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In accordance with the second indent of the first paragraph of Article 107 and the first paragraph of Article 91 of the Constitution of the Republic of Slovenia, I hereby issue the

ORDER
to promulgate the Financial Conglomerates Act (ZFK)

I hereby promulgate the Civil Procedure Act adopted by the National Assembly of the Republic of Slovenia at its session of 4 April 2006.

No. 001-22-53/06

Ljubljana, 12 April 2006

Dr Janez Drnovšek, m.p.
President
of the Republic of Slovenia

FINANCIAL CONGLOMERATES ACT (ZFK)

Chapter 1
BASIC PROVISIONS

Article 1

(Contents of the act)

(1) The purpose of this Act is to lay down supplementary supervision of regulated entities that are a part of financial conglomerates, subject to the requirements of the Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate (OJ L 35 of 11.2.2003, p. 1; hereinafter referred to as "Directive 2002/87/EC).
(2) Supplementary supervision shall have the following primary objectives:
– to ensure the control of risks associated with the operation of regulated entities within a financial conglomerate and thus provide for better financial sector stability;
– in cooperation with the competent supervisory authorities and with the coordinator, to increase the efficiency of supervision over regulated entities from various financial sectors when they are a part of a financial conglomerate;
– to increase the transparency and security of operation of the financial market of the Republic of Slovenia as a component of a single financial market in the territory of the Members States of the European Communities (hereinafter referred to as "territories of the European Union").

Article 2

(Definitions)

For the purposes of this Act:
1. "Bank"
shall mean a legal entity such as a bank, savings bank or savings and loan undertaking that has obtained a Bank of Slovenia's authorisation to perform banking services in the Republic of Slovenia in accordance with the act governing banking or
– shall mean a legal entity whose business is to receive deposits or other repayable funds from the public and to grant credits for its own account and which has obtained an authorisation to perform such services in other Member States or in a third country;
– shall mean a company which provides electronic money issuing services in accordance with the provisions of the act governing payment services;
2. "Insurance undertaking":
– shall mean a legal entity licensed by Insurance Supervision Agency to carry out underwriting activities under the act governing the insurance business or
– shall mean a legal entity form another Member State whose business is to perform underwriting activities and has, therefore, obtained an authorisation of the competent authority of this Member State or

– shall mean a legal entity from a third country in which it obtained an authorisation which, if it had been established in a Member State, would have fallen within the framework of definition of the legal entity from the preceding item, and of which the operation is subject to the rules that are at least as rigorous as those laid down by the act governing insurance business;
3. "Reinsurance undertaking":
– shall mean the insurance undertaking from the first item of Point 2 of this Article, whose business is to perform solely reinsurance activities or
– shall mean a legal entity other than the insurance undertaking referred to in Point 2 of this Article and whose basic activity is to assume risks assigned to it by insurance undertakings referred to in Point 2 of this Article or by other reinsurance undertakings;
4. "Pension company" shall mean a legal entity who has obtained an authorisation from the Insurance Supervisions Agency to perform activities of voluntary supplementary pension insurance in the Republic of Slovenia according to the act governing pension and disability insurance;
5. "Stockbroking company":
– shall mean a legal entity who has obtained an authorisation from the Securities Market Agency to supply securities-related services in the Republic of Slovenia according to the act governing the securities market or
– shall mean in investment firm from another Member State whose basic activity or business is to provide securities-related services to third parties and for which activity it has obtained an authorisation of the competent authority of such other Member State or
– shall mean an investment company from a third country which would, when established in a Member State, fall within the framework of investment firm definition from the preceding item, and which has obtained an authorisation in that third country and whose operation is subject to the rules that are as rigorous as those laid down by the act governing the securities market;
6. "Asset management company":
– shall mean a legal entity who has obtained an authorisation from the Securities Market Agency to supply services of managing investment funds in the Republic of Slovenia according to the act governing asset management companies;
– shall mean a company from another Member State whose basic activity is to manage undertakings for collective investment in transferable securities (UCITS) in the form of mutual funds or investment companies, for which it has obtained an authorisation from the competent authority of another Member State or
– shall mean a legal entity established in a third country, which, if established in the Republic of Slovenia, would require an authorisation according to the act governing investment funds and asset management companies;
7. "Regulated entity " shall mean the entity from Points 1 to 6 of this Article;
8. "Financial sector" shall mean the sector which is composed of one or more entities from the banking sector, insurance sector, securities market sector or mixed financial holding companies referred to in Article 7 of this Act, where:
a) The "banking sector" shall be composed of the following:
– banks referred to in Point 1 of this Article and
– financial institutions other than banks whose basic activity is to acquire equity holdings or to supply financial services referred to in Points 2 to 12 of the List of Activities that are subject to mutual recognition, which represents Annex I to Directive 2000127EC of the European Parliament and of the Council of 20 March 2000 relating

to the taking up and pursuit of the business of credit institutions (OJ L 126 26.5.2000, p. 1, with amendments) or
b) The "insurance sector" shall be composed of the following:
– insurance undertakings from Point 2 of this Article,
– reinsurance undertakings from Point 3 of this Article,
– insurance holding companies according to the act governing insurance business and
– pension companies from Point 4 of this Article;
c) The "securities market sector" shall be composed of stockbroking companies referred to in Point 5 of this Article;
d) For the purpose of identifying financial conglomerates and for the purpose of supplementary supervision, asset management companies are considered to be a part of the sector from the financial sector referred to in Points 8.a, 8.b or 8.c of this Article, into which they are categorised pursuant to Article 6 of this Act;
9. "Sectoral rules" shall mean the provisions of legislative acts and implementing regulations which lay down the rules of establishment, operation and supervision of entities in individual financial sectors;
10. According to this Act, a "parent undertaking" shall mean the following:
– a parent undertaking in accordance with the act regulating commercial companies or
– an entity which, in the opinion of the competent authorities, effectively exercises a dominant influence over a subsidiary entity;
11. According to this Act, a "subsidiary undertaking or entity" shall mean the following:
– a subsidiary undertaking in accordance with the act regulating commercial companies or
– an entity over which, in the opinion of the competent authorities, a parent entity effectively exercises a dominant influence and
– a subsidiary entity of a subsidiary entity;
12. "Participation" shall mean the following:
– the ownership, direct or by way of control, of 20% or more of the voting rights or capital of an undertaking or
– control of another undertaking due to a long-term business relationship;
13. "Control":
– shall mean the relationship in which a parent undertaking and a subsidiary are linked to each other by management, capital or supervision according to the act governing commercial companies or
– shall mean a similar relationship between any natural or legal person to the relationship referred to in the first indent of this Point, where the subsidiary entity is also considered to be the entity which is controlled by the subsidiary entity from the first indent of this Point;
14. "Group" shall mean a group of undertakings which consists of the following:
– a parent undertaking,
– a subsidiary undertaking,
– entities in which the parent undertaking holds a participation,
– entities in which the subsidiary undertakings hold a participation,
– undertakings linked to the parent undertaking by management on an equal footing under a contract concluded with the parent undertaking; or according to the provisions of an enterprise contract or memorandum and articles of association of these entities or other legal basis; or through the same responsible persons that

represent the majority of corporate governance, supervision or management bodies of the parent undertaking and one or more other undertakings;
15. "Competent authority" shall mean a competent authority which is empowered by sectoral rules to supervise the regulated entity whether on an individual or on a consolidated basis;
16. "Relevant competent authority":
– shall mean a competent authority empowered by sectoral rules to perform a consolidated supervision of a group of entities including a regulated entity in a financial conglomerate;
– shall mean the coordinator appointed in accordance with Articles 19, 20 and 21 of this Act;
– shall mean other competent authorities, where so decided by the competent authorities referred to in the first and the second indents of this Point, where this decision shall especially take into account the following:
– the market share of the regulated entities of the financial conglomerate in other Member States, in terms of total assets of the banking sector or of the securities market sector, or in terms of the total premiums written in the insurance sector, in particular if the market share exceeds 5%;
– the importance in the conglomerate of any regulated entity established in another Member State;
17. "Member State" shall mean a Member State of the European Union or a state signatory to the European Economic Area (EEA) Agreement;
18. third countries other than Member States;
19. "Commission" shall mean the European Commission;
20. "Supplementary supervision" shall mean supervision carried out by a relevant competent authority under the provisions of this Act;
21. "Consolidated supervision" shall mean supervision carried out by competent authorities on a consolidated basis in accordance with sectoral rules;
22. "Committee" shall mean the Financial Conglomerates Committee referred to in Paragraph 5 of Directive 2002/87/ES

Article 3

(Close links)

(1) Close links shall mean a situation in which two or more natural or legal persons are directly or indirectly linked by participation in terms of the first indent of the first indent of Point 12, Article 2 of this Act or control.
(2) A situation in which two or more natural or legal persons are permanently linked to one and the same person by a control relationship shall also be regarded as a close link between such persons.

