

# Slovenia

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RISK & COMPLIANCE REPORT

DATE: January 2017

## Executive Summary - Slovenia

<b>Sanctions:</b>	None
<b>FAFT list of AML Deficient Countries</b>	No
<b>Medium Risk Areas:</b>	Corruption Index (Transparency International & W.G.I.)
<b>Major Investment Areas:</b>	
<b>Agriculture - products:</b>	
potatoes, hops, wheat, sugar beets, corn, grapes; cattle, sheep, poultry	
<b>Industries:</b>	
ferrous metallurgy and aluminum products, lead and zinc smelting; electronics (including military electronics), trucks, automobiles, electric power equipment, wood products, textiles, chemicals, machine tools	
<b>Exports - commodities:</b>	
manufactured goods, machinery and transport equipment, chemicals, food	
<b>Exports - partners:</b>	
Germany 20%, Italy 12%, Austria 7.9%, Croatia 6.2%, France 4.8%, Russia 4.6% (2012)	
<b>Imports - commodities:</b>	
machinery and transport equipment, manufactured goods, chemicals, fuels and lubricants, food	
<b>Imports - partners:</b>	
Italy 16.3%, Germany 16.2%, Austria 10.4%, Croatia 4.8%, Hungary 4% (2012)	
<b>Investment Restrictions:</b>	
Foreign investors may freely invest in Slovene companies in most industries except in banking and insurance industries, where a permit from the Bank of Slovenia or Insurance Supervision Agency is needed. Furthermore, current regulations limit the foreign ownership stake in gaming interests to 20%. Foreign investors are permitted to obtain concessions for the exploitation of renewable and non-renewable natural and public goods.	

Some restrictions are also applied to foreign investment in the field of military supply. For example, direct investments made by non-residents in companies or other entities that are engaged in the production of, or trade in, weaponry and military equipment are allowed only if specifically authorized by the Government of the Republic of Slovenia.

## Contents

<b>Section 1 - Background</b> .....	<b>4</b>
<b>Section 2 - Anti – Money Laundering / Terrorist Financing</b> .....	<b>5</b>
FATF status.....	5
Compliance with FATF Recommendations.....	5
Key Findings from latest Mutual Evaluation Report (2011): .....	5
US Department of State Money Laundering assessment (INCSR) .....	6
Reports.....	9
International Sanctions.....	11
Bribery & Corruption.....	12
Corruption and Government Transparency - Report by US State Department .....	12
<b>Section 3 - Economy</b> .....	<b>14</b>
Banking .....	15
Stock Exchange.....	15
<b>Section 4 - Investment Climate</b> .....	<b>16</b>
<b>Section 5 - Government</b> .....	<b>36</b>
<b>Section 6 - Tax</b> .....	<b>37</b>
<b>Methodology and Sources</b> .....	<b>40</b>

## Section 1 - Background

The Slovene lands were part of the Austro-Hungarian Empire until the latter's dissolution at the end of World War I. In 1918, the Slovenes joined the Serbs and Croats in forming a new multinational state, which was named Yugoslavia in 1929. After World War II, Slovenia became a republic of the renewed Yugoslavia, which though communist, distanced itself from Moscow's rule. Dissatisfied with the exercise of power by the majority Serbs, the Slovenes succeeded in establishing their independence in 1991 after a short 10-day war. Historical ties to Western Europe, a strong economy, and a stable democracy have assisted in Slovenia's transformation to a modern state. Slovenia acceded to both NATO and the EU in the spring of 2004; it joined the eurozone in 2007.



## Section 2 - Anti – Money Laundering / Terrorist Financing

### FATF status

Slovenia is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

### Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Slovenia was undertaken by the Financial Action Task Force (FATF) in 2011. According to that Evaluation, Slovenia was deemed Compliant for 14 and Largely Compliant for 24 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 1 of the 6 Core Recommendations.

### Key Findings from latest Mutual Evaluation Report (2011):

Slovenia has introduced a number of measures in recent years to strengthen its AML/CFT regime. There is, however, a very low level of prosecutions for money laundering (ML) and of orders to confiscate assets. In the view of the evaluators this significantly undermines the effectiveness of the regime.

In terms of risk, Slovenia is a small country and is not a major international financial centre. Furthermore, the risk of the country being used as a base for terrorism or financing of terrorism is estimated as being low.

The core elements of Slovenia's AML/CFT regime are established in the Slovenian Criminal Code (CC), which contains the ML and TF offences; the Act on the Prevention of Money Laundering and Financing of Terrorism (APMLTF); and the sector-specific laws. The APMLTF was most recently amended in June 2007 and came into force in January 2008, when Slovenia transposed the third EU Money Laundering Directive, and its implementing Directive, into national law as well as introducing the financing of terrorism into preventive legislation.

There is now a broadly sound legal structure in place for the major preventive standards. No major deficiencies were detected in the key preventive standards. There were, however, concerns that weak supervision and lack of guidance to certain non-banking sectors could impact on the effectiveness of the AML/CFT regime.

Slovenia was deemed a 'Monitored' Jurisdiction by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

**Perceived Risks:**

Slovenia is not a major drug producer, but it is a transit country for drugs moving via the Balkan route to Western Europe. The Government of Slovenia is aware that Slovenia's geographic position makes it an attractive potential transit country for drug smugglers, and it continues to pursue active counter-narcotics policies. Other predicate offenses of concern include business and tax fraud. In 2015, there were continuing efforts to continue with the privatization process.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

KYC covered entities: Banks, savings banks, money remitters, and providers of payment services; post office; investment companies, brokerage companies, and managers of pension and investment funds; insurance companies and intermediaries; electronic money services and currency exchanges; auditing firms; gaming entities and games of chance via the internet or other telecommunications services; pawn shops; providers of credit, loans, mortgages, safekeeping, and factoring; financial leasing entities; accounting and tax services; companies trading in precious metals and stones and works of art; auctioneers; real estate intermediaries; trust and company service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 423: January 1 – November 1, 2015 Number of CTRs received and time frame: 11,096: January 1 – November 1, 2015 STR covered entities: Banks, savings banks, money remitters, and providers of payment services; post office; investment companies, brokerage companies, and managers of pension and investment funds; insurance companies and intermediaries; electronic money services and currency exchanges; auditing firms; gaming entities and games of chance via the internet or other telecommunications services; pawn shops; providers of credit, loans, mortgages, safekeeping, and factoring; financial leasing entities; accounting and tax services; companies trading in precious metals and stones and works of art; auctioneers; real estate intermediaries; trust and company service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 15: January 1 – November 1, 2015

Convictions: 5: January 1 – November 1, 2015

**RECORDS EXCHANGE MECHANISM:**

With U.S.: MLAT: NO Other mechanism: YES

With other governments/jurisdictions: YES

Slovenia is a member of the Council of Europe Committee of Experts on the Evaluation of Anti- Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body.

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

There are no major deficiencies in Slovenia’s key AML/CFT preventative standards. Weak supervision and lack of guidance to certain non-banking sectors could have an impact on the effectiveness of the AML/CFT regime.

