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*Regarding the provisions quoted in the response below, as far as possible, hyperlinks to these provisions (in the respective language or, if available, in English) are set out in Document CESR/04-075 for each country.*

### **IMPORTANT NOTICE**

*In the interest of transparency and to inform interested parties, CESR has published the following (together the “Tables”):*

- *the Correspondence Tables on the CESR Standards for Investor Protection (Ref. CESR/03-416b to 423b, CESR/03-134/Country);*
- *the Correspondence Tables on the CESR Standards for Alternative Trading Systems (Ref. CESR/03-415b, CESR/03-135/Country);*
- *the Synthesis Tables (Ref. CESR/03-427b and CESR/03-432b);*
- *the List of Alternative Trading Systems currently operating in Member States<sup>1</sup> (Ref. CESR/03-497b);*
- *the explanatory notes and caveats attached to the Tables.*

*The Tables were produced by the Members of CESR<sup>1</sup> within the constraints of and solely for the purposes of the CESR Review Panel process of monitoring the status of implementation of the CESR Standards for Investor Protection<sup>2</sup> and the CESR Standards for Alternative Trading Systems<sup>3</sup> in Member States.*

*The Tables have no legal effect; they do not present any interpretation of, or definitive position on, existing law or regulation in any jurisdiction. The Tables should not be relied upon for any purpose other than the purpose for which they were prepared. In particular, they should not be relied upon as a substitute for, or as guidance on, any aspect of the regulatory system of any Member State or as a defence in supervisory activities or enforcement proceedings; and they cannot be used to restrict competent authorities in taking regulatory or enforcement actions.*

*The information set out in the Tables is the response of each Member’s self-assessment. For this reason, the content of the Tables regarding a particular Member State has been prepared solely by the relevant Member on a best-efforts basis. (In a next step, the CESR Review Panel is going to conduct a common and collective peer exercise in reviewing the responses from all Members.) In case of discrepancy between the tables containing the responses from all CESR Members and the tables containing the individual responses from a particular CESR Member, the latter should be referred to.*

*The Tables provide a “snap shot” and will be up-dated on a regular basis to take account of regulatory developments in Member States. Therefore, they cannot be considered as fully finalised or definitive reflections of regulatory provisions in Member States. The Tables should also be read in light of current and future developments in the formulation of the proposed Directive on Markets in Financial Instruments (“ISD2”) and the future Level 2 implementing measures, and without prejudice to the position of any Member State in those developments.*

*For a more detailed account of the process, methodology and first, interim results, please see the “First Interim Report” by the Review Panel (Ref. CESR/03-414b).*

<sup>1</sup> For reasons of simplicity, the term “Member” in this context refers to all participants in the Review Panel, i.e. CESR Members, CESR Observers, and the Polish securities regulators; this applies to the term “Member State” accordingly.

<sup>2</sup> “A European Regime of Investor Protection - The Harmonization of Conduct of Business Rules” (Ref. CESR/01-014d, April 2002) and “A European Regime of Investor Protection – The Professional and the Counterparty Regimes” (Ref. CESR/02-098b, July 2002).

<sup>3</sup> Ref. CESR/02-086b, July 2002.

**Correspondence Table on Standards for Investor Protection**  
**(Ref. CESR/01-014d and CESR/02-098b)**

**SLOVENIA**

**A CONDUCT OF BUSINESS RULES FOR THE “RETAIL REGIME”**

**1. STANDARDS AND RULES OF GENERAL APPLICATION**

**1.1 GENERAL**

Standard /Rule	Implementing authority(ies)	Implementing measure <sup>4</sup>	Comments
<i>1. An investment firm must at all times act honestly, fairly and professionally in accordance with the best interests of its customers and the integrity of the market.</i>	<i>Parliament</i>	SECURITIES MARKET ACT-1 (Official Gazette of the Republic of Slovenia, Nos 56/99, 31/00, 52/02; hereinafter SMA - 1).  Chapter 7 on Prudential Rules;  A: 134, P:2  A: 136  A:139, P:1  A: 247	Supervision over the regulatory provision is executed by the Securities Market Agency – either during regular supervision activities planned in advance, on special assignments or on the basis of complaints from the market.  The monitoring over the compliance with the e rules regulating and insuring the integrity of the market is also done by the stock exchange, members of which are the investment firms.

<sup>4</sup> Any derogation to the application of the implementing measures should be mentioned.

<p><i>2. An investment firm must have and must employ effectively the resources and procedures that are necessary for the proper performance of its business activities, including back-up procedures and systems so as to reasonably ensure that investment services can be provided without interruption.</i></p>	<p>Parliament  Securities Market Agency</p>	<p>SMA – 1  A: 89  Decision on the Personnel, Technical and Organizational Conditions for Operations with Clients and with the Assets of Clients of Investment Firm (Official Gazette of the Republic of Slovenia, No. 6/00)  A: 1  A: 3  A: 4;  A: 5  A: 8</p>	<p>~ “” ~</p>
<p><i>3. An investment firm must ensure that any persons or entities with which it is undertaking authorisable investment business are authorised to conduct that business by the relevant regulator.</i></p>	<p>Parliament</p>	<p>SMA-1;  A: 108</p>	
<p><i>4. Investment firm that outsources functions retains full responsibility for the outsourced activity and must ensure that the providers of such outsourcing are able to perform these functions reliably, professionally and in the best interests of its customers.<sup>5</sup></i></p>	<p>Parliament</p>	<p>SMA-1;  A: 143</p>	<p>Investment firms have to report to the Agency on any additional contracts made with other legal entities for accepting clients' orders. It is a part of regulation on regular reporting of investment firms.</p> <p>Only the acceptance of clients' orders may be outsourced, and not the execution of order itself. The investment firm is liable for any misconduct of the execution of order.</p> <p>If the acceptance of orders is outsourced, such orders must be given in writing, general conditions of operation must stipulate a time period in which the order is to be submitted to the head office of the investment firm and/or that office of the investment firm executing clients' orders and on addition a client must be explicitly reminded of that provision of the general conditions of operation at the time of submitting the order.</p>

<sup>5</sup> This standard is not intended to interfere with relevant provisions on civil liability, applicable at national level.

## 1.2. CONFLICTS OF INTEREST AND INDUCEMENTS

Standard /Rule	Implementing authority(ies)	Implementing measure	Comments
<i>5. An investment firm must take all reasonable steps to ensure that conflicts of interest between itself and its customers and between one customer and another are identified and then prevented or managed in such a way that the interests of customers are not adversely affected. For these purposes the investment firm must establish an internal independence policy, including Chinese walls as appropriate.</i>	Parliament  Securities Market Agency	SMA-1  A: 140  A: 146, 147, 148, 149  A: 178  Decision on the Personnel, Technical and Organizational Conditions for Operations with Clients and with the Assets of Clients of Investment Firm  A: 4, Indent 2 and 3  A:8, P:2, Indent 3  A:9	Articles 146 to 149 prescribe precise rules on the execution of clients' orders, which ensure, that the order is managed in the best interest of the client and that the possible conflicts between interests of different clients are avoided.  As for the Chinese walls, Article 178 includes measures designed to maintain classified information, which also include compiling a list of securities, for which the classified information has been obtained by the investment firm, and the prohibition to recommend these securities to clients or to buy/sell these securities for the account of the investment firm, an account of the stockbroker or the accounts of the persons related to the investment firm or the stockbroker.
7. Where conflicts of interest cannot be reasonably avoided or managed with the internal independence policy, an investment firm must not undertake business with or on behalf of a customer where it has directly or indirectly a conflicting interest, including any such interest arising from intra-group dealings, joint provision of more than one service or other business dealings of the investment firm or any affiliated entity, unless it has previously disclosed to the customer the nature and extent of its interest, either in writing or by telephone and recorded by the firm and the customer has expressly agreed to engage in such business with the investment firm. Where possible, this disclosure must be given at the beginning of the customer relationship; otherwise it must be given prior to the customer entering into any relevant transaction.	Parliament	SMA-1:  A: 139, P:2  A: 140  A: 145, P:1  A:147, P:4  A:148, P:2  A: 149, P:2	According to A:139, P:2 the investment firm must inform the client about all relevant circumstances with regard to the client's orders to buy or sell securities – that include also the disclosure of potential conflict of interests (A: 140). Articles 145, 147, 148 and 149 provide for rules for the investment firms, which must be followed when executing the clients' orders in order to minimize the conflict of interests.

<i>6. An investment firm, its members of the board, directors, partners, employees and tied-agents may offer or receive inducements only if they can reasonably assist the firm in the provision of services to its customers. Where inducements are received disclosure of such inducements must be made to the customer.</i>		Not implemented.	The Office for Prevention of Corruption is competent to oversee practices, which might qualify as a corruption – and for filing the findings with the public prosecutor, when it is suspected that the criminal act of corruption has taken place.
8. Where inducements are permitted an investment firm must act in the best interest of the customer and inform the customer at the beginning of the relationship, which may give rise to conflicts of interest between itself and its customers, about the investment firm's policy on inducements and at least once a year in writing of the relevant details of such inducements.		Not implemented.	Same as above.

### 1.3 COMPLIANCE AND CODE OF CONDUCT

Standard /Rule	Implementing authority(ies)	Implementing measure	Comments
<i>9. An investment firm must take all reasonable measures to ensure that the firm and its members of the board, directors, partners, employees and tied-agents at all time act in accordance with the best interests of its customers and the integrity of the market by establishing and implementing adequate compliance policies and procedures, including an independent compliance function and an internal code of conduct.</i>	Parliament  Securities Market Agency	SMA- 1; A: 86, P: 5 A: 87, P:1 and 3 A: 111 A:177 and 178 Decision on the Personnel, Technical and Organizational Conditions for Operations with Clients and with the Assets of Clients of Investment Firm A: 4, Indent 1 A: 8, P:2 and 3 A: 9	The investment firm does not have to have a separate compliance department but is obliged to define in its general act the measures for the establishment and functioning of the system of internal controls in all areas of operation of the investment firm and measures for the establishment and functioning of an internal audit with a description of its tasks, authorisations and relationship to the management board of the investment firm.  Internal code of conduct must regulate all substances listed in A:9, P: 2 of the Decision.