Article 4

(Intra-group transactions)

Intra-group transactions shall mean transactions among entities within a financial conglomerate and transactions by which regulated entities within a financial conglomerate rely either directly or indirectly upon the following:
– other entities or undertakings within the same group or
– any natural or legal person linked to the undertakings within the group by close links,
for the fulfilment of an obligation, whether or not contractual, and whether or not for payment.

Article 5

(Risk concentration)

(1) "Risk concentration" shall mean all exposures with a loss potential borne by entities within a financial conglomerate, which are large enough to threaten the solvency or the financial position of in general of the regulated entities in the financial conglomerate.
(2) Exposures from the preceding paragraph may also be caused by credit risk/counterparty risk, investment risk, insurance risk, market risk, other risks or a combination or interaction of these risks.

Article 6

(Admission of asset management companies)

(1) Competent authorities shall decide what sectoral (banking, insurance or securities market) rules shall be applied to the admission of an asset management company to the consolidated supervision framework for banks and stockbroking companies and/or to the supplementary supervision framework for insurance undertakings within an insurance group.
(2) When making the decision from the preceding paragraph, the competent authorities shall apply, mutatis mutandis, the sectoral rules regarding the form and extent of admission of financial institutions to the supplementary supervision framework for banks and stockbroking companies, or the sectoral rules regarding the form and extent of admission of reinsurance undertakings to the supplementary supervision framework for insurance undertakings within an insurance group.
(3) When the asset management company is a part of a financial conglomerate, the relevant competent authorities shall, acting in cooperation with a competent authority responsible to exercise control over the asset management company, include it into supplementary supervision under this Act within the selected financial sector group, pursuant to the provision of Paragraph (1) of this Article.

Article 7

(Mixed financial holding company)

A mixed financial holding company shall mean a parent undertaking other than a regulated entity under this Act, which, together with its subsidiary entities, of which at least one entity is a regulated entity established in a Member State, and with other entities forms a financial conglomerate.

Article 8

(Financial conglomerate)

(1) Financial conglomerate shall mean a group which meets the following conditions:
– where there is a regulated entity at the head of the group, which is either a parent undertaking of an entity in the financial sector, an entity which holds a participation in an entity in the financial sector, or an entity linked with an entity in the financial sector by a relationship within the meaning of the fifth indent of Point 14 of Article 2 of this Act;
– at least one of the entities in the group is within the insurance sector and at least one is within the banking or the securities market sector;
– the consolidated activity of entities in the insurance sector within the group and the consolidated activity of entities in the banking sector and in the securities market sector are important within the meaning of Paragraphs (2) and (6) of Articles 9 and 10 of this Act.
(2) Financial conglomerate shall also mean a group at the head of which there is no regulated entity, provided that, in addition to the second and third indents of Paragraph (1) of this Article, it also meets the following conditions:
– at lest one subsidiary undertaking in the group is a regulated entity;
– by taking into account the criteria from Article 9 of this Act, activities in the group are predominantly performed in the financial sector.
(3) Financial conglomerate shall also be considered a sub-group within a group when it meets the conditions from Paragraphs (1) or (2) of this Act.
(4) For the purpose of defining a financial conglomerate pursuant to this Article, regulated entities are only those entities that are established in the European Union.

Chapter 2
IDENTIFYING A FINANCIAL CONGLOMERATE AND COORDINATOR

Article 9

(Criteria for identifying a financial conglomerate)

(1) Activities of a group mainly occur in the financial sector when the ratio of the balance sheet total of the regulated and non-regulated financial sector entities in the group to the balance sheet total of the group as a whole exceeds 40% (ratio of balance sheet total).
(2) Activities in different segments of the financial sector are significant when the average of the ratio of the balance sheet total of a particular segment of the financial sector to the balance sheet total of the financial sector entities in the group and the ratio of the solvency requirements of the financial sector entities in the group should exceed 10%.
(3) For the purpose of the preceding paragraph of this Article, the banking sector and the securities market sector shall be considered together.
(4) The ratio of balance sheet total of a segment of the financial sector shall be calculated as a ratio of balance sheet total of all financial sector entities to the balance sheet total of all financial sector entities in the group (ratio of balance sheet total).
(5) The ratio of solvency requirements of a segment of the financial sector shall be calculated as a ratio of solvency requirements of all financial sector entities to total solvency requirements of financial sector entities in the group (ratio of solvency requirements).
(6) Notwithstanding the provisions of Paragraph (2) of this Article it shall be considered that activities in different segments of the financial sector are significant when the balance sheet total of the smallest financial sector exceeds 1,440,000,000,000 tolars.

Article 10

(The smallest and the most important segment of the financial sector)

(1) The smallest segment in the financial sector of a financial conglomerate is the segment with the lowest average ratio which is calculated on the basis of the ratio of balance sheet total and the ratio of solvency requirements. The most important segment sector in the financial sector of a financial conglomerate is the segment with the highest average ratio referred to in the preceding sentence of this paragraph.
(2) For the purpose of the preceding paragraph, the banking sector and the securities market sector shall be considered together.

Article 11

(Calculating the ratio of balance sheet total and the ratio of solvency requirements)

(1) In calculating the ratio of balance sheet total referred to in Paragraph (4) of Article 9 of this Act, the balance sheet total of individual entities as shown in their annual financial statements shall be added up, and in the event of participation, a proportionate share of the balance sheet total of individual entities in which the group holds a participation shall be taken into consideration. If consolidated accounts are available, they shall be used instead of individual statements of entities in the group.
(2) In calculating the ratio of solvency requirements referred to in Paragraph (5) of Article 9 of this Act, the preceding paragraph shall be applied, mutatis mutandis, provided, however, that the competent authorities take into consideration the provisions of sectoral rules in calculating solvency requirements.
(3) More detailed regulations for a modified method of calculating solvency requirements, including for entities in a financial conglomerate other than regulated entities and other than entities involved in the calculation of solvency requirements on a consolidated basis, shall be issued by the minister (hereinafter referred to as "minister") responsible for finance in cooperation with the Bank of Slovenia, the Securities Market Agency and the Insurance Supervision Agency.

Article 12

(Exceptions to identifying criteria compliance)

(1) In the event of non-compliance with the criteria referred to in Paragraph (2) of Article 9 of this Act and compliance with the criterion referred to in Paragraph (6) of Article 9 of this Act, the competent authorities may reach a common agreement not to consider a group as a financial conglomerate or not to apply the provisions of this Act which govern risk concentration, intra-group transactions or internal control systems and risk control to this group when they consider the application of these provisions unnecessary or that it might prove inappropriate or misleading in respect of supplementary supervision.
(2) When deciding not to consider a group as a financial conglomerate, the relevant competent authorities shall particularly take into account the following facts:
1. That the relative size of the smallest segment of a financial sector, measured either in terms of an average ratio or in terms of the balance sheet total or capital requirements, should not exceed 5% or
2. That the market share, measured in terms of the balance sheet total for the banking sector or for the securities market, and the market share of the insurance sector, measured in terms of total premiums written, should not exceed 5% in any Member State.
(3) The relevant competent authorities shall notify all other participating competent authorities of the decisions referred to in this Article.

Article 13

(Exclusion of entities from ratio calculation)

(1) When identifying a financial conglomerate, the relevant competent authorities may, acting by common consent, exclude an entity from the calculation of ratios referred to in Article 9 of this Act, provided that such entity accounts for a negligible proportion of a group's operations in respect of the objectives of supplementary supervision. However, if several entities are to be excluded pursuant this paragraph, they must nevertheless be included when collectively they are of non-negligible interest.
(2) The relevant competent authorities may, acting by common consent, exclude an entity from ratio calculation referred to in Article 9 of this Act also when its exclusion might prove inappropriate or misleading with respect to the objectives of supplementary supervision. In the case, the coordinator shall, except in cases of urgency, consult the other relevant competent authorities before taking a decision.
(3) Relevant competent authorities may, acting by common consent, exclude an entity from ratio calculation referred to in Article 9 of this Act also when the entity is established in a third country in which there are legal obstacles to the transfer of information required for the implementation of this Act.
(4) In order to avoid a sudden change in the regulation of supervision, the relevant competent authorities may agree to, when identifying a financial conglomerate, take into consideration the compliance with the criteria referred to in Article 9 of this Act for the past three years in respect of the year of financial conglomerate identification or to take into consideration another period of time for the purpose of complying with the criteria provided that the structure of the group undergoes significant changes.
(5) The relevant competent authorities may, in exceptional cases and by common agreement, include in the basis for calculating the compliance with the criteria referred to in Articles 9 and 10 of this Act the structure of income and/or off-balance sheet activities instead of the balance sheet total, or add the structure of income or off-balance sheet activities to the basis in addition to the balance sheet total when they consider that this is of particular importance to the attainment of supplementary supervision objectives.
(6) When a financial conglomerate has already been identified, the relevant competent authorities shall make the decisions referred to in Paragraphs (1) to (4) of this Article based on the proposal made by this financial conglomerate's coordinator.