The Government of Slovenia has systems and procedures in place to facilitate both national and international cooperation. Banks have automatic name checks and the Office of Money Laundering Prevention, Slovenia’s financial intelligence unit, checks the names against global blacklists provided by the Central Bank.

In 2014, The National Assembly amended the Prevention of Money Laundering and Terrorism Financing Act to decrease the cap on cash transactions to EUR 5,000 (approximately \$5,500) from EUR 15,000 (approximately \$16,500). As a result, it is only possible to pay for goods and services above that amount through licensed credit and financial institutions.

Slovenia adheres to all Schengen border control requirements. In Slovenia, law enforcement can only confiscate funds or seize assets related to money laundering under criminal law.

Slovenia should ensure all pertinent non-financial entities are aware of their AML/CFT responsibilities and are adequately supervised. Slovenia should consider the adoption of a non- conviction-based asset forfeiture program.

**Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):**

According to the US State Department, Slovenia conforms with regard to all government legislation required to combat money laundering

**EU White list of Equivalent Jurisdictions**

Slovenia is not currently on the EU White list of Equivalent Jurisdictions

**World Governance indicators**

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

### **Failed States Index**

[To view Failed States Index Ctrl + Click here](#)

### **Offshore Financial Centre**

Slovenia is not considered to be an Offshore Financial Centre

### **US State Dept Narcotics Report**

No report available

### **US State Dept Trafficking in Persons Report 2014 (introduction):**

Slovenia is classified a Tier 1 country - is a country whose government fully complies with the Trafficking Victims Protection Act's (TVPA) minimum standards.

Slovenia is a transit and destination country and, to a lesser extent, a source country for women and children subjected to sex trafficking and men, women, and children subjected to forced labor and forced begging. Victims of labor exploitation in Slovenia come from Bosnia and Herzegovina, Romania, Serbia, Slovakia, Slovenia, and Ukraine and are exploited in the construction sector and forced into begging. Sometimes these persons migrate through Slovenia to Italy, Austria, and Germany, where they are subsequently subjected to forced labor. Women and children from Slovenia, as well as Bulgaria, Croatia, the Czech Republic, the Dominican Republic, Moldova, Romania, Serbia, Slovakia, and Ukraine are subjected to forced prostitution within the country and also transit through Slovenia to Western Europe, primarily to Italy and Germany, where they face the same form of exploitation. Ethnic Roma are particularly vulnerable to trafficking in Slovenia.

The Government of Slovenia fully complies with the minimum standards for combating trafficking in persons. The government provided training for law enforcement officials and authorities partnered with their counterparts to investigate trafficking; however, the government prosecuted and convicted fewer traffickers. The government sustained funding for NGOs to provide assistance to victims and run awareness campaigns, but authorities lacked a formal mechanism to refer victims to NGO care. The inter-ministerial working group developed a new national action plan and released a public report on the government's trafficking efforts.

### **Latest US State Dept Terrorism Report - 2009**

Slovenia is generally assessed as a low-threat country for terrorism and terrorist activity. The National Security Council, chaired by the president and including the defense, interior, justice, foreign affairs, and finance ministers, is the main body for counterterrorism policy. In the case of a terrorist incident, the NSC's secretariat, led by the prime minister's national security advisor, would lead the inter-ministerial working group tasked with a response, with subgroups focusing on specific threats. In 2005, the MOI and Slovene Police developed a response plan for a terrorist attack using weapons of mass destruction. Slovenia's national policy also has plans in place to assess threat levels and specific guidelines on measures police officers are to take based on the corresponding threat level. According to the MOI, Slovenia's counterterrorism plans follow EU security standards.

The Government of Slovenia actively participated in multilateral terrorism efforts, including the Global Initiative to Combat Nuclear Terrorism. The U.S. Office for Defense Cooperation facilitated counterterrorism training for officials from various Slovene ministries, which included regional conferences and Marshall Centre seminars. In fall 2009, Slovenia's Ministry of Defense announced that it would host a regional counterterrorism conference in March 2010. Slovenia contributed 81 troops to the International Security Assistance Force in Afghanistan, including 15 sent specifically for security during the August 2009 presidential elections.

## International Sanctions

None applicable

## Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	61
World Governance Indicator – Control of Corruption	76

## Corruption and Government Transparency - Report by US State Department

Perceptions of corruption remain widespread, potentially raising the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law. The Slovenian Independent Commission for the Prevention of Corruption (CPC) operates with a broad mandate to prevent and investigate corruption, breaches of ethics and integrity of public office. The CPC reports to the Parliament.

Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Similar to many other European countries, Slovenia does not have a bribery statute equal in stature to the U.S. Foreign Corrupt Practices Act. However, Chapter 24 of the Slovenian Criminal Code (S.C.C.) provides statutory provisions for criminal offenses in the economic sector. Corruption in the economy can take the form of corruption among private firms or corruption among public officials.

The S.C.C. provides for criminal sanctions against officials of private firms for the following crimes: forgery or destruction of business documents; unauthorized use or disclosure of business secrets; insider trading; embezzlement; acceptance of gifts under certain circumstances; money laundering; and tax evasion.

Specifically, Articles 241 and 242 of the S.C.C. make it illegal for a person performing a commercial activity to demand or accept undue rewards, gifts, or other material benefits that will ultimately result in the harm or neglect of his business organization. While Article 241 makes it illegal to accept gifts, Article 242 prohibits the tender of gifts in order to gain an undue advantage at the conclusion of any business dealings.

Public officials are held accountable under Article 261 of the S.C.C., which makes it illegal for a public official to request or accept a gift in order to perform or omit an official act within the scope of his official duties. The acceptance of a bribe by a public official may result in a fine or imprisonment of no less than one year, with a maximum sentence of five years. The accepted gift/bribe is also seized.

While Article 261 holds public officials accountable, Article 262 holds the gift's donor accountable. Article 262 makes it illegal for natural persons or legal entities to bribe public officials with gifts. Violation of this article carries a sentence of up to three years. However, if the presenter of the gift discloses such bribery before it is detected or discovered, punishment may be omitted. Generally, the gift is seized. However, if the presenter of the gift disclosed the violation, the gift may be returned to him/her.

The State Prosecutor's Office is responsible for the enforcement of the anti-bribery provisions. The number of cases of actual bribery is small and is generally limited to instances involving inspection and tax collection. Although the Prosecutor's Office may suspect bribery and related corruption practices in government procurement offices, obtaining evidence is difficult, thereby making it equally difficult to prosecute. In addition, in 2010 Slovenia established the Commission for the Prevention of Corruption (CPC), an independent state body, with a broad mandate to prevent and investigate corruption, breaches of ethics, and integrity of public officials. The CPC is not part of the law enforcement or prosecution system of Slovenia and its employees do not have typical police powers. The CPC does, however, have broad legal powers to access and subpoena financial and other documents, question public servants and officials, conduct administrative investigations and proceedings and instruct different law enforcement bodies to gather additional information and evidence within the limits of their authority. While the CPC cannot prosecute cases (only recommend to the State Prosecutor's Office), it can issue fines for different violations (sanctions can be appealed to the Court).