<p>11. The persons responsible for the compliance function must have the necessary expertise, resources, authority and must have full access to all relevant information enabling them to perform their duties. They must perform their monitoring duties independently of all persons and activities subject to their monitoring.</p>	<p>Parliament</p>   <p>Securities Market Agency</p>	<p>SMA-1 A:87, P:3</p> <p>Decision on Personnel, Technical and Organizational Conditions for Operations with Clients and with the Assets of Clients of Investment Firm A:4, Indent: 1 A: 8, P: 2; Intent 5 and 6</p>	<p>The Agency grants the license to investment firm if among other documents the firm proves the establishment and organization of internal control and internal audit.</p>
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<p>12. A summary of the results of the monitoring must be reported to the senior management of the investment firm and to the internal or external auditors. The investment firm must report these results, together with remedies adopted, to the competent authority at least once a year.</p>	<p>Parliament</p>          <p>Securities Market Agency</p>	<p>SMA-1</p> <p>A:191</p> <p>A: 192</p>          <p>The Decision on the Minimum Scope and the Content of an Audit Inspection and of an Auditor's Report on an Investment Firm</p> <p>A:15</p> <p>A:16</p> <p>A:22</p>          <p>Sample tables for auditing are approved by the Agency for each year, and compiled by the Slovenian Audit Institute. Using the sample tables the auditor presents precise calculations, and by means of replies to questionnaires, which are part of the sample tables, he presents the fulfilment of the provisions of the individual articles of the SMA- 1 and its implementing acts.</p>	<p>As already mentioned, the Agency grants the license to investment firm if among other documents the firm proves the establishment and organization of internal control and internal audit. The investment firm does not have to have a separate compliance department but is obliged to define in its general act the measures for the establishment and functioning of the system of internal controls in all areas of operation of the investment firm and measures for the establishment and functioning of an internal audit with a description of its tasks, authorisations and relationship to the management board of the investment firm.</p> <p>The external audit by the independent auditors is regulated by separate provisions, and must take place on an annual basis.</p> <p>According to A: 192, the Agency may require additional explanations from the external auditors with regard to the audit performed.</p> <p>An investment firm must publish the summary of the audited annual report with the auditor’s opinion in a daily newspaper and/or specialised financial journal published at least once in a month within fifteen days of its adoption at the general meeting of shareholders and no later than six months from the end of the calendar year, and the summary of the audited consolidated annual report with the auditor’s opinion no later than seven months from the end of the calendar year (A: 193 of the SMA- 1)</p> <p>In addition, based on prior consultation with the Slovenian Auditing Institute, the Agency prescribed a detailed form and minimum extent and contents of an audit and audit report. The Decision on the Minimum Scope and the Content of an Audit Inspection and of an Auditor's Report on an Investment Firm has been issued thereof, requiring from the auditors to include in the annual audited report of the investment firm amongst other the report on compliance with the rules of conduct and the report on functioning of the internal controls.</p> <p>In addition, sample tables in accordance with A:22 are approved by the Agency each year, being the tool used by the auditors when auditing the investment firms</p>
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13. An investment firm must ensure that the competent authority is informed, without undue delay, of serious breaches of the conduct of business rules. In assessing whether the breaches are serious, an investment firm must take into account the impact on regulatory goals and on the capacity to provide services, their frequency, the damages suffered by customers.	Parliament	SMA – 1: A: 127 A:129 A:132, P:2 A:198	Investment firms are according to the law and corresponding secondary legislation obliged to notify the Agency on all financial information (capital adequacy, solvency, exposure and liquidity), but are under the existing regulation not required to report on the operational problems in terms of the damages suffered by customers.  According to A: 127 the investment firm is also obliged to immediately report to the Agency on any inability to pay debts when due.  The investment firm is also obliged to notify the Agency about the measures or proposal regarding the measures taken to ensure the minimum capital required, if, due to increased capital requirements or any other reasons, the capital of the investment firm does not reach the required minimum.
14. The compliance function must: - regularly verify the adequacy of policies and procedures to ensure compliance with the regulations on investment services; - provide advisory assistance and support to the various business areas of the investment firm on problems concerning compliance with the regulations on investment services.		See under point 12 above.	
<b><i>10. An investment firm must be able to demonstrate that it has not acted in breach of the conduct of business rules and the internal code of conduct and that its organization, policies and procedures facilitate such compliance.</i></b>	Parliament  Securities Market Agency	A: 187  A:191 and 192  The Decision on the Minimum Scope and the Content of an Audit Inspection and of an Auditor's Report on an Investment Firm  A:15  A:16  A:22	



15. An investment firm must keep records relevant for the purpose of demonstrating compliance with the conduct of business rules, for a period of five years in order to enable the competent authority to verify compliance with these rules. Tape recording of orders must be kept for a period of one year.	Parliament  Securities Market Agency	SMA – 1:  A: 171  Decision on the Provision of Services with regard to Securities  A: 14	
16. An investment firm must keep a register of customer complaints related to the provision of the investment services and the measures taken for their resolution and must regularly verify whether complaints are adequately processed.		Not implemented.	It is not formally defined by the law or by-laws. Investment firms' clients regularly report their complaints to the Agency and on the basis of complaints the Agency in some cases initiates inspection of investment firms' operations.



Standard /Rule	Implementing authority(ies)	Implementing measure	Comments
<i>18. For the purpose of protecting customers from undue pressure to enter into a contract, cold calls can only be made to potential customers in accordance with the rules set out below.</i>	Securities Market Agency	Decision on Advertising with Regard to Securities and Services Related to Securities	<p>Cold calling as defined in points 18 to 24 of this table is not defined by the law. Each advertising performed by investment firms and addressed to clients (buying and selling certain securities, offering certain services...) must be reported to the Agency under the provision on advertising.</p> <p>As SMA –1 requires that prior to accepting the first individual client's order to buy or sell securities, the investment firm has to enter into general stockbroking agreement with the said client in writing, it is impossible to conclude a contract solely based on the cold calls made by the investment firm.</p> <p>Cold calling in other areas of marketing is regulated by the Act on Costumer Protection, but the area of financial services is specifically excluded – providing for a possibility to regulate it differently.</p>
19. Cold calls may only be made by persons employed by, or appointed as tied-agent <sup>7</sup> by an investment firm. Responsibility for the competence and activities of such persons rests with the firm.		Not implemented.	
20. An investment firm cold calling customers may do so only between the hours of 9.00 a.m. and 9.00 p.m. Monday to Saturday (local time for the customer) and excluding local national holidays.		Not implemented.	
21. The identity of the person making the cold call, the investment firm on whose behalf the person is acting, and the commercial purpose of the cold call must be explicitly identified at the beginning of any conversation with the consumer. The caller must also make reference to the frozen period (see par. 24) during which orders may not be executed.		Not implemented.	

<sup>7</sup> This is without prejudice to the applicability of professional requirements, imposed at national level.

22. The person making the cold call is also required to establish whether the potential customer wishes the cold call to proceed or not. An investment firm must abide by a request from the customer either to end the cold call and/or not to cold call again.		Not implemented.	
23. An investment firm must not exert undue pressure on a potential customer during the course of a cold call and must be able to demonstrate that this is not the case, for example, by recording any such telephone calls.		Not implemented.	
24. During the period for which the customer benefits from a right of withdrawal from the contract (as determined by Article 4.a of the Distance Marketing Directive), an investment firm shall not execute any customer orders in respect of financial instruments under the contract.		Not implemented.	

## **2. INFORMATION TO BE PROVIDED TO CUSTOMERS**

### **2.1) BASIC REQUIREMENTS**

<b>Standard /Rule</b>	<b>Implementing authority(ies)</b>	<b>Implementing measure</b>	<b>Comments</b>
<i>25. An investment firm must pay due regard to the information needs of its customers and communicate information to them that is fair, clear, and not misleading.</i>	Parliament	SMA-1 A: 139, P:2 and P:3 A: 140, P:1	
27. The firm must ensure that information provided to customers is clear and comprehensible. The content and purpose of the information should be easily understood and key items should be given due prominence. The method of presentation of the information must not disguise, diminish or obscure important warnings or statements.	Parliament	SMA-1 A: 139, P:2 and P:3 A: 140, P:1	The contents of documents and information communicated to clients by investment firms are in great extent defined by the Agency in its by-laws issued in accordance with the Securities Market Act. Also the Agency supervises investment firms' operations and checks the implementation of those rules in practice.

<p><b><i>26. An investment firm must supply its customers on a timely basis with the information that enables them to make informed investment decisions.</i></b></p>	<p>Parliament</p>	<p>SMA-1 A:144 A: 145, P:1 A: 152 A: 162 A: 163 A:166 A: 170</p>	<p>All these provisions regulate the reports, which must be supplied to the customer by the investment firm. The contents of these reports are set out by the Agency's Decision on the Provision of Services with regard to Securities.</p> <p>As for the information on the issuers of securities – which enables the investor to make an informed decision to buy or sell securities – this is regulated by the provisions on reporting by the issuers, also included in the SMA – 1 (A 62-67).</p>
<p>28. In supplying information on a timely basis the investment firm must take into consideration: a) the urgency of the situation and b) the time necessary for a customer to absorb and react to the information provided and c) the terms of business agreed with the customer.</p>	<p>Parliament</p>	<p>SMA-1  A: 144, P:2  A: 145, P:1 (immediately)  A: 152  A: 162  A: 163 (on an annual basis, shorter periods can be agreed upon) A: 166 (at each deposit or withdrawal) A: 170 (once every three months, shorter periods can be agreed)</p>	<p>Usually the SMA-1 prescribes the following working day as the day on which the client must be supplied by the relevant report/statement by the investment firm. In case of refusal to take an order the time frame is “immediately”.</p> <p>Statement on the balance of and transactions on an account is presented on an annual basis, with the possibility for shorter periods to be agreed upon between the investment firm and the client.</p> <p>Confirmation of deposit/withdrawal of securities, issued in writing and kept at the investment firm, must be issued at each deposit/withdrawal of such securities.</p> <p>Report on investment balance involving a statement of transactions must be presented to the client, for which the investment firm provides services with regard to securities management, once every three months, with the possibility for shorter periods to be agreed upon between the investment firm and the client.</p> <p>As already mentioned, the information on the issuers is to be supplied to the market and the investors by the issuers themselves.</p>

## 2.2.) MARKETING COMMUNICATIONS <sup>8</sup>

Standard /Rule	Implementing authority(ies)	Implementing measure	Comments
29. If an investment firm provides information in a marketing communication it must be fair, clear and not misleading.	Parliament	SMA-1 A: 135, P:2	
30. The promotional purpose of marketing communications issued by an investment firm must not be disguised.	Parliament          Securities Market Agency	Act on Protection of Costumers          Decision on Advertising with Regard to Securities and Services Related to Securities A: 2, Point 3	The Act on Protection of Costumers prescribes the rules of advertising, which also include the prohibition of misleading advertising and in addition the obligation of those firms, advertising on the Internet, to explicitly and clearly state, when the message is of marketing nature.
31. The information provided by an investment firm in a marketing communication must be consistent with the information it provides to its customers in the course of the provision of the investment services.	Parliament          Securities Market Agency	SMA-1 A: 135          Decision on Advertising with Regard to Securities and Services Related to Securities A: 2, Point 1 and 3	Prior to publication, the Agency must be informed of the content of an add.
32. Any marketing communication must contain at least the information about the investment firm defined in points a) and b) of paragraph 36. In case of a cross border marketing communication, the information provided must in addition state that information about the firm can also be obtained from or through the competent authority of the Member State where the customer resides.	Securities Market Agency	Decision on Advertising with Regard to Securities and Services Related to Securities A: 2, Point 3	

<sup>8</sup> This is without prejudice of EU or national provision requiring authorisation and/or other requirements affecting the provision of marketing services.

33. An investment firm must not use the name of the competent authority in such a way that would indicate endorsement or approval of its services.		Not implemented.	Each advertisement that investment firm is planning publish, must be submitted to the Agency. It checks the content of the information that is going to be communicated to the firm's clients or the general public.
34. Where a marketing communication refers to a financial instrument or an investment service it must contain at least the information referred to in points a) and d) of paragraph 40.		Decision on Advertising with Regard to Securities and Services Related to Securities A: 2, Point 2 and 3	

### **2.3) INFORMATION ABOUT THE INVESTMENT FIRM**

Standard /Rule	Implementing authority(ies)	Implementing measure	Comments
<i>35. Before providing investment services an investment firm must supply adequate information about itself and the services it provides.</i>	Parliament	SMA-1, A: 137 and 138	

<p>36. An investment firm must provide customers with the following information prior to the commencement of provision of investment services:</p> <ul style="list-style-type: none"> <li>a) the identity of the investment firm, the (financial) group to which the investment firm belongs, its postal address and telephone number;</li> <li>b) the fact that the investment firm is authorised and/or registered and the name of the competent authority that has authorised and/or registered it;</li> <li>c) the functions that the investment firm performs so that the customer is able to assess the scope of the firm's responsibilities;</li> <li>d) the relevant compensation scheme(s);</li> <li>e) where such a procedure exists, a description of the mechanism(s) for settling disputes between the parties such as an out-of-court complaint and redress mechanism;</li> <li>f) an outline of the firm's policies in relation to conflicts of interest and inducements;</li> <li>g) the languages in which the customer can communicate with the investment firm.</li> </ul>	Parliament	<p>SMA-1</p> <p>A: 137</p> <p>A: 139, P:2</p> <p>A: 140, P:1</p>	<p>As concerns the settling disputes between the parties (out-of court complaint and redress mechanisms) they are going to be solved in the amended Securities Market Act that is currently in the procedure of preparation by the Government.</p> <p>As regards the language it is not yet important issue in our investment firms, since there are practically no activities that would involve foreign customers in the Slovene investment firms. In case customers are interested in buying foreign securities they can go to a Slovene broker and he/she takes care of the order in other country.</p>
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#### 2.4) INFORMATION ON FINANCIAL INSTRUMENTS AND INVESTMENT SERVICES