Article 14

(Application of reduced threshold values)

(1) The relevant competent authorities may decide to lower the thresholds from Paragraphs (1) and (2) of this Article for the financial conglomerate which is already the subject matter of supplementary supervision under this Act when their values (ratios) fall below 40% and 10%, respectively. The reduced threshold values by 35% and 8% shall be applied during the following three years in respect of the year of identification of the reduced threshold values in order to avoid a sudden supervision regime shifts.

(2) The relevant competent authorities may decide to lower the threshold from Paragraph (6) of this Article for the financial conglomerate which is already the subject matter of supplementary supervision under this Act when the balance sheet total of the smallest financial sector in the group falls below 1,440,000,000,000 tolars. The reduced 1,200,000,000,000 tolar value shall be applied during the following three years in respect of the year of identification of the reduced threshold values in order to avoid a sudden supervision regime shifts.
(3) In the period of time referred to in Paragraphs (1) and (2) of this Article, the coordinator may, in agreement with other relevant competent authorities, decide that the reduced values should cease to apply.

Article 15

(Cooperation of competent authorities and provision of information during financial conglomerate identification)

(1) Competent authorities that have granted authorisations to regulated entities shall identify on the basis of the provisions of this Act any group that might represent a financial conglomerate under this Act. The relevant competent authorities shall cooperate with each other and, upon request or on their own initiative, exchange the information which is essential for identifying financial conglomerates under this Act.
(2) When after the exchange of information the relevant competent authorities lack sufficient information necessary to identify a financial conglomerate, they shall obtain the missing information from regulated entities in the group.
(3) The relevant competent authorities shall request appropriate information from regulated parent undertakings in order to calculate solvency requirements pursuant to the provisions of Article 11 of this Act. When there is no regulated entity at the head of the group, the relevant competent authorities may obtain such information from a parent undertaking.
(4) The information from the preceding paragraphs shall particularly include the following:
– information contained in periodic reports for the past three years;
– extract from the register of shareholders or holders of participations;
– report on the calculation of solvency requirements;
– organisation chart of the group referred to in Paragraph (1) of this Article.
(5) More detailed regulations for the provision of information pursuant to this Article shall be issued by the minister responsible for finance in cooperation with the Bank of Slovenia, the Securities Market Agency and the Insurance Supervision Agency.

Article 16

(Notification of financial conglomerate identification and appointment of coordinator)

(1) When a competent authority establishes, on the basis of the criteria set out in this Act, that individual regulated entities are members of a group which is or which might be a financial conglomerate according to this Act, it shall notify the other competent authorities involved within the group forthwith thereof.

(2) The competent authorities which have received the notification referred to in the preceding paragraph shall establish whether a group meets the conditions for a financial conglomerate under this Act and shall appoint a coordinator or other relevant competent authorities pursuant to Point 16, Article 2 and Articles 19, 20 and 21 of this Act.
(3) When the regulated entity referred to in Paragraph (2) of Article 22 of this Act determines that it is a member of a group which may be a financial conglomerate, the regulated entity shall notify the competent authority thereof in writing within eight days from determination of this fact. More detailed contents of the notification may be laid down by the minister responsible for finance in cooperation with the Bank of Slovenia, the Securities Market Agency and Insurance Supervision Agency in a regulation.

Article 17

(Decision establishing the existence and dissolution of a financial conglomerate)

(1) The coordinator shall determine that a group was recognised as a financial conglomerate, issue a decision identifying a financial conglomerate and serve it on the parent undertaking at the head of the group. The parent undertaking shall notify thereof all regulated entities in the group within eight days from receipt of the decision identifying a financial conglomerate.
(2) In the absence of a parent undertaking at the head of a group, the coordinator shall serve the decision identifying a financial conglomerate on the regulated entity with the largest balance sheet total in the most important segment of the financial sector in a group. This regulated entity shall notify thereof all regulated entities in the group within eight days from receipt of the decision identifying a financial conglomerate.
(3) In addition to the elements which are mandatory for all decisions under Paragraph (1) of Article 42 of this Act, the decision identifying a financial conglomerate shall also include the following:
– specification of entities within the group;
– specification of the relevant competent authority and coordinator;
– invitation to the entity referred to in Paragraphs (1) or (2) of this Article to notify the coordinator of the name of the financial conglomerate within 15 days from receipt of this decision.
(4) The coordinator shall notify the competent authorities which have authorised regulated entities in the group, competent authorities of the Member State in which the mixed financial holding company has its head office, and the competent authorities of third countries, provided that the condition of equivalent supervision has been satisfied, as well as the Commission that the group has been identified as a financial conglomerate.
(5) When a group no longer meets the criteria for a financial conglomerate, the entity at the head of the group or a regulated entity referred to in Paragraph (2) of this Article shall notify thereof the coordinator in writing within eight days from the date of identification of the failure to comply with the criteria for a financial conglomerate.
(6) When the coordinator determines that supplementary supervision would no longer be appropriate due to non-compliance with the conditions set out in Articles 9, 10 and

12 to 14 of this Act, he shall, after consulting the other competent authorities involved, serve on the entity referred to in Paragraph (5) of this Article a decision to dissolve the financial conglomerate. The coordinator shall also notify the entities from Paragraph (4) of this Article of the dissolution of the financial conglomerate.

Article 18

(Register of financial conglomerates)

(1) The ministry responsible for finance shall keep a register of financial conglomerates identified in accordance with this Act (hereinafter referred to as "register"). The register shall be available to the public and shall include the following information: the name of the financial conglomerate, a list of entities in the financial conglomerate, a list of relevant competent authorities and the coordinator.
(2) The coordinator shall submit the information referred to in the preceding paragraph to the minister responsible for finance within ten days from receipt of the notification from the third indent of Paragraph (3) of Article 17 of this Act.
(3) The minister of finance shall lay down more detailed contents of the register, the registration and cancellation procedures and the method of access to the register information in an implementing regulation.

Article 19

(Criteria for appointing a coordinator)

(1) For the purpose of supplementary supervision of regulated entities, the relevant competent authorities involved in the financial conglomerate from the Republic of Slovenia and other Member States, as well as the competent authorities of the Member States in which the mixed financial holding company has its head office and competent authorities from the Republic of Slovenia, when the mixed financial holding company has its head office in Slovenia, shall appoint from among their ranks a coordinator responsible for coordinating and performing the tasks of supplementary supervision.
(2) When appointing the coordinator, they shall particularly observe the following criteria:
1. When the financial conglomerate is headed by a regulated entity established in the Republic of Slovenia, the tasks of coordinator shall be performed by the competent authority which authorised this regulated entity in accordance with the sectoral rules;
2. In the absence of a regulated entity at the head of the financial conglomerate, the tasks of coordinator shall be performed by the competent authority appointed subject to additional criteria referred to in Article 20 of this Act.

Article 20

(Additional criteria for appointing a coordinator)

Additional criteria for appointing a coordinator shall include the following:

1. When the parent undertaking of a regulated entity is a mixed financial holding company, the tasks of coordinator shall be performed by the competent authority which authorised this regulated entity in accordance with sectoral rules;
2. When at least two regulated entities established in the Republic of Slovenia and in one of the other Member States are subordinated to the same mixed financial holding company which has its head office in the Republic of Slovenia as their parent undertaking, and one of the regulated entities is authorised in the Republic of Slovenia, the tasks of coordinator shall be performed by the competent authority which authorised this entity in accordance with sectoral rules;
3. When several regulated entities from different financial sectors are authorised in the Republic of Slovenia in which the mixed financial holding company also has its head office, the tasks of coordinator shall be performed by the regulated entity's authority from the most important segment of the financial sector.
4. Where a financial conglomerate is a subgroup of several mixed financial holding companies established in the Republic of Slovenia or in several other Member States, and where such financial conglomerate is a regulated entity in each of these Member States, the task of coordinator shall be exercised by the competent authority of the regulated entity with the largest balance sheet total, provided that it is one of the regulated entities within the same area of the financial sector or a competent authority of the regulated entity from the most important segment of the financial sector.
5. Where a mixed financial holding company is the parent undertaking of at least two regulated entities established in several Member States and where, at the same time, none of the regulated entities has been authorised by the Member State in which the mixed financial holding company has its headquarters, the tasks of coordinator shall be exercised by the competent authority of the regulated entity with the largest balance sheet total in the most important segment of the financial sector.
6. Where the financial conglomerate is not headed by a parent undertaking and in all other cases, the tasks of coordinator shall be exercised by the competent authority which authorised the regulated entity with the largest balance sheet total in the most important segment of the financial sector.