In 2011, to combat Slovenia's ongoing problems with corruption and nontransparent procedures in public procurement, the GoS established a new government-wide Public Procurement Agency to carry out all public procurements over established EU thresholds (which vary from sector to sector, i.e. goods and services above 40,000 Euro and works above 80,000 Euros). The agency reports to the Ministry of Justice. By law, the National Review Commission also provides non-judicial review of all public procurements. While corruption remains an important problem facing Slovenia, its prevalence remains relatively minor compared to other former-communist countries in Eastern and Central Europe. In 2001, Slovenia convicted its first senior public official for accepting a bribe. The second such case occurred in 2010, resulting in the imprisonment of a member of parliament. The small size of Slovenia's political and economic elite contributes to a lack of transparency in government procurement and widespread cronyism in the business sector. Currently, multiple prominent national and local political figures have been charged or are on trial for corruption in public procurements. The CPC has instituted a new system for tracking corruption in public procurement at the municipal level and in one week discovered 61 violations involving seven municipalities and hundreds of suspect deals in 86 municipalities. As noted above (see first section), a CPC report was at the center of a January 2013 political crisis which led to the collapse of a former government.

## Section 3 - Economy

With excellent infrastructure, a well-educated work force, and a strategic location between the Balkans and Western Europe, Slovenia has one of the highest per capita GDPs in Central Europe. Slovenia became the first 2004 European Union entrant to adopt the euro (on 1 January 2007) and has experienced one of the most stable political transitions in Central and Southeastern Europe. In March 2004, Slovenia became the first transition country to graduate from borrower status to donor partner at the World Bank. In 2007, Slovenia was invited to begin the process for joining the OECD; it became a member in 2012. However, long-delayed privatizations, particularly within Slovenia's largely state-owned and increasingly indebted banking sector, have fueled investor concerns since 2012 that the country would need EU-IMF financial assistance. In 2013, the European Commission granted Slovenia permission to begin recapitalizing ailing lenders and transferring their nonperforming assets into a "bad bank" established to restore bank balance sheets. Yield-seeking bond investors' strong demand for Slovenian debt helped the government in 2013 to continue to finance itself independently on international markets. The government has embarked on a program of state asset sales intended to bolster investor confidence in the economy, which in 2014 is poised to contract 1%, its third-year of recession.

### **Agriculture - products:**

potatoes, hops, wheat, sugar beets, corn, grapes; cattle, sheep, poultry

### **Industries:**

ferrous metallurgy and aluminum products, lead and zinc smelting; electronics (including military electronics), trucks, automobiles, electric power equipment, wood products, textiles, chemicals, machine tools

### **Exports - commodities:**

manufactured goods, machinery and transport equipment, chemicals, food

### **Exports - partners:**

Germany 20%, Italy 12%, Austria 7.9%, Croatia 6.2%, France 4.8%, Russia 4.6% (2012)

### **Imports - commodities:**

machinery and transport equipment, manufactured goods, chemicals, fuels and lubricants, food

### **Imports - partners:**

Italy 16.3%, Germany 16.2%, Austria 10.4%, Croatia 4.8%, Hungary 4% (2012)

## Banking

The banking sector in Slovenia remains fairly rudimentary. Unlike many of the transition economies' banking industries, Slovenian banks have rather strong capital bases and robust loan portfolios. In many cases, however, banks are limited to a narrow range of traditional activities and have yet to engage in new consumer services, investment banking, and management of more complex financial instruments. Nevertheless, the financial statements of Slovenian banks are in compliance with international standards and audited by internationally recognized auditors. Because of the relative immaturity of the banking sector, identifying financing for domestic projects can be problematic. Banks typically seek 100% collateral in most cases. Currently, there no American banks are registered in Slovenia.

Slovenia has taken some important steps to liberalize its financial markets. A combination of market forces and changes in the Bank of Slovenia's regulations and national legislation are moving this sector in a more globally oriented direction. In the future, it will likely become easier and more transparent to make both portfolio and direct investments in Slovenia and to conduct many financial operations, including banking, securities brokering, and undertaking various credit transactions. The banking sector continues its cautious operations during the economic crisis.

## Stock Exchange

The Ljubljana Stock Exchange (LSE) was established in 1990 and is a member of the International Association of Stock Exchanges (FIBV). In 2008, the LSE was acquired by the Wiener Stock Exchange. However, the number of companies listed on the exchange is limited and their trading volume is very light. The LSE has been working to encourage the government to list shares of strong, state-owned companies such as Telekom Slovenije or NLB in order to boost market activity. As of January 2010, Telekom Slovenije, insurance company TRIGLAV, Port of Koper and NKBM bank are the only state-owned companies listed on the Ljubljana Stock Exchange. Although the initial Telekom Slovenije, TRIGLAV and NKBM trade volume was low, doors are open for an investor.

The LSE has two official listings - A and B - depending on the amount of a listing's capital, audited financial statements, size of the class of securities, and securities distribution. The over-the-counter (C) market has less stringent requirements. Securities markets remain relatively underdeveloped in Slovenia. Despite appreciation of the market capitalization of the LSE in recent years, it remains a very illiquid market, with annual turnover similar to a single day's trading on the NYSE.

In 1995, the Central Securities Clearing Corporation (KDD) was established. KDD runs the central registry securities and trade clearings concluded on the LSE electronic trading system.

## 1. Openness To, and Restrictions Upon, Foreign Investment

There are several factors that make Slovenia an attractive location for Foreign Direct Investment (FDI), including modern infrastructure, a major port on the Adriatic Sea, a highly-educated professional work force, access to Central/Southeastern European and EU markets, and membership to the EU and Eurozone. However, despite these benefits, potential investors have at times faced challenges in Slovenia as a result of inconsistent transparency and unclear procedures for foreign investments.

Share of inward FDI stock in GDP in 2012 in Slovenia stood at 34%, below the EU-28 average of 48% and lowest among the newer EU members. Nevertheless, foreign companies are an important factor to Slovenia's economy. In 2012, the share of foreign companies as a total number of corporations was only 4.5%, but they accounted for 19.8% of capital, 23.2% of assets and 21.7% of employees in the entire corporate sector. Their capital and workforce generated 28.2% of total net sales in revenue, 25.4% of total operating profit, and 21.1% of total operating loss. Foreign companies accounted for 40.0% of exports and 43.1% of imports by the Slovenian corporate sector.

Sectors of the economy that had the most success in attracting FDI to Slovenia include manufacturing of metal products, electric and optical equipment (in particular production of components for electronic and automotive industry), chemical products and products from plastic materials, paper industry, pharmacy and rubber industry, whole- and retail-sale, and financial and business consultancy.

The survey among existing foreign companies in Slovenia, conducted by the Public Agency of the Republic of Slovenia for Entrepreneurship and Foreign Investments (JAPTI), shows that the most decisive factors for choosing Slovenia as a location for investment include high quality of production of export goods, high quality of the labor force, know-how and technology, strengthening of long-term cooperation, market access (mostly for services), good geographical position and infrastructure.