Standard /Rule	Implementing authority(ies)	Implementing measure	Comments
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<b>37. An investment firm must inform customers of the key features of investment services and financial instruments envisaged, according to the nature of such instruments and services.</b>	Parliament	SMA –1 A: 139, P:2	
40. The information provided to customers can be delivered using standard documentation but must include the following as a minimum: a) a description of the main characteristics <sup>9</sup> of the instrument/service, including the nature of the financial commitment, whether the instruments involved are traded on a regulated market or not and the risks involved; b) price, including commissions, fees and other charges, relating to the transaction, the instrument or service; c) arrangements for payment and performance; d) details on any cancellation rights or rights of reflection that may apply.	Parliament	SMA-1, A: 137 and 138	As regards footnote 6 – currently there is no organized derivative market in Slovenia.
<b>38. An investment firm must communicate clearly and precisely to the customer all the charges relating to the services or instruments envisaged and how the charges are calculated.</b>	Parliament	SMA-1 A: 138	Investment firms have to report to the Agency any changes in general conditions of operations as well as their price list for providing services to clients. The price list of investment firm must be delivered to clients together with the general conditions of investment firm's operations. According to A:138, the investment firm must also at each premises where its clients are serviced, enable easy access to the price list.
41. The information to be disclosed to customers on commissions, charges and fees must contain: a) the basis or amount of the charges for transactions, products or services, detailing, where appropriate, the percentage or rate applicable, the frequency with which it is applied, any maximum or fixed minimum fees and, where the commission or fee must be paid in foreign currency, the currency involved; b) if various investment firms are to be involved in a transaction or service, an estimate of the other fees that will be payable.	Parliament	The same as under 38.	The same as under 38.
42. In order to give a fair and adequate description of the investment service or financial instrument, an investment firm must avoid accentuating the potential benefits of an investment service or financial instrument without also giving a fair indication of the risks.	Parliament	SMA-1 A: 111, P: 2  A:139, P: 2	

<sup>9</sup> If the customer envisages undertaking transactions in derivatives, the information provided must include an explanation of their characteristics (especially the leverage effect, the duration of the contract, the liquidity and volatility of the market), a description of their underlying parameters (e.g. equities/interest rates/currencies), and the method to be used to execute the customer's transactions (in particular, whether on a regulated market or not).

43. The fair and adequate description of a compound product must contain all the relevant characteristics of the composite instruments including, for example, the different services involved, the duration of the product, whether the instrument involves credit, the interest due, etc.		Not implemented.	Not a usual practice and no special rules for composite instruments.
44. The information on financial instruments and investment services must not state or imply that the performance of services or of the investment is guaranteed unless there is a legally enforceable arrangement to meet in full an investor's claim under the guarantee. Sufficient detail about the guarantor and the guarantee must be provided to enable the investor to make a fair assessment of the guarantee.		Contract between investment firms and their clients on asset management are under the Agency's supervision.  As regards guarantees they may be defined by the agreement on asset management between investment firm and a client. In this case the firm is obliged to perform services in order to meet the obligation for guaranteed yield.	
45. When information provided refers to a particular tax treatment the investment firm must advise the customer that the tax treatment depends on his personal situation and is subject to change and that he may wish to obtain independent tax advice.		Information on taxes is a part of general conditions of operation, the price list and each statement of account sent to clients after the transactions are executed.	
<b><i>39. If information provided by an investment firm refers either to the past performance or to a forecast of the future performance of a financial instrument or investment service, this information must be relevant to the instrument or service being promoted and the source of the information must be stated.</i></b>	Securities Market Agency	Decision on Advertising with regard to securities and services related to securities  A: 2, P:2 and 3	It is a part of investment firms' advertising activities, supervised by the Agency.
46. If a reference to historical performance of investment services or financial instruments is made, it must be clearly expressed that the figures refer to the past, and that they may not constitute reliable guidance as to the performance of these services and instruments in the future.		Please refer to 39 above	

<p>47. The use of simulated returns is prohibited. If the information refers to actual returns based on past performance:</p> <ul style="list-style-type: none"> <li>a) the reference period must be stated and must not be less than one year;</li> <li>b) where returns relate to more than one year, they must either be reduced to a compound annual rate or stated separately as annual returns;</li> <li>c) where a compound annual return is presented for more than one year, a reference period of five years must be used provided the relevant data are available. If the relevant data are not available over a reference period of five years (e.g. because the financial instrument or the investment portfolio has not existed for such a period), the returns may be measured from the issue date or the date on which the portfolio was established;</li> <li>d) where a benchmark is used to compare returns, it must be identified and its reference period must be relevant, clear and sufficient to provide a fair and balanced indication of performance of the investment service or financial instrument being promoted;</li> <li>e) if the return figures are not denominated in local currency, the currency used must be stated and reference shall be made to the currency risk for the return in local currency;</li> <li>f) the information for the comparison should be based on net performances or if it is based on gross performances commissions, fees or other charges have to be disclosed.</li> </ul>		Please refer to 39 above.	Not all information is covered in such a detailed manner. Generally investment firms' advertising is not so complex as stated under 47 (left).
48. The relevant provisions on actual returns shall apply to the method of calculating and presenting any future returns. Information on estimated future returns must state that these future returns are forecasts. Such forecasts must in turn be based on objective, realistic assumptions of investment returns.		Please see under the 39 above.	
49. Any estimate, forecast or promise contained in the information on financial instruments and investment services must be clearly expressed, must state the assumptions on which it is based, must be relevant and must not mislead the customer.		Please refer to 39 above	
<p>50. If information provided contains comparisons, the requirement of being fair, clear and not misleading means that the comparisons must:</p> <ul style="list-style-type: none"> <li>a) be based either on data from attributed sources or disclosed assumptions;</li> <li>b) be presented in a fair and balanced way;</li> <li>c) take reasonable steps not to omit any fact that is material to the comparison.</li> </ul>		Please refer to 39 above	

## **2.5) RISK WARNINGS**

Standard /Rule	Implementing authority(ies)	Implementing measure	Comments
<i>51. An investment firm must provide its customers with risk statements that warn of the risks associated with financial instruments and transactions having regard to the customer's knowledge, experience, investment objectives and risk profile.</i>	Parliament	SMA-1 A: 139	
<p>53. An investment firm must provide its customers with risk warnings as appropriate. Instances where the type of instrument or transaction envisaged makes specific risk warnings necessary include:</p> <ul style="list-style-type: none"> <li>- financial instruments not traded on a regulated market;</li> <li>- transactions in illiquid financial instruments;</li> <li>- leveraged transactions;</li> <li>- financial instruments subject to high volatility in normal market conditions;</li> <li>- securities repurchase agreements or securities lending agreements;</li> <li>- transactions which involve credit, margin payments or the deposit of collateral;</li> <li>- transactions involving foreign exchange risk.</li> </ul>		Please see above under 51	
<p>53. The investment firm must also, where necessary, inform the customer of risks associated with:</p> <ul style="list-style-type: none"> <li>a) clearing house protections (e.g. that although the performance of a transaction is sometimes 'guaranteed' by the exchange or clearing house this guarantee will not necessarily protect the customer in the event of default by the investment firm or another counterparty);</li> <li>b) suspension of trading or listing (e.g. that under certain trading conditions it may be impossible to liquidate a position);</li> <li>c) insolvency (e.g. that in the event of default of an investment firm involved with the customer's transaction, positions may be liquidated automatically and actual assets lodged as collateral may be irrecoverable).</li> </ul>		Please see above under 51	

52. Risk warnings must be given due prominence. They must not be concealed or masked in any way by the wording, design or format of the information provided.	Parliament	SMA- 1: A: 139 A: 141	
54. Risk warnings about derivatives must disclose that the instrument can be subject to sudden and sharp falls in value. Where the investor may not only lose his entire investment but may also be required to pay more later, he must also be warned about this fact and the possible obligation to provide extra funding.		Currently no organized derivative market exists.	

## 2.6. CUSTOMER REPORTING

Standard /Rule	Implementing authority(ies)	Implementing measure	Comments
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55. <i>An investment firm must ensure that a customer is provided promptly with the essential information concerning the execution of his order.</i>	Parliament	SMA – 1 A: 145, P: 1 A: 152	According to the Securities Market Act and by-laws issued on its basis, investment firms have to send confirmations of orders as well as completed transactions to their clients.
58. No later than the first business day following the execution of the transaction or receipt of confirmation of execution by a third party, an investment firm must send to the customer <sup>10</sup> , by fax, mail or electronic means (provided the firm reasonably believes that the customer can store it on a permanent medium), a contract note or confirmation notice which includes the following information: a) the name of the firm; b) the name of the customer account; c) the time of execution, if available, or a statement that the time of execution will be supplied on request; d) date of execution; e) the type of transaction; e.g. buy, sell, subscription etc.; f) the market on which the transaction was carried out or the fact that it was carried out off-market; g) the financial instrument and the quantities involved in the transaction; h) the unit price applied and the total consideration; i) whether the customer's counterparty was the investment firm itself or any related party; j) the commissions and expenses charged; k) the time limit and procedure for the settlement of the transaction, e.g. details (name and number) of the bank account and securities account. If a transaction is not executed within one business day of receipt of the customer order, an investment firm must send a written confirmation of the order to the customer. The confirmation notice must include customer order details, date and time of reception and, where applicable, date and time of transmission.	Securities Market Agency	Decision on the provision of services with regard to securities; A: 4	
59. The investment firm must notify the customer immediately if it refuses to accept or transmit an order. The firm must inform customers as soon as possible if it is unable to transmit their orders.	Parliament	SMA-1; A: 145	

<sup>10</sup> The reference to “send to the customer” includes to a tied-agent, other than the firm, nominated by the customer in writing.

56. <i>Where an investment firm has control of, or is holding assets belonging to a customer, it must arrange for proper identification and regular confirmation of such assets to the customer.</i>	Parliament	SMA-1; A: 151 (cash)  SMA-1; A: 155 and A: 156 (securities)	<b>SECURITIES ARE ISSUED IN DEMATERIALIZED FORM AND THE REGISTER IS KEPT AND RAN BY THE CENTRAL SECURITIES CLEARING COMPANY (KDD)</b>
60. An investment firm must send to its customer at least once a year or as often as agreed with the customer a statement of all assets held in custody on behalf of each customer. The statement must also: <ul style="list-style-type: none"> <li>a) identify assets which have been pledged to the firm or any third parties as collateral;</li> <li>b) identify assets which have been lent;</li> <li>c) clearly and consistently show movement of assets based on either trade date or settlement date.</li> </ul>	Parliament	SMA-1, A: 163	Dematerialized securities are kept on each individual customer's account kept with the KDD and are not on a house account of an investment firm.
57. <i>An investment firm that operates customer accounts, which include uncovered open positions, must provide regular statements of such positions.</i>	Parliament	SMA-1, A: 170	
61. Where an account includes uncovered open positions <sup>11</sup> , an investment firm must send to its customer a monthly statement, which includes the following: <ul style="list-style-type: none"> <li>a) information about the options contract, e.g. market price, date of exercise, exercise price, as well as any incidental costs connected with the exercise;</li> <li>b) each payment made by the customer as a result of the margin requirements in respect of the open positions and the amount of the unrealised profit or loss attributable to open positions;</li> <li>c) the resulting profit or loss arising from positions closed during the period.</li> </ul>		Not implemented.	Margin requirements are not regulated issue, no organized derivative market exists.

<sup>11</sup> Examples of uncovered open positions include:

- (1) short positions on cash instruments;
- (2) selling a call option on an investment not held in the portfolio;
- (3) unsettled sales of call options on currency in amounts greater than the portfolio's holding of that currency in cash or in readily realisable securities denominated in that currency;
- (4) transactions having the effect of 'selling' an index to an amount greater than the portfolio's holdings of designated investments included in that index.