Article 21

(Exceptions to compliance with the criteria for appointing a coordinator)

(1) The competent authorities referred to in Paragraph (1) of Article 19 of this Act may, acting by common agreement, not comply with the criteria referred to in Articles 19 and 20 of this Act when the application of such criteria would be inappropriate with regard to the structure of the financial conglomerate and to the relative importance of its activities in particular Member States and may appoint another competent authority as coordinator.
(2) In cases referred to in the preceding paragraph, the competent authorities shall, prior to adopting a decision, invite the regulated entity which is referred to in Paragraph (2) of Article 22 of this Act and which heads the financial conglomerate to express their opinion regarding the proposal referred to in the preceding paragraph.

Chapter 3
SUPPLEMENTARY SUPERVISION

3.1 Scope

Article 22

(Scope of supplementary supervision)

(1) Regulated entities which have their head offices in Member States and which are a part of a financial conglomerate shall be the object of supplementary supervision to the extent and in the manner laid down by this Act.
(2) The following regulated entities established in the Republic of Slovenia shall be subject to supplementary supervision at the level of the financial conglomerate pursuant to the provisions referred to in Chapters 3.2 (Risk control) and 3.3 (Performance of supplementary supervision):
1. Every regulated entity which is at the head of a financial conglomerate;
2. Every regulated entity, the parent undertaking of which is a mixed financial holding company which has its head office in a Member State;
3. Every regulated entity linked with another financial sector entity by management on an equal footing under a contract or according to the provisions of an enterprise contract or memorandum and articles of association of this entity or other legal basis or through the same responsible persons that represent the majority of corporate governance, supervision or management bodies of the another financial sector entity.
(3) Where a financial conglomerate is a subgroup of another financial conglomerate which meets the requirements of the preceding paragraph, the competent authorities may apply the provisions of Chapters 3.2 (Risk control) and 3.3 (Performance of supplementary supervision) of this Act only to the regulated entities from such other financial conglomerate, and the terms "group" and "financial conglomerate" shall be used for such other financial conglomerate.
(4) Supplementary supervision at the level of the financial conglomerate does not imply that competent authorities carry out supervision of a mixed financial holding company, regulated entities in a third-country financial conglomerate or unregulated entities in a financial conglomerate on a stand-alone basis.

Article 23

(Supplementary supervision over other regulated entities)

(1) A regulated entity which is not subject to supplementary supervision according to Paragraph (2) of Article 22 of this Act and of which the parent undertaking is a regulated entity or a mixed financial holding company with head office in a third country shall be subject to supplementary supervision at the level of the financial conglomerate pursuant to Articles 52 and 53 of this Act.
(2) Where legal or natural persons hold participations or capital ties in one or more regulated entities that are not listed in Article 22 of this Act or in the preceding paragraph of this Article, or where they exercise a significant influence without

holding participations or capital ties on these entities, the competent authorities shall agree on whether and to what extent they shall carry out supplementary supervision over these regulated entities in accordance with the objectives of supplementary supervision as if these entities constituted a financial conglomerate.
(3) For the purpose of supplementary supervision from the preceding paragraph, at least one regulated entity should have its head office in a Member State, and, at the same time, the conditions referred to in the second and third indents of Paragraph 1 of Article 8 of this Act should be satisfied. When deciding on supplementary supervision referred to in the preceding paragraph, the competent authorities shall take into consideration the objectives of supplementary supervision.

3.2 Risk control

Article 24

(Capital adequacy)

(1) Regulated entities in a financial conglomerate shall hold appropriate capital at the level of the financial conglomerate in order to comply with at least the capital requirements calculated in accordance with the regulation referred to in Paragraph (1) of Article 26 of this Act.
(2) Regulated entities in a financial conglomerate shall adopt and pursue an appropriate capital adequacy policy at the level of the financial conglomerate.
(3) Notwithstanding the method to be employed in calculating supplementary capital requirements for regulated entities in a financial conglomerate, the regulated entity referred to in paragraph 2 of Article 22 of this Act shall ensure that the calculation of supplementary capital requirements at the level of the financial conglomerate takes into account the principles relating to the following:
– exclusion of double or multiple use of capital and inappropriate generation of capital within a group;
– assurance of appropriate capital elements to meet supplementary capital requirements, by taking into account possible restrictions of transferring capital within a group.
(4) The regulated entity referred to in Paragraph (2) of Article 22 of this Act which is at the head of a financial conglomerate or a mixed financial holding company (when the financial conglomerate is not headed by a regulated entity) or other regulated entity in a financial conglomerate which is appointed by the coordinator after consultation with other relevant competent authorities and the financial conglomerate by issuing a decision shall, in accordance with the regulation referred to in Paragraph (1) of Article 26 of this Act and decision referred to in Paragraph (2) of this Act, at least every six months calculate the capital and supplementary capital requirements referred to in Paragraph (1) of this Article, and shall submit to the coordinator the result of the calculation and appropriate information that served as a basis for this calculation.
(5) The coordinator shall be responsible for supervision of the implementation of the provisions of Paragraphs (1) to (4) of this Article.

Article 25

(Exclusion of entities from capital adequacy calculation)

(1) For the purpose of assessing capital adequacy, all entities in the financial sector shall be included in the calculation referred to in Paragraph (1) of Article 24 of this Act as well as in the supplementary supervision in the manner and to the extent laid down by the regulation referred to in Paragraph (1) of Article 26 of this Act. The coordinator may require the information necessary for calculating capital adequacy from every entity referred to in the preceding sentence.
(2) Notwithstanding the preceding paragraph, the coordinator may, for the purpose of assessing capital adequacy, exclude an entity in cases referred to in Paragraphs (1) to (3) of Article 13 of this Act by issuing a decision.
(3) Where the coordinator excludes the entity referred to in the preceding paragraph from capital adequacy calculation in accordance with Paragraphs (1) and (3) of Article 13 of this Act, the competent authority may require the information about this entity, which might facilitate the supervision of the regulated entity, from the entity at the head of the financial conglomerate, provided that the excluded entity pursues a business activity in the Republic of Slovenia.

Article 26

(Calculation of supplementary capital requirements)

(1) For the purpose of calculating supplementary capital requirements for regulated entities in a financial conglomerate, the minister responsible for finance shall, in cooperation with the Bank of Slovenia, the Securities Market Agency and Insurance Supervision Agency, issue an implementing regulation in accordance with technical principles and methods referred to in Annex I to Directive 2002/87/EC, by taking into consideration the sectoral rules of individual financial sectors.
(2) After consulting other competent authorities and the regulated entity at the head of the financial conglomerate or the mixed financial holding company, the coordinator of individual financial conglomerates shall issued a decision specifying what method referred to in the preceding paragraph shall be employed for a particular financial conglomerate.
(3) Notwithstanding the provision of the preceding paragraph, where the financial conglomerate is headed by a regulated entity authorised to pursue its business activities in the Republic of Slovenia or a mixed financial holding company which has its head office in the Republic of Slovenia, the competent authority may issue a decision requesting that the calculation be made according to the method which is laid down by the implementing regulation referred to in Paragraph (1) of this Article.

Article 27

(Risk concentration)

(1) Regulated entities in a financial conglomerate shall provide for an appropriate risk concentration at the level of the financial conglomerate.

(2) The coordinator shall carry out a supplementary supervision of risk concentration of regulated entities in a financial conglomerate according to this Act, regulations adopted on the basis thereof and sectoral rules.