Note: on January 1, 2013 JAPTI, the Slovenian Tourist Board (STO) and the Slovenian Technology Agency (TIA) were merged into one new agency, the Slovenian Public Agency for the Promotion of Entrepreneurship, Innovation, Development, Investment and Tourism, or SPIRIT Slovenia. SPIRIT serves as Slovenia's agency for foreign investment and promotion. Its mission is to enhance Slovenia's economic competitiveness through technical and financial assistance to entrepreneurs, businesses and investors.

In 2013, Slovenia improved its ranking on the Heritage Economic Freedom index and on the World Bank's Ease of doing Business index, but slipped further in rankings on TI Corruption Perceptions index and Global Innovation index.

TABLE 1:

Measure	Year	Rank or value	Website Address

TI Corruption Perceptions index	2013	43 of 177	<a href="http://cpi.transparency.org/cpi2013/results/">http://cpi.transparency.org/cpi2013/results/</a>
Heritage Foundation's Economic Freedom index	2013	74 of 177	<a href="http://www.heritage.org/index/ranking">http://www.heritage.org/index/ranking</a>
World Bank's Doing Business Report "Ease of Doing Business"	2013	33 of 189	<a href="http://doingbusiness.org/rankings">http://doingbusiness.org/rankings</a>
Global Innovation Index	2013	30 of 142	<a href="http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener">http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener</a>
World Bank GNI per capita	2012	USD \$22,800	<a href="http://data.worldbank.org/indicator/NY.GNP.PCAP.CD">http://data.worldbank.org/indicator/NY.GNP.PCAP.CD</a>

### **Attitude Toward FDI**

While generally welcoming Greenfield investments, there are a number of informal barriers – including ambivalence toward FDI and the “clubby” nature of the Slovenian elite – that present challenges for foreign investors. According to JAPTI's survey, the most important barriers that have an effect on FDI in Slovenia are high taxes, financial indiscipline, high labor costs, inefficient judicial system, difficulties with firing employees, small market size, unavailability of properly trained manpower, expensive\poor energy infrastructure, high transportation costs, and difficulties with obtaining credits. Most of the barriers were not removed and are deteriorating, especially high costs of the labor force, labor market rigidity, small market size, and unavailability of properly trained manpower. There was significant improvement in certain areas such as establishment of new company, foreign trade operations, and minimal improvement in others such as: tax administration and purchase of land and buildings.

Foreign companies doing business in Slovenia and the local American Chamber of Commerce have cited additional areas of focus that are aimed at improving the investment climate, including the (GoS) lack of strategy to promote FDI, a sizable judicial backlog, difficulties in obtaining building permits, a high-level of labor market rigidity, high social contributions and personal income taxes coupled with excessive administrative tax burdens, the lack of transparency in public procurement, unnecessarily complex/time-consuming bureaucracy, frequent changes in regulation, high prices of real estate and confusion over lead responsibility or jurisdiction regarding foreign investment among government agencies. In some economically depressed and underdeveloped regions (such as Prekmurje region near the border with Hungary), Slovenia offers special facilities/services and financial incentives to foreign investors. The country particularly welcomes high-tech sector investments that create jobs and are linked to research and development (R&D) activities, for which special tax incentives are available. Although Slovenia has some of the highest taxes in Europe, the government has introduced tax cuts which significantly reduced

business costs, eliminated payroll taxes in 2009, and lowered the corporate tax rate to 17% in January 2013. Similar to other EU countries fighting with the global recession, the government increased the VAT rate (standard rate rose from 20% to 22%, and reduced rate from 8.5% to 9.5%) in July 2013.

### ***Industrial Strategy***

The report titled *Slovenian Industrial Policy*, prepared by the government in 2013, notes that Slovenia's industry generates innovation, growth and employment. The report also sets development goals for the industry and the economy for the nearer future. The main goal is to restructure the existing industry into an efficient one, with regards to energy, natural resources, environment and society, through improvement of business environment, support of entrepreneurship and innovation and development of perspective technological and industrial fields. Specific technology priorities include environmental technologies (energy efficiency, renewable energy resources, green building...), sustainable transport, biotechnology and key enabling technologies – KET (nanotechnology, micro- and nano-electronics, photonics and advanced materials and production). European funds will be the main source of financing for these investments while internationalization is recognized as crucial for enabling technology transfer and inclusion of domestic companies in the global value chain.

### ***Privatization Program***

Unlike other countries in Central/Eastern Europe, Slovenia never underwent mass privatization, which resulted in a higher percentage of state owned enterprises (SOE) that are either owned or controlled directly or indirectly by the state. State control is particularly apparent in key sectors, such as energy, transport, banking, telecommunication and insurance. Large swaths of the manufacturing, construction, retail and tourism sectors are also owned or controlled (at least indirectly) by the state. In 2013, the government prepared a list of 15 state owned companies to be privatized, which was confirmed by the Parliament. Two companies from the list were sold. The government also plans to privatize at least one bank. The European Commission further recommends a significant withdrawal of the state from the corporate and financial sector, combined with a comprehensive strategy for the management of core assets and divestment of non-core assets.

## **2. Conversion and Transfer Policies**

Since September 1, 1995, Slovenia has adhered to Article VIII of the IMF Article of Agreement, thus committing itself to full current account convertibility and full repatriation of dividends. Slovenia replaced its previous currency, the Slovenian tolar, with the Euro in January 2007. In order to repatriate profits, joint stock companies must provide the following: evidence of the settlement of tax liabilities; notarized evidence of distribution of profits to shareholders; and proof of joint stock company membership (Article of Association). All other companies need to provide evidence of the settlement of tax liabilities and the company's act of establishment.

For the repatriation of shares in a domestic company, the party must submit its act of establishment, a contract on share withdrawal, and evidence of the settlement of tax liabilities to the authorized bank.

### **3. Expropriation and Compensation**

According to Article 69 of Slovenia's Constitution, the right to possess real property can be taken away or limited, with compensation in kind or financial compensation, under conditions determined by law on the basis of public interest.

There are currently no expropriation-related investment disputes in Slovenia. National law gives adequate protection to all investments. However, there is an ongoing dispute over private property expropriated by the Socialist Yugoslav government for state purposes. After the fall of Yugoslavia, the 1991 Denationalization Act created the basis for the process of denationalizing these properties and returning them to the rightful owners or to their heirs, or paying some sort of compensation if it was not possible to return the property "in nature." Some of those rightful owners and heirs are now U.S. citizens. Since the 1993 deadline for filing a claim, roughly 97% of all cases have been resolved, but only about 88% of American-involved claims have been resolved. Cases regarding expropriation of property belonging to U.S. citizens take longer for several reasons, most of which are tied to the fact that the claimants usually do not live in Slovenia. The first step in the process is that the Ministry of Justice must determine the nationality of the former owner at the time the property was seized – a simple question for Slovenes who never acquired another citizenship, but more complicated in cases involving naturalized American citizens. Second, many non-resident claimants fail to engage local attorneys, or only did so at the start of the process and have since let those retainers lapse. Third, simple communication/postal delays mean non-resident claimants take longer to respond to paperwork and other needs relating to their cases. Finally, there are also concerns that some claims involve property currently controlled or owned by prominent members of Slovene society, thereby creating an additional, though and often unseen obstacle to restitution.

