons in a Banking Group)

(1) A fine from 80,000 to 370,000 euros shall be imposed for violations on the following persons:

1. A subsidiary undertaking failing to provide the parent bank in a banking group or the bank controlled by a parent financial holding company with all information which they require in order to comply with their obligations on a consolidated basis (paragraph (1) of Article 289);
2. A parent financial holding company failing to provide its subsidiary bank with all information which it requires in order to comply with its obligations on a consolidated basis (paragraph (2) of Article 289);
3. A subsidiary undertaking or a parent financial holding company which fails to allow the Bank of Slovenia or other competent authority which is competent and

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responsible for exercising supervision on a consolidated basis to carry out an on-site examination pursuant to paragraph (4) of Article 289 of this Act;

4. A mixed-activity holding company or its subsidiary undertaking which fail to communicate to their subsidiary credit institutions or competent authorities that have the competence and responsibility to supervise these banks all the information relevant for the supervision of such subsidiary banks (paragraph (1) of Article 299);
5. A subsidiary undertaking or a parent mixed-activity holding company which fail to allow the Bank of Slovenia or other competent authority which is competent and responsible for exercising supervision on a consolidated basis to carry out an on-site examination pursuant to paragraph (2) of Article 299 of this Act.

(2) A fine from 2,500 to 12,000 euros shall be imposed on the responsible person of a legal person for an offence referred to in paragraph (1) of this Article.

**Article 399**

(Violations by auditing firms and certified auditors)

(1) A fine from 80,000 to 370,000 euros shall be imposed on the auditing firm for the following violations:

1. Failure to perform an audit or prepare an auditor's report according to paragraph (4) of Article 211 of this Act;
2. Failure to notify the Bank of Slovenia forthwith of the facts or circumstances from paragraph (1) of Article 212 of this Act or failure to provide it with the required information from paragraph (3) of Article 212 of this Act.

(2) A fine of 2,500 to 12,000 euros shall be imposed on the certified auditor who commits an offence specified in paragraph (1) of this Article.

**Article 400**

(Violations by special administrator and liquidator)

(1) A fine from 2,500 to 12,000 euros shall be imposed on a compulsory administrator for the following violations:

1. Failure to submit a report on the financial position and operating conditions of the bank under special administration to the Bank of Slovenia within three months after his appointment (paragraph (1) of Article 260);
2. Failure to submit to the Bank of Slovenia the report from paragraph (2) of Article 260 of this Act within nine months after his appointment;
3. In the case from paragraph (1) of Article 261 of this Act, failure to publicly announce the convocation of the general meeting together with the agenda thereof within the time limit referred to in paragraph (2) of Article 261 of this Act.

(2) A fine from 2,500 to 12,000 euros shall be imposed on the liquidator for his failure to notify the Bank of Slovenia forthwith of the occurrence of grounds for instituting bankruptcy proceedings (Article 271).

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**Article 401**

(Violations regarding the protection of confidential information)

(1) A fine from 80,000 to 370,000 euros shall be imposed on a bank or savings bank for violating the duty to protect confidential information (Article 214).

(2) A fine from 2,500 to 12,000 shall be imposed on the responsible person of a bank or a savings bank for violation from paragraph (1) of this Article.

(3) A fine from 400 to 3,000 euros shall be imposed on a natural person referred to in paragraph (1) of Article 215 of this Act for violating the duty to protect confidential information.

**Article 402**

(Violations investigating authority)

(1) The violations investigating authority responsible for deciding on violations committed under this Act and for imposing fines pursuant to this Act shall be the Bank of Slovenia according to the provisions of the act governing violations.

**Article 403**

(Violations procedure)

(1) The violations procedure shall be conducted and decided upon by an official of the Bank of Slovenia that meets the requirements stipulated by the act governing violations and regulations adopted on the basis thereof.

(2) The Bank of Slovenia shall adopt an internal act regulating job organisation and classification determining in greater detail the conditions and method of conferral and termination of authorization granted to a person deemed as the authorized official of the Bank of Slovenia from paragraph (1) of this Article.