Article 28

(Supplementary supervision of risk concentration)

(1) The regulated entity referred to in Paragraph (2) of Article 22 of this Act, which is at the head of the financial conglomerate or a mixed financial holding company (where the conglomerate is not headed by a regulated entity) or another regulated entity in the financial conglomerate which is appointed by the coordinator by issuing a decision after consulting other relevant competent authorities and the financial conglomerate, shall report to the coordinator on major risk concentrations at the financial conglomerate level and submit to him appropriate information at least every six months. The minister responsible for finance shall, in cooperation with the Bank of Slovenia, the Securities Market Agency and the Agency for Insurance Supervision, issue a regulation on major risk concentrations of regulated entities in the financial conglomerate according to this Act and Annex II to Directive 2002/87/EC.
(2) During the supervision of compliance with risk concentration decisions, the coordinator shall primary monitor the risks referred to in Paragraph (2) of Article 5 of this Act in order to identify the risk of harmful effects on regulated entities in a financial conglomerate, the risk of conflict of interests, and risks of failure to comply or avoidance of the provisions of sectoral rules and the level or scope of risk mentioned above.
(3) Competent authorities may apply the provisions of sectoral rules on risk concentration at the level of the financial conglomerate particularly in order to prevent avoidance of the provisions of sectoral rules.
(4) The coordinator shall keep the Committee constantly and regularly informed of the principles employed in risk concentration control in the financial conglomerate.

Article 29

(Restrictions and requirements of supplementary supervision over risk concentration)

(1) Subject to the provision of this Act and sectoral rules, the competent authority may issue a decision laying down the quantitative and other restrictions or take other supervisory measures in order to achieve supplementary supervision objectives in respect of risk concentration at the level of the financial conglomerate.
(2) Where there is a mixed financial holding company at the head of the financial conglomerate, the rules of the most important segment of the financial sector in the financial conglomerate shall be applied to the financial sector as a whole, including the mixed financial holding company.
(3) The coordinator may request every entity in the financial sector in the financial conglomerate to provide him with the information necessary in order to supervise major risk concentrations at the level of the financial conglomerate.

Article 30

(Intra-group transactions)

(1) At the level of the financial conglomerate, regulated entities in the financial conglomerate shall take care not to enter into intra-group transactions which might have an adverse effect on regulated entities in the financial conglomerate or cause a conflict of interests or be instrumental in the group entities' avoidance of the sectoral rules provisions.
(2) The coordinator shall carry out a supplementary supervision of transactions of a group of regulated entities in a financial conglomerate according to the provisions of this Act, the regulations adopted on the basis thereof and the sectoral rules. The coordinator shall supervise intra-group transactions with a view to identifying the risks of adverse effects on regulated entities in the financial conglomerate, the risk of conflict of interest, the risk of failure to observe or avoidance of provisions of sectoral rules, and with a view to identifying the level or scope of the above-mentioned risks.
(3) After consulting the competent authorities involved and after consulting the regulated entity at the head of the financial conglomerate or the mixed financial holding company, the coordinator may issue a decision defining major transactions by value and type. Prior to issuing the decision, an intra-group transaction shall be considered to be important provided that its value exceeds at least 5% of the total capital requirements at the level of the financial conglomerate.
(4) The regulated entity referred to in Paragraph (2) of Article 22 of this Act, which is at the head of the financial conglomerate or a mixed financial holding company (where the conglomerate is not headed by a regulated entity) or another regulated entity in the financial conglomerate which is appointed by the coordinator by issuing a decision after consulting other relevant competent authorities and the financial conglomerate, shall report to the coordinator on every important transaction carried out by the regulated entities in the financial conglomerate at least every six months. The minister responsible for finance shall, in cooperation with the Bank of Slovenia, the Securities Market Agency and the Agency for Insurance Supervision, issue a regulation on major transactions of regulated entities in the financial conglomerate according to this Act and Annex II to Directive 2002/87/EC.
(5) Competent authorities may apply the provisions of sectoral rules on intra-group transactions at the level of the financial conglomerate particularly in order to prevent avoidance of the provisions of sectoral rules.
(6) The coordinator shall keep the Committee constantly and regularly informed of the principles employed in intra-group transactions control in the financial conglomerate.

Article 31

(Restrictions and requirements of supplementary supervision over intra-group transactions)

(1) Subject to the provision of this Act and sectoral rules, the competent authorities may issue a decision laying down additional quantitative restrictions, lay down additional qualitative requirements or take additional supervisory measures in order

to achieve supplementary supervision objectives in respect of intra-group transactions at the level of the financial conglomerate.
(2) Where there is a mixed financial holding company at the head of the financial conglomerate, the sectoral rules for intra-group transactions of the most important financial sector in the financial conglomerate shall be applied to this sector as a whole, including the mixed financial holding company.
(3) The coordinator may request every entity in the financial sector in the financial conglomerate to provide him with the information necessary in order to carry our supplementary supervision of intra-group transactions at the level of the financial conglomerate.

Article 32

(Equity and risk management procedures and internal control systems)

(1) At the level of the financial conglomerate, regulated entities shall set up appropriate equity and risk management procedures as well internal control systems which include appropriate administrative and accounting procedures.
(2) Equity and risk management procedures shall include the following:
a) a reliable and transparent equity and risk management system in accordance with approved strategies and business policies of regulated entities referred to in the preceding paragraph and their periodic verification at the level of the financial conglomerate, including all anticipated risks.
b) appropriate forms of compliance with capital adequacy requirements which also include the impact of their business strategies on the extent and type of risks as well as on capital requirements according to capital adequacy rules on the level of the financial conglomerate;
c) appropriate procedures which ensure the following:
– that their risk monitoring and control systems are effectively incorporated into their organisation and
– that all measures have been adopted ensuring that internal control systems are incorporated in all entities subject to supplementary supervision, that they are consistent and allow risk measurement, monitoring and supervision at the level of the financial conglomerate.

Article 33

(Internal control systems)

Internal control systems shall include the following:
– appropriate capital adequacy assessment systems which allow identification and measurement of all major potential risks and lay down appropriate adjustment of the level of capital in respect of risks identified;
– reliable reporting procedures and accounting procedures in order to identify, measure, monitor and supervise intra-group transactions and risk concentrations.

Article 34

(Supervision of internal control systems and equity and risk management procedures)

(1) All regulated entities in a financial conglomerate that are subject to supplementary supervision shall have in place appropriate internal control systems for the preparation and dissemination of information relevant to supplementary supervision.
(2) The coordinator shall supervise internal control systems and equity and risk management procedures in accordance with Articles 32 and 33 of this Act and the preceding paragraph.
(3) The coordinator may request every entity in the financial sector in the financial conglomerate to provide him with the information necessary for carrying out supplementary supervision of internal control systems and risk management at the level of the financial conglomerate.

Article 35

(Audit of regulated entities in the financial conglomerate)

(1) The annual report and the consolidated annual report of the regulated entity referred to in paragraph (2) of Article 22 of this Act shall be audited by a chartered accountant in accordance with the sectoral rules.
(2) The minister responsible for finance may, in cooperation with the Bank of Slovenia, the Securities Market Agency, Insurance Supervision Agency and the Slovenian Institute of Auditors, lay down more detailed conditions for the selection of the auditor (hereinafter referred to as "auditor") for the regulated entity referred to in paragraph (2) of Article 22 of this Act as well as more detailed contents of the audit and auditor's report.
(3) The coordinator may require from the auditor of the regulated entity additional explanations with regard to the audit.

Article 36

(Terms and conditions for members of the management board, i.e. of the board of directors or management of mixed financial holding companies)

(1) Only persons of high reputation and with sufficient experiences may be appointed members of the management board, i.e. of board of directors or management (hereinafter referred to as "member") of a mixed financial holding company which is at the head of the financial conglomerate. This condition shall be deemed to be satisfied when the candidate (hereinafter referred to as "candidate") meets the following conditions:
1. That the candidate has an unlimited contractual capacity and at least three years of working experiences necessary for managing the operations of the regulated entity, acquired during employment or other legal relationship with the regulated entity or of another legal entity of a comparable size engaging in a similar activity as the regulated entity, or which has an expert knowledge in these areas.