### **4. Dispute Settlement**

Slovenia is a signatory to the 1958 New York Convention on Recognition of Foreign Arbitral Awards and the 1961 European Convention on International Commercial Arbitration. There have been no major investment disputes in the past five years. Investment disputes are handled as all other business disputes.

Slovenia has a well-developed and structured legal system. It is based on a five-tier (district, regional, appeals, supreme, and administrative) court system. These courts deal with a vast array of legal cases including criminal, domestic relations, land disputes, contracts, and other business-related issues as well as probate. A separate social and labor court system, comprised of regional, appeals, and supreme courts, deals strictly with labor disputes, pensions, and other social welfare claims. Similar to most European countries, Slovenia also has a Constitutional Court which hears complaints alleging violations of human rights and personal freedoms. The court expresses its opinions on the constitutionality of international agreements and state statutes, and deals with other high profile political issues. In keeping with European legal standards, in 1997 the Parliament established an administrative court to handle disputes among local authorities, between state and local authorities, and between local authorities and executors of public authority.

The Parliament passed a law on Legal Proceedings in 1999 to speed up court proceedings. The law stipulates a stricter and more efficient procedure for serving court documents and providing evidence. For commercial cases, defendants are now required to file their defense within 15 days of receiving a notice of a claim. As a result of EU warnings and GoS programs to reduce case backlogs, the efficiency of Slovenian courts has increased. The number of cases with backlog decreased from 242,332 in 2011 to 199,923 in 2012. There were, however, 289,574 open cases as of September 30, 2013.

Unless parties have agreed to binding arbitration for disputes, the regional court specializing in economic issues has jurisdiction over business disputes. However, the parties may agree in writing to settle disputes in another court of jurisdiction.

The parties may also exclude the court as the adjudicator of the dispute if they agree in writing that contractual disputes will be solved by arbitration, whether ad hoc or institutional. In the former case, the applicable procedure and law must be determined. In the case of institutional arbitration, the type of arbitration must be clearly defined. The Permanent Court of Arbitration within the Chamber of Commerce is an independent institution that solves domestic and international disputes arising out of business transactions among companies. The procedure before the Permanent Court of Arbitration at the Chamber of Commerce of Slovenia is governed by the Regulations on the Procedure before the Permanent Court of Arbitration at the Chamber of Commerce of Slovenia. Arbitration rulings are final and subject to execution.

Competition is keen in Slovenia, and bankruptcies are an established and reliable means of working out firms' financial difficulties. Slovenian law provides three procedural methods for dealing with bankrupt debtors. The first, compulsory settlements, allows the insolvent debtor to submit a plan for financial reorganization to the Court. The Compulsory Settlement Plan is then voted upon by the creditors and must be accepted by those creditors whose claims represent more than 60% of the total claimed. If the settlement is accepted, the debtor is excused from the obligation to pay the creditor the amount that exceeds the percentage of payment set forth in the confirmed settlement. The payment terms are then extended in accordance with the conditions of forced settlement. Confirmed compulsory settlement affects creditors who have voted against compulsory settlement and creditors who have not reported their claims in the settlement procedure.

The creditor or debtor may also initiate bankruptcy procedures. The court names a bankruptcy administrator who sells the debtors property according to the bankruptcy senate, president's instructions, and supervision. As a rule, the debtor's property is sold by public auction. Otherwise, the creditors' committee may prescribe a different mode of sale such as collecting offers or placing conditions for potential buyers. The legal effect of the completed bankruptcy is the termination of the debtor's legal status to conduct business, and the distribution of funds created from the sale of assets to creditors according to their share of total debt.

The third method, bankruptcy as a forced liquidation, is distinguished from voluntary liquidation (without court intervention) as set forth in the Law on Commercial Companies. Forced liquidation is imposed on a debtor for whom the law determines the liquidation procedure and the legal conditions for ending his existence as a business entity. This would

occur, for example, if the management does not operate for more than twelve months, if the court finds the registration void, or by court order.

## **5. Performance Requirements and Investment Incentives**

Slovenia has been a signatory member of the WTO since its inception and to date the government has not violated WTO rules. Legally, all investors, domestic and foreign, are treated equally. No performance requirements are imposed as a condition for establishing, maintaining, or expanding an investment.

There are some incentives offered to potential investors through the "FDI Incentive Scheme." The Inward Investment Cost-Sharing Grant Scheme will co-fund investments in industry, strategic services, or research and development that will result in the creation of at least 10 to 50 new jobs. More information and application forms can be found at [www.investslovenia.org](http://www.investslovenia.org). On the other hand, the rigid procedures necessary to acquire work permits serve as an impediment for foreign investors. It can take two to three months to obtain a work permit. The Ministry of Labor has established a fast-track procedure for foreigners who are registered in the court registry as authorized persons or representatives of companies, managers of branch offices, and foreigners who are temporarily sent to work in organizational units for foreign legal persons registered in Slovenia. More information on work permits and employment services can be found at <http://www.ess.gov.si>.

## **6. Right to Private Ownership and Establishment**

Private enterprise and ownership are promoted and protected in Slovenia, both by statute and the Constitution. Slovenia's laws on foreign investment are fully harmonized with the EU legislation. As stated in the Law on Commercial Companies, all business activities within Slovenia are open to domestic and foreign natural and legal persons who may establish wholly or partially owned companies in any legal form provided by the Commercial Companies Act (Limited, General; Joint Stock Companies, Limited Liability Companies, and Partnerships Limited by Shares; and Economic Interest Groups). Foreign investors may freely invest in Slovene companies in most industries with the exception of banking and insurance industries, where a permit from the Bank of Slovenia or Insurance Supervision Agency is needed. Furthermore, current regulations limit the foreign ownership stake in gaming interests to 20%. Foreign investors are permitted to obtain concessions for the exploitation of renewable and non-renewable natural and public goods. In addition, foreign and domestic investors have the same reporting requirements to the Bank of Slovenia.

Some restrictions are also applied to foreign investment in the field of military supply. For example, direct investments made by non-residents in companies or other entities that are engaged in the production of, or trade in, weaponry and military equipment are allowed only if specifically authorized by the Government of the Republic of Slovenia.

Foreign investors are subject to the same legal treatment as domestic companies and enjoy the same rights and obligations. The registration process is rather simple and usually takes between three weeks and one month to complete. Registered foreign-owned companies may also become members of the Ljubljana Stock Exchange.

Foreign-owned companies are entitled to own property in Slovenia. All citizens and enterprises of the European Union or the United States have the same purchase rights and rights of use of land and natural resources as citizens and domestic enterprises. If a foreign citizen or legal person from a third (i.e., non-EU) country decides to establish a company in Slovenia, this company is considered a Slovenian legal person and as such can buy, own and sell real estate. However, while the law provides for these rights, some foreign companies have experienced unexplainable delays in obtaining land even after all the necessary paperwork was submitted.

Foreign shareholders are entitled to free and unrestricted transfer of their profits abroad in foreign currency, providing that they meet their tax obligations. The 17% corporate tax rate in Slovenia applies to domestic and foreign companies and is among the lowest in Europe. Credits and guarantees between residents and non-residents are regulated by the Foreign Exchange Act. The law differentiates between commercial and financial credits.