(3) Notwithstanding the provision of Article 330 of this Act, the violations procedure shall be conducted in accordance with the provisions of the act governing violations.

(4) The fines laid down by this Act may also be imposed in a summary proceedings in an amount which is higher than the statutory minimum level; however they may not exceed the highest amounts of fines from Articles 392 to 401 of this Act.

**Chapter 15: Transitional and Final Provisions**

**Article 404**

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(Harmonization of capital requirements)

(1) Own funds of the bank using the internal ratings based approach in calculating its capital requirement for credit risk or using the advanced measurement approach shall, in addition to achieving the minimum level of own funds, also meet the following requirements pursuant to Article 136 of this Act:

1. In 2007, amount to at least 95% of the minimum capital requirement calculated in accordance with the provisions of the Banking Act (Uradni list RS, no. 104/04 – official consolidated version) and regulations issued on the basis thereof;
2. In 2008, amount to at least 90% of the minimum capital requirement calculated in accordance with the provisions of the Banking Act (Uradni list RS, no. 104/04 – official consolidated version) and regulations issued on the basis thereof;
3. In 2009, amount to at least 80% of the minimum capital requirement calculated in accordance with the provisions of the Banking Act (Uradni list RS, no. 104/04 – official consolidated version) and regulations issued on the basis thereof;

(2) In the calculation of own funds from paragraph (1) of this Article, the bank may not take into consideration the positive difference, i.e. need not take into account the negative difference between the created provisions and expected losses calculated by using the internal ratings based approach.

Article 405

(Postponement of the beginning of application of standardized approach to calculating own fund requirement for credit risk)

(1) Individual banks may postpone the beginning of application of standardized approach to calculating own fund requirement for credit risk by not later than 1 January 2008.

(2) If a bank avails itself of the possibility from paragraph (1) of this Article, then, in the period from 1 January 2007 till the date until which it has postponed the beginning of application of standardized approach to calculating own fund requirement for credit risk, it shall be subject to the application, *mutatis mutandis*, of the following provisions:

1. In the part and in the manner which is appropriate by taking into consideration the postponement of application of standardized approach, the provisions of this Act governing
  - standardized approach to calculating the own fund requirement for credit risk,
  - taking account of credit protection and securitization in calculating own the fund requirement for credit risks,
  - capital requirement for operational risk,
  - large exposures,
  - strategies and procedures of assessing the internal capital requirement from Article 126 of this Act,
  - disclosure of information from Articles 207 to 209 of this Act and
  - adoption of measures for sudden and unexpected changes in rates of interest,

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2. In the part not covered by appropriate application of the rules from point 1 of this paragraph, the provisions of the Banking Act (Uradni list RS, no. 104/04 – official consolidated version) and regulations issued on the basis thereof.

(3) The Bank of Slovenia shall lay down detailed rules on the application of provisions from paragraph (2) of this Article.

**Article 406**

(Harmonization of exposure to the parent undertaking)

(2) The bank shall harmonize its exposures to its parent undertaking with paragraph (3) of Article 165 of this Act by 31 December 2007.

(2) As from the effective date of this Act, the bank shall not enter into new transactions by which its exposure to its parent undertaking might exceed the restriction from paragraph (3) of Article 165 of this Act.

**Article 407**

(Maintaining the validity of authorizations)

Authorizations to provide banking or other services, to perform the function of a management board member, to acquire a qualifying holding and other authorizations and approvals which are in force on the effective date of this Act pursuant to the provisions of the Banking Act (Uradni list RS no. 104/04 – official consolidated version) shall, as on the effective date of this Act, be deemed to be the authorizations issued under this Act.

**Article 408**

(Harmonization of qualifying holders who have not yet acquired the holding which is the subject of authorization)

The time limit for the acquisition of the qualifying holding which is the subject of authorization from paragraph (1) of Article 50 of this Act, in which the qualifying holders who do not acquire the bank's shares that would enable them to achieve the authorized holding subject to the authorization to acquire the qualifying holding from Article 407 of this Act on the effective date of this Act, shall commence on the effective date of this Act.