### 3. THE “KNOW-YOUR-CUSTOMER STANDARD” AND THE DUTY TO CARE

#### 3.1 INFORMATION FROM THE CUSTOMER

Standard /Rule	Implementing authority(ies)	Implementing measure	Comments
<i>62. Prior to providing any investment service to a customer for the first time and throughout the business relationship, an investment firm must be in possession of adequate documentation on the identity of the customer, as well as the identity and legal capacity of any representative of the customer.</i> <i>In addition, prior to providing any investment service the investment firm must seek to obtain from the customer information enabling an investment firm</i> <i>a. to determine whether the investment services envisaged are appropriate for the customer<sup>12</sup> and</i> <i>b. to meet any duties owing to the customer in respect of the services to be provided.</i>	Parliament  Securities Market Agency	SMA-1  A: 139, P: 3  A: 142, P:2 Decision on the Provision of Services with regard to securities  A: 2	
63. The “know-your-customer” standard applies to each investment firm having a direct business relationship with the customer with respect to investment services. However, where two or more investment firms are involved in providing an investment service and each has a direct relationship with the customer, an investment firm may rely on the information received from another of such investment firms.		Not implemented.	

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12 This is not considered to be investment advice according to the definition of the paper.



64. An investment firm must obtain evidence of the identity of its customers in accordance with national laws and regulations implementing the provisions of Council Directive 91/308 on the prevention of the use of the financial system for the purpose of money laundering. Until such evidence is obtained, an investment firm must not provide any investment services to the customer concerned.	Securities Market Agency	Decision on the Provision of Services with regard to securities A: 2	By-laws that the Agency issued on the basis of the Securities Market Act (and also other laws, such as Investment Funds and Management Companies Act) take the requirements of money laundering prevention regulation into account.
65. An investment firm must seek to obtain information on the customer's knowledge and experience <sup>13</sup> in the investment field, his investment objectives and risk profile, <sup>14</sup> his financial situation/capacity and any trading restrictions applicable to the customer. The extent of the information required will vary according to the standards laid down in paragraph 62, second subparagraph.		Please see under point 62 (comment on the contract to perform individual types of services related to securities)	
66. An investment firm shall be entitled to rely on the information provided by the customer, unless it is manifestly inaccurate or incomplete or the firm is aware that the information is inaccurate or incomplete. In this case paragraph 69 applies.	Parliament	SMA-1, A: 136	According to the law, an investment firm must endeavour to acquire information from the client. And the contract must in written form.
67. An investment firm must take reasonable care to keep the customer profile under review, also taking into consideration the development of the relationship between the investment firm and the customer. The customer must be advised that he should inform the investment firm of any major changes affecting his investment objectives, risk profile, financial situation/capacity, trading restrictions, or the identity or capacity of his representative. Should the firm become aware of a major change in the situation previously described by the customer, it must request additional information.	Parliament	SMA-1, A: 136	
68. An investment firm must draw up and implement appropriate written internal policies and procedures to keep and update all documents required for customer identification and profile, as well as records of customer addresses and telephone/fax numbers.	Parliament	SMA-1; A: 174  A: 175	

<sup>13</sup> Information on the customer's investment knowledge and experience includes the types of services, transactions and products the customer is familiar with and his trading history, i.e. the nature, volume, frequency and timeframe of his transactions.

<sup>14</sup> Information on the customer's investment objectives and risk profile includes the temporal horizon of the customer's future investments, as well as his preferences regarding risk-taking and recurrent income.

69. An investment firm must warn the customer that any refusal to supply information may adversely affect the ability of the investment firm to act in the best interest of the customer. If a customer refuses to supply information the investment firm must warn him in writing that this may adversely affect the ability of the investment firm to act in his best interest.	Parliament	SMA-1; A: 134	According to the Decision on provision of services with regard to securities, the item in a contract to perform services could be that the client refuses to provide information on his educational qualifications and profession, his experience in the area of investments, financial capacity, etc.
70. The customer should not be invited not to provide information.	Parliament	SMA-1 A:139, P:3	

### 3.2 THE INVESTMENT FIRM'S DUTY TO CARE FOR THE CUSTOMER <sup>15</sup>

Standard /Rule	Implementing authority(ies)	Implementing measure	Comments
<i>72. When an investment firm provides investment advice to the customer, it must have reasonable grounds to believe, in light of the information disclosed to it by the customer and the information available to it, including the information arising from the customer relationship, that this investment advice is suitable for him. The investment firm must communicate the reasons why the advice is considered to be in the best interest of the customers at the time the advice is given.</i>		The provisions on the relationship between the investment firm and customers under the prudential rules, defined above apply.	

<sup>15</sup> After having obtained the information from the customer according to chapter 3.1., the extent of an investment firm's duty to care for the customer depends on the nature of the investment service to be provided: where the service to be provided is a full hand-holding service of transmission or execution of order par. 72-76 apply; where the service to be provided is the pure transmission or execution of orders (This implies that no investment advice is provided and that suitability will not be tested on a transaction-by-transaction-basis) par. 74, 76 and 77 apply.

<b>73. Before accepting an order an investment firm must take reasonable care to verify that the order is suitable for the customer in light of the information disclosed to it by the customer and the information available to it, including the information arising from the customer relationship.</b>		Please see above under 62.	Generally A: 146 of the SMA-1 applies; (2) An investment firm is obliged to execute the order in accordance with the statement of that order, given by the client.
75. Where an investment firm receives an order regarding a transaction that it considers – in the light of the information disclosed to it by the customer and the information available to it, including the information arising from the customer relationship – not suitable <sup>16</sup> for the customer, it must advise the customer accordingly and provide appropriate information on the transaction, including any necessary risk warning. The investment firm may transmit or execute the order only if the customer nonetheless confirms his intention to proceed with the transaction in writing or by telephone and recorded, and provided that such confirmation contains an explicit reference to the warning received.		Please see above and the details on the confirmation on the receipt of client's order defined by the Decision on the provision of services with regard to securities.	
<b>74. An investment firm must take reasonable care to verify that the customer has sufficient financial resources to settle the proposed transaction.</b>		As concerns financial resources of clients, the law does not define those requirements. Financial resources for buying transactions and potential credit facilities are defined in so called general conditions of operation that each investment firm must provide to its customers. Those general conditions of operations are approved by the Agency.	There is a T+2 settlement period in Slovenia.
76. An investment firm may accept an order without having taken reasonable steps to verify the immediate availability of the funds (securities) necessary for carrying out the related purchase (sale) only if an adequate credit facility has been agreed on beforehand.		Please see 75 above.	

<sup>16</sup> A transaction may be considered unsuitable for a customer, *inter alia*, because of the instrument involved (e.g. derivatives), because of the type of transaction (e.g. sale of options), because of the characteristics of the order (e.g. size or price specifications) or because of the frequency of the customer's trading.

77. Where the service to be provided is the pure transmission or execution of orders (either through a special distribution channel, in individual cases or generally) the customer must be made aware of this fact prior to the transaction taking place for the first time. On the basis of the information obtained from the customer on opening the account, the investment firm will define an appropriate service including investment parameters, i.e. types of instruments, types of transactions and types of orders, and inform the customer accordingly. Where the investment firm receives an order regarding a transaction, which is not in line with the defined investment parameters, it must warn the customer accordingly and provide appropriate information on the transaction, including any necessary risk warning(s). The investment firm may transmit or execute the order only if the customer nonetheless confirms his intention to proceed with the transaction in writing or by telephone and recorded, and provided that such confirmation contains an explicit reference to the warning received.		The rule on clients' orders applies. They must be executed as they are set, but the investment firm must warn client on any specialities in the order. After warning and consultation given, the investment firm must confirm any acceptance of the order, in written form.	
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#### 4. CUSTOMER AGREEMENTS

##### 4.1) BASIC CUSTOMER AGREEMENT

Standard /Rule	Implementing authority(ies)	Implementing measure	Comments
<i>78. Prior to providing any investment service, an investment firm must enter into a signed written agreement with the customer setting out the rights and obligations of the parties, a description of the services to be provided, and all other items of information necessary for the proper understanding and performance of the agreement.</i>	Parliament	SMA-1; A: 141	For the detailed content of the contract, please see under point 62.
<i>79. The customer agreement must be clear and easily understandable by the customer.</i>	Parliament	– “” –	

<p>80. The customer agreement must contain the following items as a minimum:</p> <ul style="list-style-type: none"> <li>a) the identity, postal address and telephone number of each of the parties;</li> <li>b) the names of any persons authorised to represent the customer for the purposes of the agreement, in particular the names of the natural persons authorised to represent the customer who is a legal entity;</li> <li>c) the investment firm's general terms of business for investment services and any particular terms agreed between the parties concerning, e.g. margin requirements or potential obligations where securities may be purchased on credit</li> <li>d) a general description of the investment services, including custody, offered by the investment firm and the types of financial instruments to which such services relate;</li> <li>e) the types of orders and instructions that the customer may place with the investment firm, the medium/media for sending them (e.g. by telephone, E-mail or post) and the alternative medium to be used when normal media are unavailable;</li> <li>f) the information to be given by the investment firm to the customer regarding the performance of services including the medium/media for sending the information and the type, frequency and rapidity of the information to be given e.g. regarding order execution or portfolio evaluation;</li> <li>g) details of the investment firm's fees and prices for investment services, including information on how they are to be calculated, the frequency with which they are to be charged and the manner of payment;</li> <li>h) the name of the competent authority which has authorised the investment firm;</li> <li>i) the law applicable to the contract, as ascertained to the best of the knowledge of the firm or as agreed between the parties;</li> <li>j) the duration of the agreement and the procedures for amending, renewing, terminating or withdrawing from it;</li> <li>k) where such a procedure exists, a description of the mechanism for settling disputes between the parties such as an out-of-court complaint and redress mechanism;</li> <li>l) the actions that the investment firm shall or may take in the event the customer does not honour his obligations (e. g. payment of money due to the investment firm), in particular whether the investment firm is allowed to dispose of any of the customer's assets, the timeframe for doing so and the information to be given to the customer in such circumstances;</li> <li>m) the languages in which the customer can communicate with the investment firm.</li> </ul>	<p>29</p>	<p>Please see under 62 and 78.</p> <p>Detailed information on clients are kept also under the requirements of A: 172 of the SMA-1 (Record of clients) and the Decision on the provision of services with regard to securities (A: 9)</p>	
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81. Rather than containing all the above items itself, the contract may refer to other documents containing certain of them, e.g. the general terms of business, the types of investment services offered, the types of orders and information to be sent by the parties and the fee schedule, provided that all the contractual documents so referred to are provided to the customer prior to the signing of the contract.		Please see above.	
82. Where a custody service related to the other services provided by the firm to the customer is provided, either directly by the investment firm party to the contract with the customer or indirectly by another investment firm, the contract must contain at least a brief indication of the rights and obligations of the parties, including the provisions relating to the exercise of voting rights attaching to the securities held.		Custodian services have been introduced for investment funds by the newly accepted Investment Funds and Management Companies Act (in force from January 2003).	
83. The contract must state that any modification of the agreement by the investment firm, e.g. regarding fees, requires the prior notification of the customer, and the contract must provide a sufficient opportunity for the customer to terminate the agreement.		Defined in general conditions of operation that deals with the relationship between the investment firm and clients. Each changes of general conditions of operations as well as price lists of investment firms must be sent to the Agency for approval. Clients have to be notified of the changes.  Article 89 of the Dematerialized Securities Act	The Government gives it consent after the Agency approves the rate of charges (Price list). When investment firms report to the Agency on their General Conditions of Operation and their own price list of charges to the customers the Agency is in a position to demand their changes in case the price list (the charges for investment firms' clients) are not in accordance with the price list of the Central Securities Clearing Company. And also after investment firms notify their clients on the changes of General Conditions of Operation and their price lists they give the clients opportunity to react in a few days after the receipt (they are able to terminate the agreement with the investment firm) otherwise it is understood that they agree with the changes. Please see the Decision on the reporting of investment firms (Article 9). As regards supervision over investment firms, general provisions in the Securities Market Act apply.

