

Slovenia

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Slovenia's accession to the EU on May 1 2004 is the most important recent event relevant to the practice of law in Slovenia. Entry to the EU required the harmonization of Slovene legislation with the law of the EU, and caused the direct application of legally binding legislation of the EU in Slovenia. Slovenia negotiated a few permanent exemptions to the obligatory provisions of the law of EU, and developed a temporary exemption regime for certain obligations to provide for more time to adjust to EU law .

Topics that are of interest to prospective foreign clients looking to invest or participate in a different manner in Slovenia include: (i) founding of companies and court registry for legal entities; (ii) securities regulation; and (iii) the introduction of the euro as the official currency in Slovenia.

Founding of companies and court registry of legal entities

The Slovenian Companies Act provides for the foundation of three types of company with unlimited responsibility (unlimited companies, limited partnership and sleeping companies) and three types of company with limited responsibility (joint-stock companies, limited partnerships with share capital and limited liability companies). A limited liability company – the most common type of company – can be founded through a fairly simple procedure in a short timeframe.

The founding of banks and insurance companies is subject to much stricter regulation, set out by the Law on Banking and in the Law on Insurance Companies.

As of Slovenia's entry into the EU, the establishment of branch offices of companies, banks and insurance companies registered in an EU member state is simplified. A branch of a foreign company can only be established if the foreign company itself has been entered into the registry of the country where it is located for at least two years. A branch of a bank or an insurance company from other foreign countries is subject to stricter conditions.

A company is able to act as a legal person only after it has been entered on the court registry of legal entities. Since 1996

the court registry has been a centrally managed electronic database. It contains information such as: (i) the registered seat of the company; (ii) the names of the founders, board of directors and supervisory board; (iii) important resolutions of the shareholders' meetings; and (iv) indications of whether bankruptcy, compulsory settlement or liquidation proceedings have been initiated or concluded. Besides companies, the court registry also lists public undertakings, institutions, foundations and other forms of legal entities.

Informal excerpts from the court registry can be obtained by anyone who pays for password-protected electronic access. Formal (that is, written, court-certified) excerpts can be acquired from the court upon a written request and payment of a court tax. All new entries to the court registry are also published in the Official Gazette of the Republic of Slovenia.

Securities regulation

Trading of dematerialized securities in Slovenia is organized through the Ljubljana Stock Exchange (the LJSE) which was set up on December 26 1989. It has grown into one of the most developed stock exchanges in the European transitional countries. On the LJSE, domestic and foreign investors can trade over 250 securities (shares, bonds, investment funds and Treasury bills) with a total market capitalization of over €8.5 billion. In 2002, 27 LJSE members concluded 452,805 transactions worth a total of €2.1 billion. The LJSE is a full member of both the World Federation of Exchanges and the Federation of European Securities Exchanges. The primary goal of the LJSE is to pursue objectives that will promote the growth of the capital markets in Slovenia.

Residents and non-residents can only purchase securities that are being traded on the LJSE through a licensed brokerage house working for one of the LJSE members. LJSE and brokerage house activity is controlled by the Securities Exchange Agency.

All banks, insurance companies, brokerage houses and companies managing funds must issue securities in dematerialized form. Securities must also be issued in dematerialized form if the first sale of securities was performed through an initial public offering. Also, most joint-stock companies issue dematerialized securities. Dematerialized securities must be issued

through the Central Securities Clearing Corporation (the KDD), which was founded in 1995. Its principal activity is to operate a fully electronic central registry of dematerialized securities. The KDD also issues all new dematerialized securities, and handles the clearance and settlement of all securities transactions on the LJSE. The central registry of dematerialized securities is a central information database in which all the rights of holders of dematerialized securities and third parties are recorded.

From the M&A perspective, the Law on Takeovers determines two thresholds that must be respected when purchasing securities of a certain company. When a natural or legal person (either itself or through connected persons) acquires a 5% stake in securities with voting rights (in other words, a qualified stake) it must notify this stake to the target company and the Securities Exchange Agency no later than three business days from the day it was aware (or should have been aware) that it holds a qualified stake. When a natural or legal person (either itself or through connected persons) acquires a 25% stake of securities with voting rights, it must issue a public takeover bid for the shares of the target company according to the articles of the Law on Takeovers.