Commercial credits are those credits relating to trade and rendering international services that involve a resident as one of the contracting parties. Commercial credits include contractual trade credits (deferred payments and/or advances) and financing by banks. Factoring operations are also considered to be commercial credits, on the condition that the underlying operations from which the claims arise have the nature of commercial credits. All other operations are considered to be financial credits, including mortgage-backed and consumer loans as well as financial leasing operations.

All credit transactions, except commercial credits with payment delay or prepayments less than 12 months, must be in written form and contain all obligatory parts of the credit business. Authorized banks can undertake credit operations with non-residents for their own accounts in their own name and for someone else's account as their proxy. Institutions, that are not banks, can undertake credit operations with non-residents for their own accounts and in their own name. Residents must report all credit operations with non-residents to the Bank of Slovenia within 10 days of signing the loan contract.

Larger banks in Slovenia also have specialized International Desks, which offer bank services to foreign companies and persons. The 1999 Law on Banking allows foreign banks to establish branch offices in Slovenia. Since 1999, local borrowers have faced no restrictions with regards to borrowing abroad, which was strictly regulated before the new legislation. Once Slovenia joined the EU, its banking regulation was entirely harmonized with the banking regulation of the EU.

As of June 2001, all restrictions on portfolio investments by foreigners in Slovenia have been abolished and the purchase of foreign equities by Slovenes has been fully liberalized. There is no law, statute, or regulation that specifically deals with mortgage banking services in Slovenia. Since there is no specific mortgage instrument, borrowers take classic loans with certain specifics related to real estate. The government also adopted a law which increased consumer protection levels for loans with real estate collateral. However, the government has committed itself to creating a mortgage banking system to include property assessments and deeds that will replace the current Land Registry system. Currently, there are no special mortgage banks in Slovenia. Accordingly, only a few Slovenian banks offer mortgage loans, all of which are secured or backed by mortgages and frequently granted to corporate clients, entrepreneurs and private individuals.

In order for mortgages to be effective against any owner of real estate, the mortgage must be registered in the Land Registry Book at the Land Registry Office. The Land Registry Book was introduced within the present territory of Slovenia in the 19th century and serves to inform the general public on the ownership of land, buildings, and parts of buildings that individuals have. Within the legal system, the Land Registry Book is, in part, connected with substantive civil law, which regulates default procedures on real estate.

Even though many banks give priority to the cash flow statements before the collateral of the loan, using mortgages to finance real estate developments is common in Slovenia. Mortgages are used as collateral for corporate financing of development projects. The creditor often requires the debtor to own, in equity, one and a half to two times the amount of the loan, depending on the debtor's credit rating. Once the mortgage is organized between the creditor and debtor, it is registered in the Land Registry Book. If the debtor defaults on the loan, the law provides for a foreclosure procedure on the mortgaged property.

Banks also offer financial service programs for construction and development projects. Under this program, banks offer to finance up to 70% of the construction or development project while 30% of the project cost is usually paid for by the investor. The banks also offer advisory services pertaining to Slovenian regulations on building and sales of real estate as well as transfer of ownership of the mortgaged real estate. As collateral, banks usually require a mortgage on the building being constructed.

## **7. Protection of Property Rights**

### ***Intellectual Property Rights***

Slovenia has enacted highly advanced and comprehensive legislation for the protection of intellectual property that fully reflects the most recent intellectual developments in the TRIPS Agreement (Trade Related Aspects of Intellectual Property) and various EU directives. Slovenia is a full member of the TRIPS Council of the World Trade Organization (WTO) and the World Intellectual Property Organization (WIPO). Slovenia has already ratified the WIPO Copyright Treaty and the Cyber Crime Convention.

Slovenia's Intellectual Protection Office actively participates in the Intellectual Property Working Party of the Council of Europe, the Trademark Committee and other EU working bodies in formulation of new EU legislation. The Copyright and Related Rights Act amended in 2001 and 2004 deals with all fields of modern copyright and other related laws, including traditional works and their authors, computer programs, audiovisual works, as well as rental and lending rights. The act also takes into account new technologies such as storage and electronic memory, original databases, satellite broadcasting, and cable re-transmission. The 2004 harmonization with the EU legislation introduced a new system of collective management of intellectual property rights following the latest directive.

The 1994 Law on Courts gives the District Court of Ljubljana exclusive subject matter jurisdiction over intellectual property disputes. The aim of the law is to ensure specialization of the judges and the speed of relevant proceedings. Concerning enforcement of the TRIPS Agreement provision, Slovenian law provides for a number of civil legal sanctions, including

injunctive relief and the removal of the infringement, the seizure and destruction of illegal copies and devices, the publication of the judgment in the media, compensatory and punitive damages, border (customs) measures, and the securing of evidence and other provisional measures without the prior notification and hearing of the other party. Furthermore, these infringements also constitute a misdemeanor charge with fines ranging from 400 Euro (\$550) to 45,000 Euro (\$61,500) for legal persons and a range of fines, from 40 Euro (\$55) to 2,000 Euro (\$2,700), for supervisors of individual offenders, provided that the reported offenses are not criminal in nature. In such a case, the Slovenian Criminal Code would apply, which may result in fines or in extreme cases, imprisonment. While Slovene laws regarding intellectual property are clearly defined, there have been complaints by foreign investors regarding the slow nature of the court system.

Since the enactment of the Law on Copyright and Related Rights Act, there have been relatively few reported prosecutions regarding copy right infringements and violations. The most notable cases usually include computer software piracy. In 2004, a long-running software piracy court case ended with a prison sentence and monetary fine. With piracy prosecution still in the early stages of implementation, Slovenia has dedicated resources to training prosecutors and public authorities. Slovenia continues to address the preservation of evidence in infringement procedures and border measures by amending existing legislation. Moreover, the Ministry of Culture established the Intellectual Property Fund, the Slovene Copyright Agency, and the Anti-Piracy Association of Software Dealers (BSA) to combat the problem of piracy in a collective manner.

The Law on Industrial Property grants and protects patents, model and design rights, trademark and service marks, and appellations of origin. The holder of a patent, model, or design right is entitled to: exclusively work the protected invention, shape, picture, or drawing; exclusively market any products manufactured in accordance with the protected invention, shape, picture, or drawing; dispose of the patent, model, or design right; prohibit the use of a protected invention, model, or design, by any person without consent. The holder of a trademark has the exclusive right to use the trademark in the course of trade to designate his products or services. The authorized user of a protected appellation of origin has the right to use the appellation in the course of trade for marking products to which the appellation refers.

The patent and trademark rights granted by the Law on Industrial Property take effect from the date of filing the appropriate applications. Patents are granted for twenty years from the date of filing and model and design rights are granted for ten years. Trademarks are granted for ten years, but may be renewed an unlimited number of times. The term of an appellation of origin is unlimited. All patents and trademarks are registered through the Slovenian Intellectual Property Office with all registers open to the public. Patent and trademark applications filed in member countries of the International Union for the Protection of Industrial Property are afforded priority rights in Slovenia. The priority period is 12 months for patents and six months for model and design rights.