84. A copy of the agreement signed by the customer (and any related contractual documents) must be kept by the investment firm for the duration of the customer relationship and for at least five years after the end of the relationship; a copy must be provided to the customer immediately after signing, and at any time subsequently on request.		According to the amended Decision on provision of services with regard to securities (A: 14), an investment firm must store the documents provided for in the named Decision for at least 10 years after the end of the financial year in which the business event demonstrated by the document was concluded, and records for the last ten completed financial years.	
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#### 4.2) CUSTOMER AGREEMENT INVOLVING TRADING IN DERIVATIVES

Standard /Rule	Implementing authority(ies)	Implementing measure	Comments
<i>85. Prior to providing the services of reception/transmission and/or execution of orders involving derivatives, a customer agreement containing the relevant provisions of the basic customer agreement as well as certain additional provisions specific to trading in derivatives must be signed between the parties.</i>		Not implemented.	Currently no organized derivative market exists in Slovenia. The law provides that each person that intends to organize derivative trading must obtain the Agency's license for it. The same applies for notification of any new derivative product introduction on the market.
86. In addition to the relevant items of the basic customer agreement, where the firm provides services involving derivatives, the customer agreement must contain: <ul style="list-style-type: none"> <li>- the type(s) of instruments and transactions envisaged,</li> <li>- the obligations of the investment firm with respect to the transactions envisaged, in particular its reporting and notice obligations to the customer,</li> <li>- the obligations of the customer with respect to the transactions envisaged, in particular his financial commitments toward the investment firm and the time allowed for honouring such commitments,</li> <li>- an appropriate warning calling to the customer's attention the risks involved in the transactions envisaged.</li> </ul>		Not implemented.	

87. The contract must mention the types of transactions envisaged, in particular whether the customer intends to undertake transactions giving rise to contingent liabilities, the types of instruments envisaged, in particular whether they are traded on a regulated market or not, and it must refer to the documentation on such instruments provided by the investment firm to the customer for information purposes.		Not implemented.	
88. The contract must provide for the immediate confirmation of derivatives transactions and the immediate notice to the customer of his payment obligations as they arise, as well as the procedures to be used for such confirmation and notice.		Not implemented.	
89. The contract, or the documentation referred to in the contract, must provide adequate information on any margin requirements or similar obligations, regardless of the source of such rules and requirements, e.g. an exchange or clearing house, or the investment firm itself. This document must indicate how margin will be calculated and charged, the assets (cash, securities, etc.) accepted as margin, the frequency of margin calls and the timetable for the delivery or payment of margin by the customer to the investment firm. The contract must require immediate notification to the customer of any change in margin rules.		Not implemented.	
90. The warning given to the customer should reflect the transactions envisaged, in particular where potential losses may exceed the amounts invested, as well as the experience, knowledge and financial situation/capacity of the customer or type of customer involved, and should be given due prominence in the contract.		Not implemented.	

## **5.- DEALING REQUIREMENTS**

### **5.1) RECEPTION AND TRANSMISSION OF CUSTOMER ORDERS**

<b>Standard /Rule</b>	<b>Implementing authority(ies)</b>	<b>Implementing measure</b>	<b>Comments</b>



91. <i>An investment firm must record and process customer orders in accordance with the customer's instructions and in such a way as to facilitate best execution.</i>	Parliament	SMA-1; A: 146	A: 147 of the SMA-1 An investment firm executes orders to buy and/or sell securities on the organised market by entering the appropriate offer or demand in the central information base of the stock exchange information system.
93. An investment firm must ensure that, prior to their transmission for execution, orders given by customers are clear and precise and include the following: a) the name of the customer and of any person acting on his behalf, b) the date and time of the order, c) the financial instrument to be traded, d) the size of the order, e) the nature of the order, e.g., subscription, buy, sell, exercise etc., f) any other relevant details and particular instructions from the customer for the order to be properly transmitted and executed, e.g. limit orders, validity period and market of execution; g) the account for which the order has to be executed.	Parliament	SMA-1; A: 144 - Decision on the Provision of Services with regard to Securities, A: 3  PLEASE SEE THE COMMENTS	- any other conditions for the execution of the order and in the case of an order for execution abroad also the foreign securities market on which the order is to be executed and the business name and head office address of the organization that will execute the order abroad,  - the full name and signature of the responsible person of the firm.  Those provisions apply also accordingly in the case of a change to an order or the cancellation of an order.
94. An investment firm must record orders immediately, documenting and verifying all relevant items of proper execution.	Parliament	SMA-1; A: 144, P:2  SMA-1; A: 173	Investment firms are obliged to run an order book of all orders of clients, investment firms' own orders and other in a way that it is always possible to check all the orders and matching transactions. This is a subject of Agency's supervision of investment firms.
95. An investment firm must keep a record of telephone orders on magnetic tape or an equivalent medium. Investment firms must duly inform the customer that the conversation will be recorded.	Parliament		Record of telephone orders is considered a part of documentation that each investment firm is obliged to keep according to the regulation. It must be presented to the Agency in case of the supervision.
96. Before transmitting orders on behalf of several beneficiaries on an aggregated basis, an investment firm must pre-assign such orders in order to ensure that they can identify and match the orders with the relevant customer at any time.	Parliament	SMA-1; A: 149	

97. An investment firm must transmit orders promptly and sequentially and must take all reasonable care to transmit orders in a way to facilitate their best execution, taking into account all relevant details of the process of transmission, e.g. the size and characteristics of the order.	Parliament	SMA-1; A. 147, P:3	
<i>92. An investment firm must ensure that the firm and its members of the board, directors, partners, employees and tied-agents do not use the information they possess on customers orders to the disadvantage of customers' interest.</i>	Parliament	SMA-1; A: 178	
98. An investment firm must take all reasonable steps to refrain from transmitting orders for its own account or the account of its members of the board, directors, partners, employees and tied-agents before those of customers in identical or better conditions than the latter ("front running").	Parliament	SMA-1; A: 147, P:4	
99. An investment firm, which aggregates orders, must pre-assign such orders prior to transmitting them.	Parliament	SMA-1; A: 149, P: 3	There is a requirement that is valid for the transactions executed for a joint account.
100. An investment firm may transmit orders for its own account and for its customers account on an aggregated basis when it is clearly in accordance with the best interest of the customer and provided that the best execution standard is respected.	Parliament	Please see under 99.	
101. In the case of orders in connection with public offers of securities, an investment firm may transmit such orders provided that they offer the relevant prospectus to the customer or informs the customer where it is available.	Parliament	SMA-1; A:32	Securities in IPO are subscribed and paid –in at investment firms (brokerage companies and banks licensed for performing investment services in the securities field) and only with firms that are defined by the prospectus for public offering of securities and approved by the Agency.

## 5.2) EXECUTION OF ORDERS

Standard /Rule	Implementing authority(ies)	Implementing measure	Comments
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<i>102. An investment firm must take all care to obtain the best possible result for the customer with reference to price, costs born by the customer, size, nature of the transactions, time of reception of order, speed and likelihood of execution and trading venue taking into account the state of the relevant market(s). The relevant market(s) shall be deemed to be the market(s) offering the most favourable trading conditions also in terms of transparency, liquidity and clearing and settlement arrangements in connection with the envisaged transaction. If the investment firm executes in another trading venue, it must be able to demonstrate to the customer that this was done in accordance with his best interest.</i>	Parliament	SMA-1; A: 136  SMA-1; A: 139	Please see also the provisions on this subject, defined above.
104. An investment firm acting as principal in relation to a customer order must inform the customer accordingly beforehand and must be in a position to justify the price at which the transaction is executed, with reference to the prices and volumes in the relevant market(s), where appropriate, or the presumed value determined on the basis of objective elements, e.g. mark-to-market.		Not implemented	
105. An investment firm must take all reasonable steps to refrain from executing orders for its own account or the account of its members of the board, directors, partners, employees and tied-agents before those of customers in identical or better conditions than the latter ("front running").	Parliament	SMA-1; A: 147, P:4	
<i>103. An investment firm must ensure that orders are executed in accordance with the instructions from the customer.</i>	Parliament	SMA-1; A: 146, P:2	
106. An investment firm must execute orders promptly and sequentially, unless the characteristics of the order and/or prevailing market conditions make this impossible or require otherwise in the interest of the customer.	Parliament	SMA-1; A: 147	
107. Customer orders may be matched internally only if such offsetting is clearly in accordance with the best interest of the customers involved and provided that the best execution standard is respected.		Please see under point 96.	
108. If an investment firm aggregates orders, it must pre-assign such orders prior to executing them.		Please see under point 99.	
109. The price received or paid by the customer shall be identified separately from the fees and costs to the customer.	Parliament  Securities Market Agency	SMA-1; A: 152  - Decision on the Provision of services with regard to securities, A: 4	

110. An investment firm must inform customers of relevant risks or impediments for the proper execution of the orders. If, due to market conditions, or for any other reason, an order cannot be executed according to the instructions given by the customer, an investment firm must ensure that the customer is duly informed as soon as possible.	Parliament	SMA-1; A: 144  SMA-1; A: 145	Please see also provisions on protection of client's interests (A: 139 of the SMA-1)  Investment firm must notify the client also if the conditions for execution on the market change in the way that the order can not be executed.
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### 5.3) POST- EXECUTION OF ORDERS

Standard /Rule	Implementing authority(ies)	Implementing measure	Comments
<i>111. An investment firm must ensure the proper and speedy recording, allocation and distribution of executed transactions.</i>	Parliament	SMA-1; A: 147, P:3  SMA-1; A: 150, P:1	
113. An investment firm must record the essential elements of transactions, including those carried out for its own account, immediately after their execution. An investment firm must record in an analogous manner the orders they give and the transactions they carry out for the purpose of remedying errors made in recording, transmitting or executing orders.	Parliament	SMA-1; A: 172  SMA-1; A: 173	
114. An investment firm must ensure that once a transaction is executed it is promptly allocated to the account of the relevant customer(s).	Parliament		Please see under 111 (SMA-1, A: 150 an allocation of securities on clients' accounts)
<i>112. Where orders for own and customer accounts have been aggregated, the investment firm must not allocate the related trades in any way that is detrimental to any customer. If such an aggregated order is only partially executed, allocation to customers must take priority over allocation to the investment firm.</i>	Parliament	SMA-1; A: 149, P:3	SMA-1, A: 149, P:2  In trading for a joint account, an investment firm is not allowed to make deals for its own account and/or for the accounts of those employed with it.

115. Where an order has been executed in several tranches, the investment firm must inform the customer about the price of execution of each tranche, unless the customer requests an average price. If customer orders have been aggregated and such an aggregated order has been partially executed, the investment firm must allocate the related trade on a proportional basis, unless the firm has a different allocation policy and the customers involved have been informed accordingly prior to the execution. An investment firm must have procedures in place to prevent that reallocation of principal transactions executed along with customers transactions on an aggregated basis give unfair preference to the investment firm or to any of its customers for whom it deals.		Statement of all transactions executed for a client has to show each individual transaction, even if the whole order is executed in tranches. There is no requirement for an average price. The customer receives information on all tranches with different prices and the sum that must be paid for the order. As regards aggregated order please refer to the points in the table where there the law provisions on the execution of a joint order is defined.	
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## **6. INDIVIDUAL DISCRETIONARY PORTFOLIO MANAGEMENT**

In addition to the foregoing standards and rules, additional provisions apply to the service of individual portfolio management.