2. That the candidate has not been finally convicted to more than three months in prison for the following actions:
a) intentionally committed criminal offences against the economy or
b) for the following criminal offences committed by negligence: endangering occupational safety, concealment, disclosure and unauthorised obtaining of trade secrecy, money laundering, disclosure of official secrecy, causing general danger or disclosure of state secrecy, which have not yet been deleted from criminal records.
(2) The authority responsible for the appointment of candidates as members of the management board, i.e. of the board of directors or management of a mixed financial holding company shall lay down more detailed contents of documents by which the candidates prove their compliance with the conditions referred to in the preceding paragraph.
(3) The authority responsible for the appointment of candidates as members of the management board, i.e. of the board of directors or management of a mixed financial holding company may appoint as a member of the management board, i.e. of the board of directors or management only those candidates which prove their compliance with the conditions referred to in paragraph (1) of this Article by submitting appropriate documents. The authority from the preceding sentence shall notify the coordinator of its decision within three business days from the date of appointment.
(4) Where the authority responsible for the appointment of candidates as members of the management board, i.e. of the board of directors or management of a mixed financial holding company determines that a member of the management board, i.e. of the board of directors or management no longer meets the conditions referred to in paragraph (1) of this Article, such circumstances shall be sufficient grounds for recall. The authority responsible for the appointment of candidates shall notify the coordinator of the established non-compliance with the conditions referred to in paragraph (1) of this Article within three business days from the date when such non-compliance is established.
(5) Where a candidate or a member of the management board, i.e. of the board of directors or management of a mixed financial holding company which is at the head of the group fails to comply with the terms and conditions referred to in paragraph (1) of this Article, and the authority responsible for the appointment of candidates as members of the management board, i.e. of the board of directors or management of a mixed financial holding company nonetheless appoints a candidate as member of the management board, i.e. of the board of directors or management or does not recall the member of the management board, i.e. of the board of directors or management in accordance with the provisions of the preceding paragraph, the coordinator may propose to the court competent for judicial protection according to the sectoral rules of the coordinator to temporarily prohibit the mixed financial holding company from exercising the voting rights held by the mixed financial holding company in subsidiary undertakings or entities until a member of the management board, i.e. of the board of directors or management that satisfies the terms and conditions from paragraph (1) of this Article has been appointed. The court shall decide according to the procedure laid down by the sectoral rules of the coordinator.
(6) Where the competent court temporarily prohibits the mixed financial holding company from exercising its voting rights pursuant to the preceding paragraph, it shall, at the same time, on the proposal of the coordinator, also appoint a person or entity that meets the terms and conditions referred to in paragraph (1) of this Article and transfer to it the right to exercise such voting rights. This authorised person or

entity shall be entitled to reimbursement of expenses and to a remuneration for its work, which shall normally be decided by the above-mentioned court and which shall be jointly and severally be guaranteed for by the mixed financial holding company and by the subsidiary undertaking or entity in which the authorised person or entity exercises the above-mentioned voting rights.

3.3 Performance of supplementary supervision

Article 37

(Tasks of the coordinator)

The tasks to be carried out by the coordinator with regard to supplementary supervision shall include:
1. Coordination of the gathering and dissemination of relevant or essential information in going concern and emergency situations, including the dissemination of information which is of importance for a competent authority's supervisory task under sectoral rules;
2. Supervisory overview and assessment of the financial situation of a financial conglomerate;
3. Assessment of compliance with the rules on capital adequacy and of risk concentration and intragroup transactions as set out in this Act;
4. Assessment of the financial conglomerate's structure, organisation and internal control systems as set out in this Act;
5. Planning and coordination of supervisory activities in going concern as well as in emergency situations, in cooperation with the competent authorities;
6. Other tasks, measures and decisions assigned to the coordinator by this Act.

Article 38

(Coordination agreement)

(1) The coordinator and other relevant competent authorities of the Republic of Slovenia shall enter into a coordination agreement among themselves and with the competent authorities from other Member States in order to ensure an effective performance of supplementary supervision over individual financial conglomerates.
(2) The coordination agreement may assign additional tasks to the coordinator, and may also be used to define in detail the decision-making procedures among competent authorities and procedures for cooperation with other competent authorities.

Article 39

(Supervision procedure)

Competent authorities shall perform supplementary supervision in the manner and in accordance with the procedure laid down by the sectoral rules unless otherwise provided by this Act.

Article 40

(Measures by competent authorities)

(1) Where regulated entities in the financial conglomerate do not comply with the requirements referred to in Articles 24 to 34 of this Act, all appropriate measures laid down by the sectoral rules shall be taken by the competent authority in respect of the regulated entity and by the coordinator in respect of the mixed financial holding company. The coordinator shall meaningfully take the same measures as laid down by the sectoral rules.
(2) The competent authority or coordinator shall also adopt the measures from the preceding paragraph when regulated entities in the financial conglomerate comply with the requirements of Article 24 to 34 of this Act but their solvency is jeopardised or where intra-group transactions or the risk concentrations are a threat to the regulated entities' financial position.
(3) In cases referred to in paragraphs (1) and (2) of this Article, the coordinator and the competent authority shall notify each other and shall coordinate their supervisory activities.

Article 41

(Manner of imposition of measures by competent authorities and assignment of responsibility for the implementation of individual tasks and measures)

(1) Competent authorities shall adopt measures pursuant to the provisions of this Act and sectoral rules which are necessary in order to prevent the regulated entities in the financial conglomerate from avoiding sectoral rules.
(2) Competent authorities may assign responsibility for the implementation of individual tasks or measures within their competence to competent authorities of other Members States on the basis of and on condition of effective reciprocity. The competent authorities involved shall establish the existence of effective reciprocity and shall lay down precisely the method of implementation of individual tasks, measures or implementation of fines in a special mutual written agreement.
(3) The measures aimed at suppressing identified violations or causes of such violations shall be imposed by a decision on regulated entities, mixed financial holding companies or members of management boards that violate the provisions of this Act.
(4) A judicial protection procedure shall be guaranteed by a decision of the competent authority according to this Act and sectoral rules.

Article 42

(Application of provisions governing the proceedings)

(1) The competent authority shall decide on individual matters within its competence in accordance with this Act in the proceedings set out in the sectoral rules. (2) Unless otherwise provided by this Act or the sectoral rules, the provisions of the act which governs the general administrative procedure shall apply to the competent authority's decision-making procedure.
(2) Notwithstanding the provisions of the sectoral rules, the competent authorities' decision-making procedure in individual matters, which is referred to in the preceding paragraph, shall be subject to the following procedures under this Act:
– when deciding on an objection against a decision, the competent authority may reject the objection or change or repeal its decision;
– lodging of ordinary appeal against decision issued under this Act shall not stay the execution of such decisions;
– the time limit for answer to the complaint against the competent authority's decision shall be 30 days of the date of service of the decision;
– extraordinary appeal against the competent authority's decision shall not be allowed, i.e. no reinstatement of a case may be requested.

Article 43

(Violations investigating authority and deciding on offences)

(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 competent authority according to the provisions of the act governing violations for violations referred to in points 1, 2 an 4 of Paragraph (1) of Article 54, points 1, 3 and 4 of the paragraph (1) of Article 55, points 1, 3 and 10 of Paragraph (1) of Article 56, and point 2 of paragraph (1) of Article 57 of this Act, and the coordinator for violations referred to in point 3 and points 5 to 12 of paragraph (1) of Article 54, points 2 and 5 of paragraph (1) of Article 55, point 2 and points 4 to 9 and points 11 to 13 of paragraph (1) and paragraph (3) of Article 56, and points 1 and 3 of paragraph (1) and points 1 and 3 of paragraph (1) of Article 57 of this Act.
(2) Where the competent authority is at the same time the coordinator, the competent authority shall also be the violations investigating authority responsible for deciding on those violations referred to in the preceding paragraph which otherwise fall within the competence of the coordinator.
(3) The fine which is determined within a certain range may also be imposed by a decision of the violations investigating authority in an amount which exceeds the minimum statutory fine.

Article 44

(Cooperation and exchange of information between the coordinator and competent authorities)

(1) When the coordinator needs the information which has already been sent to another competent authority of the Republic of Slovenia or another Member State in accordance with the sectoral rules, he shall obtain them directly from such authority.
(2) The presence of a coordinator exercising the tasks of supplementary supervision of regulated entities in the financial conglomerate shall not affect the performance of tasks and the power of competent authorities in accordance with the sectoral rules.

Article 45

(Exchange of information between the coordinator and competent authorities)

(1) The competent authorities of the Republic of Slovenia which exercise supervision over entities in the financial conglomerate and the coordinator of the Republic of Slovenia which is appointed for a particular financial conglomerate shall cooperate with each other and with competent authorities of other Member States and with the coordinator of another Member State, and shall exchange the information which is essential or important for the performance of other supervisory activities in accordance with the sectoral rules or this Act.
(2) The information referred in the preceding paragraph shall be exchanged among the competent authorities on request or on their own initiative.