**Article 409**

(Harmonization of qualified holders with the new prohibition)

(1) Notwithstanding the provision of Article 407 of this Act, the authorization to acquire a qualifying holding, which is issued to a legal person in which the bank has at

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least 20% of the voting rights or at least a 20% equity interest, shall cease to be valid on the expiration of a six months' period from the effective date of this Act.

(2) Failure of the legal person from paragraph (1) of this Article to dispose of the bank's shares on the basis of which it achieves or exceeds a qualifying holding in the bank prior to the expiration of the time limit from paragraph (1) of this Article shall have legal consequences from Article 52 of this Act.

**Article 410**

(Harmonization of the structure of the banks' supervisory boards)

Banks shall harmonize the structure of their supervisory boards with the provision of Article 71 of this Act by 31 August 2007.

**Article 411**

(Application of terms and conditions for the supervisory board)

The terms and conditions from Article 71 of this Act shall apply as from the first general meeting of the bank following the effective date of this Act.

**Article 412**

(System of exchange of information on customer credit standing)

Banks shall set up a system of exchange of information on credit standing of their customers in accordance with paragraph (4) of Article 390 of this Act and shall make it operational before 1 January 2008.

**Article 413**

(Ongoing procedures)

Authorization procedures and other procedures not yet decided by the Bank of Slovenia prior to the application of this Act shall be terminated pursuant to the provisions of this Act.

**Article 414**

(Issue of regulations and announcement of disclosures)

(1) The Bank of Slovenia shall issue regulations based on this Act and shall announce the disclosures from paragraph (1) of Article 233 of this Act within three months from the effective date of this Act.

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(2) Prior to the effective date of the regulations from paragraph (1) of this Article, the regulations issued on the basis of the provisions of the acts from points 1. and 3. of paragraph (1) of Article 415 of this Act shall apply, *mutatis mutandis*.

**Article 415  
(Repealed regulations)**

(1) Upon entry into force of this Act, the following shall no longer apply:

1. Banking Act (Uradni list RS, nos. 7/93, 31/00 – ZP-L, 59/01, 55/03, 42/04 and 104/04 – official consolidated version),
2. Savings and Loan Undertakings Act (Uradni list RS, nos. 14/99 and 30/90),
3. 31. Article 31 to 42.a of the Payment Transactions Act (Uradni list RS, nos. 30/02, 52/02 – ZJA, 75/02 – ZIZ-A, 15/03, 2/04 – ZPNNVSM, 37/04, 105/04 – official consolidated version, 100/05 – Constitutional Court Decision and 39/06),
4. Article 79 of Banks and Savings Banks Act (Uradni list RS, nos. 1/91-I, 38/92, 46/93 and 7/99 – ZDoh) and
5. Regulations issued on the basis of the provisions of the acts from points 1. and 3. of paragraph (1) of this Article.

(2) Provisions of the acts from points 1. and 3. of paragraph (1) of this Article shall apply until 1 January 2007.

(3) The winding up or bankruptcy proceedings for a savings and loan undertaking from paragraph (2) of Article 241 of the Banking Act (Uradni list RS, no. 104/04 – official consolidated version) which has not yet been completed prior to the application of this Act shall be subject to the provisions of this Act.

**Article 416  
(Effective date and application of the Act)**

This Act shall enter into force on the fifteenth day following its publication in Official Gazette of the Republic of Slovenia (*Uradni list Republike Slovenije*), and shall apply from 1 January 2007 except:

1. Provisions of Article 71 of this Act, which shall apply pursuant to Article 411 of this Act,
2. Paragraph (2) of Article 143, point 3 of paragraph (1) of Article 159 and Article 162 of this Act, which shall apply from 1 January 2008 and
3. Paragraph (2) of Article 406 of this Act, which shall apply from the effective date of this Act.