### **6.1. CUSTOMER AGREEMENTS FOR DISCRETIONARY PORTFOLIO MANAGEMENT**

Standard /Rule	Implementing authority(ies)	Implementing measure	Comments
<i>116. Prior to the provision of any discretionary portfolio management service, a customer agreement containing the relevant provisions of the basic customer agreement mentioned above, as well as certain additional provisions specific to portfolio management must be signed between the parties.</i>	Parliament	SMA-1; A: 168	

<p>118. Instead of the items referred to in paragraph 80.e) , the customer agreement must contain:</p> <ul style="list-style-type: none"> <li>a) the management objective(s) and any specific constraints on discretionary management,</li> <li>b) the types of financial instruments that may be included within the portfolio and the types of transactions that may be carried out in such instruments, including any related limits.</li> </ul> <p>In addition to the above, the customer agreement must contain:</p> <ul style="list-style-type: none"> <li>c) without prejudice of paragraph 121, the benchmark against which performance will be compared,</li> <li>d) the basis on which the instruments are to be assessed at the date of valuation,</li> <li>e) details regarding the delegation of the management function where this is permitted.</li> </ul>	Parliament	SMA-1; A: 168	
119. The contract must indicate the objectives and the level of risk agreed upon, and any particular constraints on discretionary management resulting from the customer's personal circumstances as referred to in paragraph 62 or his request to exclude certain types of investments (certain business sectors for example).		Please see 118 above.	
<p>120. If an investment firm is mandated to invest in any of the following types of instruments or to undertake any of the following types of transactions, the contract must state so explicitly and provide adequate information on the scope of the investment firm's discretionary authority regarding these instruments and transactions:</p> <ul style="list-style-type: none"> <li>- financial instruments not traded on a regulated market,</li> <li>- illiquid or highly volatile financial instruments,</li> <li>- leveraged transactions,</li> <li>- securities repurchase agreements or securities lending agreements,</li> <li>- transactions involving credit, margin payments or deposit of collateral,</li> <li>- transactions involving foreign exchange risk.</li> </ul>	Parliament	SMA-1; A: 169	<p>Provisions are determined by the management contract defined above. Margin trading is not allowed also as mentioned before, currently no organized derivative market exists.</p> <p>Provisions on the method of order execution, protection of clients' interests and others apply also to the chapter on clients' assets management.</p>
121. For information purposes with respect to the customer, the contract must indicate an appropriate benchmark, based on financial indicators produced by third parties and in common use, that is consistent with management objectives and against which the future results are to be compared. Where it is not feasible to establish such a benchmark in view of specific customer objectives, this must be stated clearly in the contract and an alternative measure of performance must be indicated.		If the investment firm uses benchmarks it must be defined by the contract. When supervising investment firms, the Agency checks also the contracts on management of clients' assets.	
122. The contract must state whether the financial instruments are to be valued at bid/ask or offer or mid-market price, including any relevant currency exchange rates, and, where relevant, by reference to indicators such as yield curves or other pricing models or the methodology to be used to value unlisted equities.		Please see 121. above.	

123. The contract must define a specific reporting requirement in the event of losses, defined as a marked-to-market decrease in the value of the portfolio as compared to the value of the portfolio as stated in the most recent periodic report (after neutralisation of any contributions or withdrawals). The contract must set a percentage threshold and a time period to warn the customer accordingly.		~“”~	
124. If the contract provides for a variable management fee based on the performance of the management service, the method of calculation must be clearly defined in the contract.		~“”~	
<p>125. The contract must provide:</p> <ul style="list-style-type: none"> <li>- that the customer may terminate the agreement with immediate effect, subject only to the completion of all transactions already commenced and the time necessary to liquidate the portfolio where this is required by the customer;</li> <li>- that the investment firm may terminate the agreement subject to a two-week notice, provided however that where the portfolio cannot be liquidated (where required by the customer) within this timeframe, the agreement may be extended for the necessary additional period, and provided that where the customer so agrees after being informed of the firm's intention to terminate, the agreement may be terminated in the timeframe agreed between the parties.</li> </ul> <p>In both cases, the termination must take place on terms that are fair and reasonable for both parties.</p>		Defined by individual contract. Generally the provisions of the Contract law apply in any case where the contract between a firm and a client is involved and if a situation of any misunderstanding or conflict in their relationship occurs.	
<b><i>117. Where the conditions for delegating management of the portfolio are met and the contract allows the investment firm to delegate this function, the contract must state that the delegator retains full responsibility for the protection of the customer's interests.</i></b>		Delegation is allowed for accepting orders from clients to buy/sell securities (so called contractual partners of investment firms) and the transactions are executed by investment firms.	
126. If an investment firm is mandated to delegate management of any or all of the customer's assets, this must be stated in the contract and adequate information must be supplied in this regard, both to the customer and to the competent authority. The contract must also provide that the customer will be informed prior to any significant change regarding delegation of portfolio management.		~“”~	

<p>127. An investment firm may delegate the portfolio management function to another investment firm only if such delegatee firm is authorised in its home country to provide portfolio management services on an individual basis and is qualified and capable of undertaking the function in question. The mandate shall not prevent the effectiveness of supervision over the delegator, and in particular, it must not prevent the delegator from acting in the best interests of its customers. In no case the investment firm may delegate its functions to the extent that it becomes a letter box entity. Furthermore, it may so delegate to a non-EEA investment firm so authorised in its home country only if an appropriate formal arrangement between regulators enables them to exchange material information concerning both cross-border delegations and the delegatee.</p>		Not implemented.	<p>A client signs a contract on asset management with the investment firm which then manage the assets and is not in a position to delegate asset management to any other investment firm.</p> <p>Only in case of acceptance of orders to buy/sell securities those orders may be accepted with legal entities that are considered as contractual partners of investment firm, but the orders are then actually executed by the licensed investment firm. Also all those partners have to be reported to the Agency.</p>
<p>128. The delegation agreement, in writing:</p> <ul style="list-style-type: none"> <li>a) must be revocable with immediate effect by the delegator;</li> <li>b) must provide for sufficient notice to be given to the delegator by the delegatee of termination of the agreement;</li> <li>c) must be in conformity with the indications contained in the customer agreement with the delegator;</li> <li>d) must require, where the execution of transactions is not subject to the prior consent of the delegator, the delegatee to observe the investment guidelines, including investment allocation criteria, laid down from time to time by the delegator;</li> <li>e) must be formulated so as to avoid conflicts of interest between the delegator and the delegatee;</li> <li>f) must provide for the delegator to receive a continuous flow of information on the transactions carried out by the delegatee permitting it to monitor effectively at any time the activity of the delegatee and to reconstruct the assets under management belonging to each customer of the delegator.</li> </ul>		Not implemented.	

## 6.2 PERIODIC INFORMATION



Standard /Rule	Implementing authority(ies)	Implementing measure	Comments
<i>129. An investment firm must send periodic statements to its portfolio management customers so as to enable them to assess the performance of the service.</i>	Parliament	SMA-1; A: 170	
130. Periodic statements for portfolio management customers must contain: a) a statement of the contents and valuation of the portfolio, including details of each investment held, its market value and the performance of the portfolio and the cash balance, at the beginning and at the end of the reporting period; b) a management report on the strategy implemented (to be provided at least yearly); c) the total amount of fees and charges incurred during the period and an indication of their nature; d) information on any remuneration received from a third party and details of its calculation basis; e) the total amount of dividends, interest and other payments received during the period.	Securities Market Agency	Decision on the Provision of Services with regard to Securities, A: 8	According to the said Decision (A: 8), a statement of the balance in the dematerialised securities account of the client as at the last day of the period to which the report refers and the activity in this account during the period must be attached to the report.
131. If the basis for valuing any of the assets in the portfolio has changed with respect to the methods described in the portfolio management agreement, these changes must be indicated in the statement along with their impact on profits and/or losses.		It is the subject of management contract signed between the client and the firm.	
132. Periodic statements must include full information on any remuneration received by the investment firm or the manager from a third party that is attributable to services performed for the customer by the manager of the portfolio.		It is the subject of management contract signed between the client and the firm.	
133. In case the customer has elected – in derogation to rule 58 - not to receive information on each transaction in due course carried out by the portfolio manager, the periodic statement containing details of each transaction must be provided at least every three months. Where the details of each transaction are notified after each transaction to the customer, the periodic statement may be provided only every six months.		Please see point 129 (at least once in three months period)	
134. Where the contract authorises a leveraged portfolio, the customer must receive a periodic statement at least once a month, including an assessment of the risks.		Not implemented.	

### 6.3. MANAGEMENT REQUIREMENTS

Standard /Rule	Implementing authority(ies)	Implementing measure	Comments
<p><i>135. An investment firm must take all reasonable steps necessary to ensure the independence of the portfolio management function and mitigate the risk of customers' interests being harmed by any conflict of interest, in particular by providing for the strict separation of functions within the investment firm and its group.</i></p>	Parliament	<p>SMA- 1; A: 173</p> <p>- Decision on the Provision of Services... A: 10</p>	<p>Management board members of investment firms are responsible for compliance with this requirement; SMA- 1; A: 87</p> <p>1) Management board members of an investment firm are obliged to ensure that the investment firm operates in accordance with the rules on risk management and prudential rules as set forth in both this Act and the regulations issued on the basis thereof, or with other laws regulating the operations of a investment firm and the regulations issued on the basis thereof.</p> <p>(2) Management board members of an investment firm are obliged to closely monitor the risks to which the operations of the investment firm are exposed, and adopt adequate measures designed to manage the said risks.</p> <p>(3) Management board members are obliged to facilitate the setting-up of both an internal control system in all the areas of the investment firm's operations and an internal audit, and to ensure their operation pursuant to this Act and the regulations issued on the basis thereof.</p> <p>(4) Management board members of an investment firm are obliged to ensure that the investment firm keeps its accounting books, other records and business documents, compiles bookkeeping documents, assesses bookkeeping items, compiles financial statements, and reports to the Agency in accordance with this Act and the regulations issued on the basis hereof.</p>

138. The structure of the investment firm, its policies and procedures must seek to ensure the independence of the portfolio management function.	Securities Market Agency	<p>Please see above- additionally according to the Decision on personnel, technical, organizational conditions... A: 8:</p> <p>In addition to the provisions referred above which refer where relevant to the organization of the operations of an organizational unit of a bank which performs services related to securities (Investment banking sector), a bank must also set out in a general act:</p> <ul style="list-style-type: none"> <li>- the relationship between the investment banking sector and the other internal organizational units of the bank which carry out banking and other financial services, including a description of the responsibilities and authorizations of the employee managing the operations of the investment banking sector in relations with the other bodies of the bank,</li> </ul> <p>the functional and physical separation of the investment banking sector and the employees in this sector in order to limit conflict of interest between clients, the investment banking sector and the employees and to protect confidential data.</p>	-
<i>136. An investment firm must define investment strategies for its portfolio management services and carry out transactions in accordance with such strategies, taking into account the terms of the customer agreement.</i>		Please see under the 118 on management contract.	
139. The investment firm must maintain records of its investment strategies, as well as the analyses and forecasts underlying them.		Please see under the 135 on the records that must be kept by investment firms.	

<p><i>137. The transactions carried out by the portfolio manager, both individually and as a whole, must be exclusively motivated by the interests of the customer and in accordance with agreed management objectives.</i></p>		<p>According to A: 168 the provisions of A: 147, P:4 of the SMA-1 apply also to portfolio management:</p> <p>(4) An investment firm is not allowed to buy and/or sell securities on the organised market for its own account or for the accounts of those employed with the investment firm if, as a result of this, it would not be able to execute a client's concurrent order to buy and/or sell or if such an order could only be executed under conditions less favourable for the client.</p>	
<p>140. The investment firm must ensure that its orders are executed as efficiently as possible and in particular that:</p> <ul style="list-style-type: none"> <li>a) orders issued are immediately recorded by the firm;</li> <li>b) transactions executed are recorded and the portfolios affected are adjusted as quickly as possible;</li> <li>c) the portfolios affected and the relevant amounts are determined, or objectively determinable, no later than the time at which the order is issued and cannot be changed, except for the purposes of rectifying an error, after the execution of the order, regardless of whether the order relates to one or more accounts.</li> </ul>		<p>Please see the definitions above.</p>	

## B. CONDUCT OF BUSINESS RULES FOR THE “PROFESSIONAL REGIME”

GENERAL REMARK: THERE ARE NO SPECIAL RULES FOR “PROFESSIONAL REGIME” AS AT THIS TIME. SOME CHANGES ARE FORSEEN IN THE FUTURE, AS THE GOVERNMENT IS CONSIDERING THE AMENDMENTS TO THE SECURITIES MARKET ACT. THE NATURE AND EXACT CONTENTS OF THESE AMENDMENTS ARE NOT YET CLEAR.