Article 46

(Cooperation between competent authorities)

The cooperation among the competent authorities referred to in paragraph (1) of Article 45 of this Act shall provide for the gathering and the exchange of information with regard to the following items:
1. The group structure of all major entities belonging to the financial conglomerate, as well as the competent authorities of the regulated entities in the group;
2. The financial conglomerate's strategic policies;
3. The financial situation of the financial conglomerate, in particular on capital adequacy, intra-group transactions, risk concentration and profitability;
4. The financial conglomerate's major shareholders and managing or supervisory authorities;
5. The organisation, risk management and internal control systems at financial conglomerate level;
6. Procedures for the collection of information from the entities in a financial conglomerate, and the verification of that information;
7. Inappropriate structure or interaction between regulated entities and other entities in the financial conglomerate which could seriously affect the regulated entities;
8. Major sanctions and exceptional measures taken by competent authorities in accordance with sectoral rules and this Act.

Article 47

(Exchange of information between competent authorities and central banks)

(1) The competent authorities referred to in paragraph (1) of Article 45 of this Act may also exchange with the following authorities the information referred to in Article 46 of this Act as well as other information as may be needed for the performance of their respective tasks, regarding regulated entities in a financial conglomerate, in line with the provisions laid down in the sectoral rules and this Act: central banks, the European System of Central Banks and the European Central Bank.
(2) The competent authorities referred to in paragraph (1) of Article 45 of this Act shall, prior to their decision, consult each other with regard to the following items, by taking into account their competencies at the level of supervision on an individual basis:
– changes in the shareholder, organisational or management structure of regulated entities in a financial conglomerate, which require the approval or authorisation of competent authorities;
– major sanctions or exceptional measures taken by competent authorities.
(3) Where the consultation might jeopardise the effectiveness of the decision or in emergency situations, the competent authorities shall not be obliged to consult each other pursuant to the preceding paragraph and shall notify forthwith thereof the other competent authorities referred to in Article 45 of this Act.

Article 48

(Other powers and responsibilities of coordinator and competent authorities)

(1) The coordinator may invite the competent authorities of the Member State in which a parent undertaking has its head office, and which do not themselves exercise the supplementary supervision, to ask the parent undertaking for any information which would be relevant for the exercise of its coordination tasks, and to transmit that information to the coordinator.
(2) Where the information has already been given to a competent authority in accordance with sectoral rules, the competent authorities responsible for exercising supplementary supervision may apply to the first-mentioned authority to obtain the information.
(3) Collection and possession of information about regulated entities in a financial conglomerate does not mean that a competent authority is responsible for exercising supervision over such entities on an individual basis.

Article 49
(Verification of information)

(1) Competent authorities shall, at the request of the competent authority of another Member State relating to the exercise of supplementary supervision, verify the information concerning an entity which is a part of a financial conglomerate and has its head office in the Republic of Slovenia.

(2) The competent authorities which receive such a request shall, within the framework of their competences, act upon it either by carrying out the verification themselves or by allowing an auditor or other expert designated by agreement with the authority which made the request to carry it out.
(3) The competent authority which made the request may participate in the verification in the cases referred to in paragraphs (1) and (2) of this Article.

Article 50

(Access to information)

(1) The competent authorities responsible for exercising supplementary supervision shall have the right to access any information concerning regulated and unregulated entities in a financial conglomerate which would be relevant for the purposes of supplementary supervision.
(2) Regulated and unregulated entities in a financial conglomerate shall allow competent authorities to access the information referred to in the preceding paragraph or shall send them such information at their request.
(3) Natural or legal persons, regulated or unregulated entities included within the scope of supplementary supervision under this Act shall ensure that there are no impediments preventing the exchange of information which would be relevant for the purposes of supplementary supervision.

Article 51

(Protection of classified information)

The information acquired by competent authorities during the exercise of supplementary supervision, particularly in the exchange of information between competent authorities and other authorities under this Act and other acts that safeguard the confidential character of such information shall be treated by all entities as strictly confidential, by respecting rules on trade secret protection and disclosure of classified information in accordance with sectoral rules.

3.4 Third countries

Article 52

(Parent undertaking with head office in a third country)

(1) Competent authorities shall verify whether the regulated entities in the Republic of Slovenia, the parent undertaking of which has its head office in a third country, are subject to supervision by a third-country competent authority, which is equivalent to that provided for by the provisions of this Act.
(2) The verification shall be carried out by the competent authority which would be the coordinator if the criteria set out in Articles 19 and 20 of this Act were to apply to

group operations in the Republic of Slovenia, on the request of the parent undertaking which has its head office in a third country or of any of the regulated entities authorised in a Member State or on its own initiative.
(3) The competent authority referred to in the preceding paragraph shall consult the other relevant competent authorities during verification. The competent authority shall also consult the Committee and take into account its guidance before taking a decision.

Article 53

(Non-equivalent supervision by a third country)

(1) Where the equivalent supervision referred to in paragraph (1) of Article 52 of this Act has not been provided, the competent authority shall exercise supplementary supervision of regulated entities only by applying, mutatis mutandis, the provisions of this Act. In the exercise of supplementary supervision, the competent authority may employ any other method in order to achieve the objectives of supplementary supervision.
(2) Prior to undertaking supervision in accordance with the preceding paragraph, the competent authority shall consult other relevant competent authorities and obtain the coordinator's approval.
(3) The competent authority may, in accordance with paragraphs (1) and (2) of this Article, also require the establishment of a mixed financial holding company which has its head office in a Member State and exercises supplementary supervision of regulated entities in the financial conglomerate headed by that holding company. The competent authority shall notify the other competent authorities involved and the Commission of other adopted measures referred to in this Article.

Chapter 4
PENAL PROVISIONS

Article 54

(Major violations committed by regulated entities)

(1) A fine ranging between 10,000,000 and 90,000,000 tolars shall be imposed on a regulated entity for an offence in the following cases:
1. Where, acting in the quality of a parent undertaking, the legal person fails to transmit to the competent authority at its request the information which is essential for identifying financial conglomerates or the information required in order to calculate adjusted capital requirements referred to in paragraph (3) of Article 15 of this Act and other necessary information in the manner, with the contents and within the time limits set out in the regulation issued on the basis of the provisions of paragraph (5) of Article 15 of this Act;
2. When, acting in contravention of paragraph (2) of Article 15 of this Act, it fails to transmit the information which is essential for identifying financial conglomerates to the competent authority;

3. When it fails to calculate the capital and supplementary capital requirements pursuant to paragraph (4) of Article 24 of this Act, or, acting in contravention of paragraph (4) of Article 24 of this Act, fails to transmit to the coordinator the result of the calculation and the appropriate information that served as a basis for calculation;
4. When the entity which is at the head of the financial conglomerate which, at the request of the competent authority of a Member State in which the excluded entity pursues its business activity, fails to transmit the information about the excluded entity to the competent authority in contravention of paragraph (3) of Article 25 of this Act;
5. When the regulated entity, acting in contravention of paragraph (1) of Article 25 of this Act, fails to transmit the information necessary for calculating solvency requirements to the coordinator;
6. When the regulated entity fails to calculate supplementary capital requirements pursuant to the provision of paragraph (3) of Article 26 of this Act;
7. When the regulated entity fails to report on risk concentration to the coordinator in accordance with paragraph (1) of Article 28 of this Act;
8. When the regulated entity fails to report to the coordinator the information which is necessary for exercising supervision over major risk concentrations according to paragraph (3) of Article 29 of this Act;
9. When the regulated entity fails to report to the coordinator on major intra-group transactions according to paragraph (4) of Article 30 of this Act;
10. When the regulated entity fails to transmit the information necessary for supplementary supervision of internal control systems risk management procedures at the level of the financial conglomerate according to paragraph (3) of Article 34 of this Act;
11. When the regulated entity fails to transmit the information to the coordinator pursuant to paragraph (4) of Article 59 of this Act;
12. When the regulated entity fails to transmit the information to the coordinator pursuant to paragraph (5) of Article 59 of this Act.
(2) A fine ranging between 600,000 and 3,000.000 tolars shall be imposed on the regulated entity's responsible person of the committing an offence referred to in the previous paragraph.

Article 55

(Minor violations committed by regulated entities)

(1) A fine ranging between 3,000,000 and 30,000,000 tolars shall be imposed on a regulated entity for an offence in the following cases:
1. When the regulated entity fails to notify the competent authority within the time limit and in the manner laid down by the regulation referred to in paragraph (3) of Article 16 of this Act that it is a member of a group which may be a financial conglomerate;
2. When, in contravention of paragraph (5) of Article 17 of this Act, the regulated entity, acting as the entity referred to in paragraph (2) of Article 17 of this Act or as the entity which is at the head of the group, fails to notify the coordinator that the group no longer meets the criteria for a financial conglomerate;
3. When, in contravention of paragraphs (1) and (2) of Article 17 of this Act, the regulated entity, acting as the entity referred to in paragraph (2) of Article 17 of this

Act, fails to notify all regulated entities in the group that it has been served with a decision identifying a financial conglomerate;
4. When, in contravention of paragraph (2) of Article 50 of this Act, the regulated entity does not allow the competent authority to access the information for the purpose of supplementary supervision;
5. When, in contravention of paragraph (3) of Article 50 of this Act, the regulated entity impedes the exchange of information for the purpose of supplementary supervision.
(2) A fine ranging between 100,000 and 1,000.000 tolars shall be imposed on the regulated entity's responsible person for committing an offence referred to in the previous paragraph.