Any person who infringes upon a patent or trademark right may be held liable for damages and prohibited from carrying on the infringing acts.

The Law on Industrial Property also provides for the contractual licensing of patents, model and design rights, and marks. All license agreements must be in writing and specify the

duration of the license, the scope of the license, whether the license is exclusive or non-exclusive, and the amount of remuneration for the use if compensation is agreed upon. Compulsory licenses may be granted to another person when the invention is in the public interest or the patentee misuses his rights granted under the patent. A misuse of a patent occurs when the patentee does not use or insufficiently uses a patented invention and refuses to license other persons to work the protected invention or imposes unjustified conditions on the licensee. If a compulsory license is granted, the patentee is entitled to compensation. Slovene industrial property legislation fully complies with EU standards. For additional information about treaty obligations and points of contact at local IP offices,

## **8. Transparency of the Regulatory System**

Foreign companies conducting business in Slovenia have the same rights, obligations, and responsibilities as domestic companies. The principles of commercial enterprise, which include free operation and national treatment, apply to the operations of foreign companies as well. Their basic rights are guaranteed by the Law on Commercial Companies and the Law on Foreign Transactions.

Generally, the bureaucratic procedures and practices are sufficiently streamlined and transparent for foreign investors wishing to start a business in Slovenia. In order to establish a business in Slovenia, a foreign investor must produce a sufficient amount of capital of at least 10,000 Euro (\$13,700) for a limited liability company and 25,000 Euro (\$34,500) for a stock company). The investor must also establish a business address, and file appropriate documentation with the court. The entire process usually takes three weeks to one month, but may take longer in Ljubljana due to backlogs in the court.

Slovenia signed a reciprocal taxation treaty with the United States in June 1999. The rate of taxation of profits in Slovenia is lower than in the United States. Slovenia introduced the Value Added Tax (VAT) in July 1999 which has only two grades, 9.5% and 22%. The standard VAT is 22% with 9.5% for some specialty items such as food products.

In Slovenia, highly concentrated market structures are not illegal; however, the abuse of market power is. The Law on the Protection of Competition prohibits acts that restrict competition in the market, conflict with good business practices relating to market access, or involve prohibited speculation. The law, which is fully harmonized with EU legislation, is applicable to corporate bodies and natural persons engaged in economic activities regardless of their legal form, organization, or ownership. The law also applies to the actions of public companies.

Restriction of competition through cartel agreements, unfair competition (i.e., false advertising, promises/gifts in exchange for business, trade secrets, etc.), illicit speculation during times of irregular market situations, and dumping and subsidized imports are all prohibited. The Government may, however, prescribe market restrictions in the following instances: in cases of natural disasters, epidemics, or in a state of emergency; in cases of appreciable market disturbances due to the shortage of goods; or when necessary to satisfy requirements for the products, raw materials, and semi-finished goods of special or strategic importance to the defense of the nation.

The Competition Protection Office (CPO) is responsible for ensuring fair competition in the marketplace. Investigations can be initiated by the CPO or conducted at the request of private companies. The CPO can issue a decree against any company found to be violating the Law on the Protection of Competition, although the power to fine companies rests solely in the hands of the courts. Any party trading in goods or services on the market may initiate legal proceedings in cases of unfair competition. Injured parties are entitled to compensation and the injunction of the unfair acts.

The court may issue a penalty of 125,000 Euro (\$171,500) to 1,000,000 Euro (\$1,370,000) against companies found to have engaged in cartel agreements, abused a dominant market position, committed an act of unfair competition, or engaged in illicit speculation. The managers and directors of the sanctioned company may be liable for a minimum fine of 4,000 Euro (\$5,500). Self-employed persons found to have committed any of the legally prohibited actions are liable to pay a fine of no less than 40,000 Euro (\$55,000). There are also fines for noncompliance with the CPO in the range of 2,000 Euro to 4,000 Euro (\$2,700 to \$5,500) for every week that requested documentation is not submitted. The same range of fines also applies if the sanctions are not carried out.

## **9. Efficient Capital Markets and Portfolio Investment**

The financial sector remains relatively underdeveloped for a country with Slovenia's level of prosperity and is significantly affected by the turmoil of the economic crisis. Enterprises rarely raise capital through the stock market and instead must rely solely on the traditional banking system to meet their needs. The shallowness of the banking sector hinders economies of scale which, along with the recent decline in bank lending, has severely hindered the growth of the real economy.

The banking sector in Slovenia is marked by a relatively high degree of concentration. The country's largest two banks, both under state ownership, account for almost 60% of the market share, while foreign-owned banks account for less than 30%. The banking sector also suffers from excessive competition, with 19 banks and 3 savings banks in a country of 2 million people. The total assets of the banking sector account for nearly EUR 50 billion, approximately 140% of GDP. At the onset of the worldwide economic crisis, the banking sector was largely able to avoid serious problems. However, the collapse of the Slovene construction sector, coupled with diminished demand for exports (nearly 70% of Slovenia's GDP is derived from exports), led to severe capital inadequacy issues, as many loans were not appropriately collateralized, and bank assets have been steadily in decline since December 2009.

In the past, a number of Slovene banks have been partially or fully taken over by foreign banks and a number of Slovene banks have announced mergers. In 2001, French Societe Generale took over Slovenia's largest private bank, SKB Banka. In October 2001, Italian banking group San Paolo IMI purchased 82% of the Bank of Koper, the fifth largest bank in Slovenia. In spring 2002, the Government sold 34% of the largest commercial bank, Nova Ljubljanska Banka (NLB), to the Belgian KBC Group, with another 5% sold to the European Bank for Reconstruction and Development (EBRD). After nearly a decade, the Belgian-based KBC announced their withdrawal from NLB in December 2012, with the government later stepping in to recapitalize the bank.

The Slovenian banking sector has been hit hard by the recent economic crisis. The largest banks (NLB and NKMB, both state-owned) have been downgraded several times by credit rating agencies due to the large number of non-performing loans in their portfolios, the need for recapitalization, the unstable domestic political situation and the looming threat from the Eurozone. The GOS has announced that it is searching for a strategic investor for NKBM (Nova Kreditna Banka Maribor), the nation's second largest bank.

In 2013, the government established a Bank Asset Management Company (BAMC) with a management board compiled of financial experts from Western Europe as the key institution to promote stability of the Slovenian financial system and restore trust in its functioning. BAMC has agreed to take over non-performing assets of three major state banks in exchange for bonds. Three such operations were conducted from December 2013 through March 2014. The government also injected EUR 3.3 billion into three of the biggest banks (NLB, NKBM, and A Bank). One estimate shows that 16% of Slovenian banking assets have been non-performing at the end of 2013.

Banking legislation authorizes commercial banks, savings banks, and stock brokerage firms to purchase securities abroad. Investment funds may also purchase securities abroad provided that certain diversification requirements are met.