### 1. STANDARDS OF GENERAL APPLICATION

#### 1.1 GENERAL

Standard	Implementing authority(ies)	Implementing measure	Comments
<i>1. An investment firm must at all times act honestly, fairly and professionally in accordance with the best interests of its customers and the integrity of the market.</i>	SMA	Please see under point 1 of the Retail Regime.	Generally the same provision for professional investors as for retail investors apply.
<i>2. An investment firm must have and must employ effectively the resources and procedures that are necessary for the proper performance of its business activities, including back-up procedures and systems so as to reasonably ensure that investment services can be provided without interruption.</i>	SMA	Please see under point 2 of the Retail Regime.	
<i>3. An investment firm must ensure that any persons or entities with which it is undertaking authorisable investment business are authorised to conduct that business by the relevant regulator.</i>	SMA	Please see under point 3 of the Retail Regime.	
<i>4. Investment firm that outsources functions retains full responsibility for the outsourced activity and must ensure that the providers of such outsourcing are able to perform these functions reliably, professionally and in the best interests of its customers.<sup>17</sup>.</i>	SMA	Please see under point 4 of the Retail Regime	

#### 1.2. CONFLICTS OF INTEREST AND INDUCEMENTS

<sup>17</sup> This standard is not intended to interfere with relevant provisions on civil liability, applicable at national level.

Standard	Implementing authority(ies)	Implementing measure	Comments
<i>5. An investment firm must take all reasonable steps to ensure that conflicts of interest between itself and its customers and between one customer and another are identified and then prevented or managed in such a way that the interests of customers are not adversely affected. For these purposes the investment firm must establish an internal independence policy, including Chinese walls as appropriate. Where conflicts of interest cannot be reasonably avoided or managed with the internal independence policy, the conflict of interest must be disclosed to the customer.</i>	SMA	Please see under point 5 of the Retail Regime	
<i>6. An investment firm, its members of the board, directors, partners, employees and tied-agents may offer or receive inducements only if they can reasonably assist the firm in the provision of services to its customers. Where inducements are received disclosure of such inducements must be made to the customer on his request.</i>		Not implemented.	

### 1.3 COMPLIANCE AND CODE OF CONDUCT

Standard	Implementing authority(ies)	Implementing measure	Comments
<i>7. An investment firm must take all reasonable measures to ensure that the firm and its members of the board, directors, partners, employees and tied-agents at all time act in accordance with the best interests of its customers and the integrity of the market by establishing and implementing adequate compliance policies and procedures, including an independent compliance function and an internal code of conduct..</i>	SMA	Please see under point 9 of the Retail Regime.	
<i>8. An investment firm must be able to demonstrate that it has not acted in breach of the conduct of business rules and the internal code of conduct and that its organization, policies and procedures facilitate such compliance.</i>	SMA	Please see under point 10 of the Retail Regime.	

<i>9. The persons responsible for the compliance function must have the necessary expertise, resources, authority and must have full access to all relevant information enabling them to perform their duties. They must perform their monitoring duties independently of all persons and activities subject to their monitoring.</i>	SMA	It is the duty of management board members as stated above, to organize the operations of investment firm in order to comply with the regulation in force. According to the Decision on personnel, technical and organizational conditions for operations with clients and with assets of clients of investment firm, A: 8, the investment firm must define in its general act in particular... measures for the establishment and functioning of the system of internal controls in all areas of operation of the investment firm.	
<i>10. A summary of the results of the monitoring must be reported to the senior management of the investment firm and to the internal or external auditors. The investment firm must report these results, together with remedies adopted, to the competent authority at least once a year.</i>	SMA	Also defined by the Decision stated under 9 above, A: 8:	
<i>11. An investment firm must ensure that the competent authority is informed, without undue delay, of serious breaches of the conduct of business rules. In assessing whether the breaches are serious, an investment firm must take into account the impact on regulatory goals and on the capacity to provide services, their frequency, the damages suffered by customers.</i>	SMA	Please see under point 13 of the Retail Regime.	
<i>12. The compliance function must:</i> - regularly verify the adequacy of policies and procedures to ensure compliance with the regulations on investment services; - provide advisory assistance and support to the various business areas of the investment firm on problems concerning compliance with the regulations on investment services.	SMA	Please see under 14. and 12 of the Retail Regime.	
<i>13. An investment firm must keep records relevant for the purpose of demonstrating compliance with the conduct of business rules, for a period of five years in order to enable the competent authority to verify compliance with these rules. Tape recording of orders must be kept for a period of one year.</i>	SMA	Please see point 15 of the Retail Regime, part 1.	
<i>14. An investment firm must keep a register of customer complaints related to the provision of the investment services and the measures taken for their resolution and must regularly verify whether complaints are adequately processed.</i>	SMA	Please see point 16 of the Retail Regime, part 1.	Not required by the law, investment firms may have them. Clients report their complaints to the Agency and their complaints are often the reason to start broader supervision over investment firm's operation.

<p><i>15. An investment firm must establish a code of conduct for members of the board, directors, partners, employees and tied-agents. The code of conduct must contain:</i></p> <p><i>a) The rules and procedure to meet the obligation to protect data of a confidential nature;</i></p> <p><i>b) the rules and procedures for carrying out personal transactions involving financial instruments;</i></p> <p><i>c) the rules and procedures governing the business relationship with customers in order to ensure that the persons referred to above, in particular where a conflict of interest may arise, always act in the best interests of customers, and that such persons do not take advantage of any confidential information;</i></p> <p><i>d) the investment firm's policy on conflicts of interest and inducements.</i></p>	SMA	Please see point 17 of the Retail Regime.	
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## 2. INFORMATION TO BE PROVIDED TO CUSTOMERS

Standard	Implementing authority(ies)	Implementing measure	Comments
<i>16. An investment firm must pay due regard to the information needs of its customers and communicate information to them that is fair, clear, and not misleading.</i>	SMA	Please see point 25 of the Retail Regime.	
<i>17. If an investment firm provides information in a marketing communications it must be fair, clear and not misleading.</i>	SMA	Please see point 29 of the Retail Regime.	
<i>18. An investment firm must ensure that a customer is provided promptly with the essential information concerning the execution of his order.</i>	SMA	Please see point 55 of the Retail Regime.	As already noted it is a practice that professional investors communicate with investment firm more frequently and are able to promptly find out about the execution of their orders, any changes in market condition..., mostly through phone or electronic communication.
<i>19. Where an investment firm has control of, or is holding assets belonging to a customer, it must arrange for proper identification and regular confirmation of such assets to the customer.</i>	SMA	Please see point 56 of the Retail Regime.	
<i>20. An investment firm that operates customer accounts, which include uncovered open positions, must provide regular statements of such positions.</i>		Not implemented.	



### 3. THE “KNOW-YOUR-CUSTOMER STANDARD” AND THE DUTY TO CARE

Standard	Implementing authority(ies)	Implementing measure	Comments
<i>21. Prior to providing any investment service to a customer for the first time and throughout the business relationship, an investment firm must be in possession of adequate documentation of the identity of the customer, as well as the identity and legal capacity of any representative of the customer. In addition, prior to providing any investment service the investment firm must seek to obtain from the customer information enabling an investment firm a) to determine whether the investment services envisaged are appropriate for the customer and b) to meet any duties owing to the customer in respect of the services to be provided.</i>	SMA	Please see point 62 of the Retail Regime.	Again, in practice investment firm that deals with professional client does usually not need so much information on the client before executing the transaction.
<i>22. When an investment firm provides investment advice to the customer, it must have reasonable grounds to believe, in light of the information disclosed to it by the customer and the information available to it, including the information from the customer relationship, that this investment advice is suitable for him.</i>	SMA	Please see point 72 of the Retail Regime.	

### 4. CUSTOMER AGREEMENTS

Standard	Implementing authority(ies)	Implementing measure	Comments
<i>23. Prior to providing any investment service, an investment firm must enter into a signed written agreement with the customer setting out the rights and obligations of the parties.</i>	SMA	Please see point 78 and 80 of the Retail Regime.	For all relations defined by a contract between a client and investment firm the Contract law apply.

### 5.- DEALING REQUIREMENTS

#### 5.1) RECEPTION AND TRANSMISSION OF CUSTOMER ORDERS

Standard	Implementing authority(ies)	Implementing measure	Comments
<i>24. An investment firm must record and process customer orders in accordance with the customer's instructions and in such a way as to facilitate best execution.</i>	SMA	Please see point 91 of the Retail Regime.	
<i>25. An investment firm must ensure that the firm and its members of the board, directors, partners, employees and tied-agents do not use the information they possess on customers orders to the disadvantage of customers' interest.</i>	SMA	Please see point 92 of the Retail Regime.	
<i>26. An investment firm must record orders immediately, documenting and verifying all relevant items of proper execution.</i>	SMA	Please see point 94 of the Retail Regime.	
<i>27. An investment firm must keep a record of telephone orders on magnetic tape or an equivalent medium. Investment firms must duly inform the customer that the conversation will be recorded.</i>	SMA	Please see point 95 of the Retail Regime.	

## 5.2) EXECUTION OF ORDERS

Standard	Implementing authority(ies)	Implementing measure	Comments
<i>28. An investment firm must take all care to obtain the best possible result for the customer with reference to price, costs born by the customer, size, nature of the transactions, time of reception of order, speed and likelihood of execution and trading venue taking into account the state of the relevant market(s). The relevant market(s) shall be deemed to be the market(s) offering the most favourable trading conditions also in terms of transparency, liquidity and clearing and settlement arrangements in connection with the envisaged transaction. If the investment firm executes in another trading venue, it must be able to demonstrate to the customer that this was done in accordance with his best interest.</i>	SMA	Please see point 102 of the Retail Regime.	

<i>29. An investment firm acting as principal in relation to a customer order must inform the customer accordingly beforehand and must be in a position to justify the price at which the transaction is executed, with reference to the prices and volumes in the relevant market(s), where appropriate, or the presumed value determined on the basis of objective elements, e.g. mark-to-market.</i>		N.A.	
<i>30. An investment firm must ensure that orders are executed in accordance with the instructions from the customer.</i>	SMA	Please see point 103 of the Retail Regime.	
<i>31. An investment firm takes reasonable steps to refrain from executing orders for its own account or the account of its members of the board, directors, partners, employees and tied-agents before those of customers in identical or better conditions than the latter ("front running").</i>	SMA	Please see point 105 of the Retail Regime.	

### 5.3) POST- EXECUTION OF ORDERS

Standard	Implementing authority(ies)	Implementing measure	Comments
<i>32. An investment firm must ensure the proper and speedy recording, allocation and distribution of executed transactions.</i>	SMA	Please see point 111 of the Retail Regime.	
<i>33. Where orders for own and customers accounts have been aggregated, the investment firm must not allocate the related trades in any way that is detrimental to any customer. If such an aggregated order is only partially executed, allocation to customers must take priority over allocation to the investment firm.</i>	SMA	Please see point 112 of the Retail Regime.	

### 6. INDIVIDUAL DISCRETIONARY PORTFOLIO MANAGEMENT

In addition to the foregoing standards and rules, additional provisions apply to the service of individual portfolio management.

Standard	Implementing authority(ies)	Implementing measure	Comments
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<i>34. Prior to the provision of any discretionary portfolio management service, a customer agreement containing the relevant provisions of the basic customer agreement mentioned above, as well as certain additional provisions specific to portfolio management must be signed between the parties.</i>	SMA	Please see point 116 of the Retail Regime.	
<i>35. An investment firm must take all reasonable steps necessary to ensure the independence of the portfolio management function and mitigate the risk of customers' interests being harmed by any conflict of interest, in particular by providing for the strict separation of functions within the investment firm and its group.</i>	SMA	Please see point 135 and 138 of the Retail Regime.	
<i>36. An investment firm must send periodic statements to its portfolio management customers so as to enable them to assess the performance of the service.</i>	SMA	Please see point 129 of the Retail Regime.	
<i>37. The investment firm must ensure that its orders are executed as efficiently as possible and in particular that:</i> <ul style="list-style-type: none"> <li><i>a) orders issued are immediately recorded by the firm;</i></li> <li><i>b) transactions executed are recorded and the portfolios affected are adjusted as quickly as possible;</i></li> <li><i>c) the portfolios affected and the relevant amounts are determined, or objectively determinable, no later than the time at which the order is issued and cannot be changed, except for the purposes of rectifying an error, after the execution of the order, regardless of whether the order relates to one or more accounts.</i></li> </ul>	SMA	Please see point 140 of the Retail Regime.	