Article 56

(Intra-group violations)

(1) A fine ranging between 10,000,000 and 50,000,000 tolars shall be imposed for an offence on the following entities:
1. A mixed financial holding company which, being the parent undertaking, fails to transmit to the relevant competent authority the information for the purpose of adjusted calculation of capital requirements in accordance with paragraphs (3) and (5) of Article 15 of this Act;
2. A mixed financial holding company which fails to calculate the capital and supplementary capital requirements pursuant to paragraph (4) of Article 24 of this Act, or, acting in contravention of paragraph (4) of Article 24 of this Act, fails to transmit to the coordinator the result of the calculation and the appropriate information that served as a basis for calculation;
3. A mixed financial holding company which is at the head of the financial conglomerate which, at the request of the competent authority of a Member State in which the excluded entity pursues its business activity, fails to transmit the information about the excluded entity to the competent authority in contravention of paragraph (3) of Article 25 of this Act;
4. A financial sector entity which, acting in contravention of paragraph (1) of Article 25 of this Act, fails to transmit the information necessary for calculating solvency requirements to the coordinator;
5. A mixed financial holding company which fails to calculate supplementary capital requirements pursuant to the provision of paragraph (3) of Article 26 of this Act;
6. A mixed financial holding company which is at the head of the group and which fails to report on risk concentration pursuant to paragraph (1) of Article 28 of this Act to the coordinator;
7. An entity of a financial sector within the financial conglomerate which, in contravention of paragraph (3) of Article 29 of this Act, fails to transmit to the coordinator the information necessary for supervision of major risk concentrations on the level of the financial conglomerate;
8. A mixed financial holding company which is at the head of the group and which fails to report on major intra-group transactions pursuant to paragraph (4) of Article 30 of this Act to the coordinator;
9. An entity of a financial sector within the financial conglomerate which, in contravention of paragraph (3) of Article 31 of this Act, fails to transmit to the

coordinator the information necessary for supplementary supervision of intra-group transactions on the level of the financial conglomerate;
10. A mixed financial holding company which, in contravention of paragraph (2) of Article 50 of this Act, does not allow the competent authority to access the information referred to in paragraph (1) of Article 50 of this Act;
11. A mixed financial holding company which, in contravention of paragraph (3) of Article 50 of this Act, impedes mutual exchange of information that may be relevant for the purpose of supplementary supervision.
12. A mixed financial holding company whose body responsible for appointing members of the management board, in contravention of the first sentence of paragraph (5) of Article 36 of this Act, fails to reject the nomination for a member of the mixed financial holding company's management board;
13. A mixed financial holding company whose body responsible for appointing members of the management board, in contravention of the first sentence of paragraph (6) of Article 36 of this Act, fails to recall a member of the mixed financial holding company's management board.
(2) A fine ranging between 500,000 and 2,000.000 tolars shall be imposed on the legal entity's responsible person for committing an offence referred to in the previous paragraph.
(3) A fine ranging between 3,000,000 and 30,000,000 tolars shall be imposed for an offence on the following entities:
1. A mixed financial holding company whose body responsible for appointing members of the management board, in contravention of the second sentence of paragraph (4) of Article 36 of this Act, fails to notify the coordinator of his decision to appoint a member of the mixed financial holding company's management board;
2. A mixed financial holding company whose body responsible for appointing members of the management board, in contravention of the second sentence of paragraph (5) of Article 36 of this Act, fails to notify the coordinator of his rejection to appoint a member of the mixed financial holding company's management board;
3. A mixed financial holding company whose body responsible for appointing members of the management board, in contravention of the second sentence of paragraph (6) of Article 36 of this Act, fails to notify the coordinator of the identified non-compliance with the conditions for membership of the mixed financial holding company's management board.
(4) A fine ranging between 100,000 and 1,000.000 tolars shall be imposed on the legal entity's responsible person for committing an offence referred to in the previous paragraph.

Article 57

(Violations by other entities)

(1) A fine ranging between 10,000,000 and 50,000,000 tolars shall be imposed for an offence on the following entities:
1. An auditing company conducting the audit of a regulated entity, which fails to provide the coordinator with additional clarifications concerning the audit pursuant to the request referred to in paragraph (2) of Article 35 of this Act;

2. An unregulated entity in a mixed financial holding company which, in contravention of paragraph (2) of Article 50 of this Act, does not allow the competent authority to access the information referred to in paragraph (1) of Article 50 of this Act;
3. An unregulated entity included within the scope of supplementary supervision under this Act which, in contravention of paragraph (3) of Article 50 of this Act, impedes mutual exchange of information that may be relevant for the purpose of supplementary supervision.
(2) A fine ranging between 500,000 and 2,000.000 tolars shall be imposed on the legal entity's responsible person for committing an offence referred to in the previous paragraph.

Chapter 5
TRANSITIONAL AND FINAL PROVISIONS

Article 58

(Amounts expressed in euros)

As from the date of introduction of the euro as the legal tender of the Republic of Slovenia, the following provisions shall apply:
– in paragraph (6) of Article 9 of this Act, the amount of "1,440,000,000,000 tolars" shall be replaced by "six billion euros";
– in paragraph (2) of Article 14 of this Act, the amount of "1,440,000,000,000 tolars" shall be replaced by "six billion euros", and the amount of "1,200,000,000,000 tolars" shall be replaced by "five billion euros".

Article 59

(Time limits for exchange of information and submission of reports)

(1) Competent authorities shall exchange the available information concerning regulated entities for the purpose of identifying a financial conglomerate not later than within 30 days after the expiration of the time limit for submission of audited consolidated financial statements for 2005.
(2) The competent authorities which have received the information referred to in the preceding paragraph of this Article shall, within 60 days from the expiration of the time limit referred to in the preceding paragraph, establish pursuant to the provisions of Articles 8 to 13 of this Act whether a group meets the conditions for a financial conglomerate, and shall appoint a coordinator according to Articles 20 and 21 of this Act.
(3) For the purposes of this Article, the competent authorities may request additional information from regulated and unregulated entities when it is necessary in order to identify a financial conglomerate. A regulated or unregulated entity shall provide the competent authority with the additional information referred to in the preceding sentence within 15 days at its request.
(4) A regulated entity shall submit to the coordinator a report on harmonisation with this Act and regulations issued on the basis thereof within 18 months from receipt of

the decision or notification identifying a financial conglomerate. The report shall be accompanied by the following:
1. A list of shareholders from the central register of securities in book-entry form for qualifying holders in accordance with sectoral rules;
2. A description of internal control system organisation and risk management operational rules for internal controls;
3. Report on the compliance with solvency requirements;
4. Organisation chart;
5. Other evidence of harmonisation required by the relevant competent authority.
(5) When a regulated entity acts contrary to the preceding paragraph, or when the submitted documents show that it failed to harmonise its operations with the provisions of this Act subject to the preceding paragraph, the competent authority may impose appropriate measures in accordance with the provisions of the sectoral rules.
(6) The Bank of Slovenia, the Securities Market Agency, and the Insurance Supervision Agency may lay down a more detailed method of harmonisation of regulated entities within their competencies for the purpose of this Article.

Article 60

(Issuance of regulations)

The minister responsible for finance shall, in cooperation with the Bank of Slovenia, the Securities Market Agency and the Agency for Insurance Supervision, issue regulations based on this Act within 12 months from the effective date of this Act.

Article 61

(Commencement of application of individual provisions)

In accordance with this Act, supplementary supervision shall be applied as from 1 January 2007, and the provisions of this Act relating to financial statements shall be applied to the financial year commencing on 1 January 2007 or during the calendar year 2007.

Article 62

(Entry into force)

This Act shall enter into force on the fifteenth day following its publication in Uradni list Republike Slovenije.

No. 450-02/05-11/1

Ljubljana, 6 April 2006

EPA 661-IV

France Cukjati, MD, m.p.
President
of the National Assembly
of the Republic of Slovenia