## C. CORE STANDARDS FOR THE “COUNTERPARTY RELATIONSHIP”

### 1. The “counterparty relationship”

Standard	Implementing authority(ies)	Implementing measure	Comments
<p>A « counterparty relationship » is typical of trading between investment firms and banks within themselves or with other entities which are not holding themselves out as providers of investment services but are market participants directly active in the financial market for proprietary trading. It is characterised by the absence of a “client relationship” (i.e. without any provision of service). In particular, it covers the following situations:</p> <ul style="list-style-type: none"> <li>- transactions executed in regulated markets or other trading venues (which do not give rise to any provision of investment service to the customer) between any member admitted to trade in these markets;</li> <li>- transactions executed directly (over-the-counter) between investment firms or credit institutions, authorised to provide the service of dealing, and dealing either as principal or as agent;</li> <li>- transactions executed directly (over-the-counter) between investment firms or credit institutions and other authorised or regulated financial intermediaries, including non-ISD firms, such as commodity dealers, insurance companies, but not including collective investment schemes and management companies of such funds.</li> </ul>		Not implemented.	
<p>CESR Members are free to allow companies to be treated as “counterparties” and to define the appropriate quantitative thresholds. In case of cross-border business, if the company is located in a jurisdiction where the “counterparty regime” is not applicable to companies, the professional regime will apply to that relationship.</p>		Not implemented.	
<p>Transactions entered into by these entities and effected through the offices of an authorised intermediary would be, by default, subject to the « professional regime ». Only those transactions undertaken by these entities for which they are direct “counterparties” and for which a specific choice to enter into a “counterparty relationship” has been made, are liable to operate subject to such a regime.</p>		Not implemented.	

The entities meeting one of the above mentioned criteria and willing to enter into a « counterparty relationship » have to reciprocally confirm in the contract that the transaction is executed under a « counterparty relationship ». This confirmation may be given in master agreements, where applicable to a series of transactions of the same nature.		Not implemented.	
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N. The “counterparty regime”

Standard	Implementing authority(ies)	Implementing measure	Comments
<i>The firm must at all times act honestly, fairly and professionally in accordance with the integrity of the market.</i>		Not implemented.	
<i>The firm must have and must employ effectively the resources and procedures that are necessary for the proper performance of its business activities.</i>		Not implemented.	
<i>The firm must establish an independent compliance function, aimed at ensuring that its directors, partners, employees and agents behave in accordance with the integrity of the market.</i>		Not implemented.	
<i>Executive directors/senior management must take reasonable measures to ensure that the firm establishes and implements adequate compliance policies and procedures.</i>		Not implemented.	
<i>The firm must be able to demonstrate that it has not acted in breach of standards of market integrity and that its organisation, policies and procedures facilitate such compliance.</i>		Not implemented.	
<i>The firm must keep records of all transactions executed for a period of five years.</i>		Not implemented.	
<i>The firm must keep record of telephone conversations concerning the transactions executed on a counterparty relationship.</i>		Not implemented.	

<i>The firm must adopt and take all reasonable steps to ensure compliance with an appropriate internal code of conduct.</i>		Not implemented.	
<i>The information provided in a marketing communications must be clear and not misleading.</i>		Not implemented.	

#### D. CRITERIA FOR DEFINING PROFESSIONAL INVESTORS

Professional investors are those who may be deemed to possess the experience, knowledge and expertise to make their own investment decisions and properly assess the risks they incur.

##### 1. Categories of investors who are considered to be professionals

Standard	Implementing authority(ies)	Implementing measure	Comments
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<p>10. a) Entities which are required to be authorised or regulated to operate in the financial markets.</p> <p>The list below should be understood as including all authorised entities carrying out the characteristic activities of the entities mentioned: entities authorised by a Member State under a European Directive, entities authorised or regulated by a Member State without reference to a European Directive, and entities authorised or regulated by a non-Member State:</p> <ul style="list-style-type: none"> <li>• Credit institutions</li> <li>• Investment firms</li> <li>• Other authorised or regulated financial institutions</li> <li>• Insurance companies</li> <li>• Collective investment schemes and management companies of such schemes</li> <li>• Pension funds and management companies of such funds</li> </ul> <p>Commodity dealers.</p>	Parliament	SMA-1; A; 10	<p>Investment firms are considered brokerage companies and banks holding license for performing investment services in the securities field.</p> <p>Other entities are defined by other legislation, namely the Investment funds and Management Companies Act, Pension Insurance Act, Insurance Act, Banking Act.</p> <p>According to the Banking Act (A: 2 and 3) A bank is a joint-stock company with a head office in the Republic of Slovenia that has obtained an authorisation from the Bank of Slovenia to provide banking services.</p> <p>The following financial services are banking services:</p> <ol style="list-style-type: none"> <li>1. reception of deposits from legal and natural persons and granting credits from these resources for its own account</li> <li>2. services that any other law stipulates may be provided only by banks.</li> </ol>
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<p>b) Large companies <sup>(18)</sup> and other institutional investors:</p> <ul style="list-style-type: none"> <li>large companies and partnerships meeting two of the following size requirements on a company basis: <ul style="list-style-type: none"> <li>balance sheet total : EUR 20.000.000,</li> <li>net turnover : EUR 40.000.000,</li> <li>own funds: EUR 2.000.000.</li> </ul> </li> <li>Other institutional investors whose corporate purpose is to invest in financial instruments.</li> </ul>	Parliament	<p>The Companies Act (Article 51)</p> <p>(1) Companies shall be classified as small, medium-sized and large on the basis of the following criteria:</p> <ul style="list-style-type: none"> <li>number of employees;</li> <li>incomes;</li> <li>average value of assets according to the annual financial statements for the last financial year.</li> </ul> <p>(2) Small companies shall be those meeting at least two of the following criteria:</p> <ul style="list-style-type: none"> <li>the average number of employees does not exceed 50;</li> <li>annual incomes are less than 200,000,000 tolar;</li> <li>the average value of assets at the beginning and end of the financial year does not exceed 100,000,000 tolar.</li> </ul> <p>(3) Medium-sized companies shall be those that cannot be classified as small companies and which meet at least two of the following criteria:</p> <ul style="list-style-type: none"> <li>the average number of employees does not exceed 250;</li> <li>annual incomes are less than 800,000,000 tolar;</li> <li>the average value of assets at the beginning and end of the financial year does not exceed 400,000,000 tolar.</li> </ul> <p>(4) Large companies shall be those exceeding at least two of the criteria under the preceding paragraph; and in all cases the following shall be deemed to be large companies:</p> <ul style="list-style-type: none"> <li>banks;</li> <li>insurance organisations;</li> <li>associated companies within the meaning of Article 460 of this Act which in accordance with Article 60 of this Act are obliged to submit consolidated annual statements.</li> </ul>	<p>Exchange rate as per Nov.8, 2003 is</p> <p>1 EUR = 235,8652 SIT</p> <p>SIT = Slovene Tolar</p>
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<sup>(18)</sup> Whilst CESR acknowledges that issuers of listed financial instruments, i.e. entities whose securities (equity instruments or other) are traded on a regulated market (within the meaning of article 1.13 of the ISD), should be treated as professional investors, Members are free to implement the categorisation of these issuers in line with the thresholds applicable to large companies and partnerships.

National and regional governments, Central Banks, international and supranational institutions such as the World Bank, the IMF, the ECB, the EIB and other similar international organisations.		Not implemented.	
11. The entities mentioned in §10 are considered to be professionals. They must however be allowed to request non-professional treatment and investment firms may agree to provide a higher level of protection. Where the customer of an investment firm is a company or a partnership referred to in §10, the investment firm must inform it prior to any provision of services that, on the basis of the information available to the firm, the customer is deemed to be professional investor, and will be treated as such unless the firm and the customer agree otherwise. The firm must also inform the customer that he can request a variation of the terms of the agreement in order to secure a higher degree of protection.		Professional and non-professional treatment is already solved in the new Investment Funds and Management Companies Act.	
12. It is the responsibility of the client considered to be a professional investor to ask for a higher level of protection when it deems it is unable to properly assess or manage the risks involved.		Not implemented.	
13. This higher level of protection will be provided when an investor who is considered to be a professional enters into a written agreement with the investment firm to the effect that it shall not be treated as a professional for the purposes of the applicable conduct of business regime. Such agreement should specify whether this applies to one or more particular services or transactions, or to one or more types of product or transaction.		Not implemented.	

## **2. Categories of investors who may be treated as professionals on request**

### **2.1. Identification criteria**

Standard	Implementing authority(ies)	Implementing measure	Comments
<p>14. The members of CESR consider that investors other than those mentioned in § 10, including public sector bodies <sup>(19)</sup> and private individual investors, may also be allowed to waive some of the protections afforded by the conduct of business rules. Investment firms should therefore be allowed to treat any of the above investors as professionals provided the relevant criteria and procedure mentioned below are fulfilled. These investors should not, however, be presumed to possess market knowledge and experience comparable to that of the categories listed in §10.</p>		Not implemented.	<p>The new Securities Market Act will define the topics, namely the definition of professional investor. All the details concerning the status and other issues of professional investor will be defined by secondary legislation by the Agency. However the Act is only in the process of Government preparation and the final solution is not yet known.</p>
<p>15. Any such waiver of the protection afforded by the standard conduct of business regime shall be considered valid only if an adequate assessment of the expertise, experience and knowledge of the client, undertaken by the investment firm, gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the client is capable of making his own investment decisions and understanding the risks involved.</p> <p>The fitness test applied to managers and directors of entities licensed under European Directives in the financial field could be regarded as an example of the assessment of expertise and knowledge. In the case of small entities, the person subject to the above assessment should be the person authorised to carry out transactions on behalf of the entity.</p>		Not implemented.	
<p>16. In the course of the above assessment, as a minimum, two of the following criteria should be satisfied:</p> <ul style="list-style-type: none"> <li>• The investor has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters;</li> <li>• The size of the investor's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds 0,5 million Euro;</li> </ul> <p>The investor works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged.</p>		Not implemented.	

<sup>(19)</sup> It should be noted that public sector bodies are subject to specific regulations that might prevent them from entering into certain types of transactions or opting for the professional conduct of business regime.

## 2.2. Procedure

Standard	Implementing authority(ies)	Implementing measure	Comments
<p>17. The investors defined above may waive the benefit of the detailed rules of conduct only where the following procedure is followed:</p> <p>a) they must state in writing to the investment firm that they wish to be treated as a professional investor, either generally or in respect of a particular investment service or transaction, or type of transaction or product;</p> <p>b) the investment firm must give them a clear written warning of the protections and investor compensation rights they may lose;</p> <p>c) they must state in writing, in a separate document from the contract, that they are aware of the consequences of losing such protections.</p>		Not implemented.	
<p>18. Before deciding to accept any request for waiver, investment firms must be required to take all reasonable steps to ensure that the client requesting to be treated as a professional investor meets the relevant requirements stated in Section II.1 above.</p> <p>However, if investors have already been categorised as professionals under parameters and procedures similar to those above, it is not intended that their relationships with investment firms should be affected by any new rules adopted pursuant to this paper.</p>		Not implemented.	
<p>19. Firms must implement appropriate written internal policies and procedures to categorise investors.</p> <p>Professional investors are responsible for keeping the firm informed about any change, which could affect their current categorisation. Should the investment firm become aware however that the investor no longer fulfils the initial conditions, which made him eligible for a professional treatment, the investment firm must take appropriate action.</p>		Not implemented.	