The Ljubljana Stock Exchange (LSE), established in 1990, is a member of the International Association of Stock Exchanges (FIBV). In 2008, the LSE was acquired by the Wiener Stock Exchange. However, the number of companies listed on the exchange is limited and their trading volume is very light, with annual turnover similar to a single day's trading on the NYSE. In 1995, the Central Securities Clearing Corporation (KDD) was established. KDD runs the central registry securities and trade clearings conducted on the LSE electronic trading system. The Securities Market Agency (SMA), established in 1994, has powers similar to the SEC in the United States. The SMA supervises investment firms, the LSE, the KDD, investment funds, and management companies, and shares responsibility with the Bank of Slovenia for supervision of banking and investment services.

The LSE uses different dissemination systems, including real time online trading information via REUTERS or the BDS System. The LSE also publishes information on the Internet at <http://www.ljse.si>.

Slovenia's takeover legislation has been fully harmonized with EU regulations. Slovenia implemented EU Directive 2004/25/ES on takeover legislation in July 2006 by adopting a new takeover law. The law was amended in July 2008 to reflect the country's adoption of the Euro. The law defines a takeover as a party's acquisition of 25% of a company's voting rights and requires a takeover offer for all current shareholders be publicly announced. The acquiring party must publicly issue a takeover offer for each additional acquisition of 10% of voting rights until it has acquired 75% of voting rights. The law stipulates that the acquiring party must inform the share-issuer whenever its stake in the target company reaches, surpasses or drops below 5, 10, 20, 25, 33, 50 or 75%. The law applies to all potential takeovers. However, acquisitions are often blocked or delayed regularly and easily, and drawn out negotiations and stalled takeovers have impacted Slovenia's reputation as an investment destination.

Slovenia's insurance sector is characterized by its high level of concentration in a few companies, with the largest, state-owned Triglav d.d., holding 37% of the total market. The four largest insurance companies in Slovenia account for over 70% of the market, while foreign insurance companies hold less than 10% of the market. Insurance companies primarily invest their assets in non-financial companies, state bonds, and bank-issued bonds. Since 2000, there have been significant changes in the legislation regulating the insurance sector. The Ownership Transformation of Insurance Companies Act, which seeks to privatize insurance companies, has been delayed several times due to ambiguity in the act concerning the estimated share of state-controlled capital. Although plans for insurance sector privatization have been discussed since 2005, nothing has been implemented. Currently, Slovenia has three registered health insurance companies and a variety of companies offering other kinds of insurance. However, under EU regulations, any insurance company registered in the EU can market its services in Slovenia as well, so long as the insurance supervision agency of the company's country of origin has notified the Slovenian Supervision Agency of the company's intentions.

Foreign investors in Slovenia have equal rights as domestic investors, including the ability to obtain credit on the local market.

#### **10. Competition from State-Owned Enterprises**

Private enterprises compete on the same terms and conditions as public enterprises with respect to access to markets, credit, and other business operations.

State-owned and partially state-owned enterprises are present across most industries in Slovenia since the state retained significant ownership shares in many large companies since its independence. Some sectors are more likely to be dominated by state owned companies, such as energy, transport, banking, and insurance, which are considered to be of strategic national interest to Slovenia. Other sectors of the economy, including the retail, entertainment, construction, tourism, and manufacturing sectors, contain important firms that are either wholly state owned or in which the state maintains a controlling interest by virtue of holding the largest single block of shares.

Following OECD recommendations, the GoS established the Capital Assets Management Agency (AUKN) in November 2010 to increase transparency and promote more efficient management of State owned enterprises (SOE). More than 95% of AUKN funds are invested domestically. AUKN is an independent state authority that reports to the National Assembly of the Republic of Slovenia. AUKN provides the National Assembly with annual reports regarding the previous year's implementation of the Annual Plan of the Corporate Governance of Capital Investments. The GoS then adopts the Annual Plan of the Corporate Governance of Capital Investments based on AUKN's proposal.

AUKN has been heavily criticized for being ineffective since its inception and a previous government, elected in February 2012, prepared a plan to replace AUKN with a new Slovenian Sovereign Holding (SSH). Parliament formally approved SSH in January 2013, after the Constitutional Court rejected a request to hold a referendum on the establishment of SSH. However, SSH is not yet operational. The goal, according to the government, is to simplify and shorten the administrative process to privatize state assets.

SOEs are subject to the same laws as private companies. They must submit their books to be independently audited and publish annual reports if required, for example if the SOE is listed on the stock exchange or the size of the company meets the required threshold. The reporting standards are comparable to international financial reporting standards. SOEs fully comply with their legal obligations.

## **11. Corporate Social Responsibility**

Recently, there has been increased interest in the concept of corporate social responsibility. Larger companies have increasingly undertaken corporate social responsibility activities in order to raise their public profile and promote their firms, as such ventures are generally viewed favorably by Slovenian consumers; recent examples include sponsoring sports teams and community events. Slovenia's tax code does not provide strong incentives for corporate social responsibility or philanthropy.

## **12. Political Violence**

Except for a brief, ten-day conflict in 1991, there have been no incidents of political violence in Slovenia since independence.

## **13. Corruption**

Perceptions of corruption remain widespread, potentially raising the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law. The Slovenian Independent Commission for the Prevention of Corruption (CPC) operates with a broad mandate to prevent and investigate corruption, breaches of ethics and integrity of public office. The CPC reports to the Parliament.

Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Similar to many other European countries, Slovenia does not have a bribery statute equal in stature to the U.S. Foreign Corrupt Practices Act. However, Chapter 24 of the Slovenian Criminal Code (S.C.C.) provides statutory provisions for criminal offenses in the economic sector. Corruption in the economy can take the form of corruption among private firms or corruption among public officials.

The S.C.C. provides for criminal sanctions against officials of private firms for the following crimes: forgery or destruction of business documents; unauthorized use or disclosure of business secrets; insider trading; embezzlement; acceptance of gifts under certain circumstances; money laundering; and tax evasion.

Specifically, Articles 241 and 242 of the S.C.C. make it illegal for a person performing a commercial activity to demand or accept undue rewards, gifts, or other material benefits that will ultimately result in the harm or neglect of his business organization. While Article 241 makes it illegal to accept gifts, Article 242 prohibits the tender of gifts in order to gain an undue advantage at the conclusion of any business dealings.

Public officials are held accountable under Article 261 of the S.C.C., which makes it illegal for a public official to request or accept a gift in order to perform or omit an official act within the scope of his official duties. The acceptance of a bribe by a public official may result in a fine or imprisonment of no less than one year, with a maximum sentence of five years. The accepted gift/bribe is also seized.

While Article 261 holds public officials accountable, Article 262 holds the gift's donor accountable. Article 262 makes it illegal for natural persons or legal entities to bribe public officials with gifts. Violation of this article carries a sentence of up to three years. However, if the presenter of the gift discloses such bribery before it is detected or discovered, punishment may be omitted. Generally, the gift is seized. However, if the presenter of the gift disclosed the violation, the gift may be returned to him/her.

The State Prosecutor's Office is responsible for the enforcement of the anti-bribery provisions. The number of cases of actual bribery is small and is generally limited to instances involving inspection and tax collection. Although the Prosecutor's Office may suspect bribery and related corruption practices in government procurement offices, obtaining evidence is difficult, thereby making it equally difficult to prosecute. In addition, in 2010 Slovenia established the Commission for the Prevention of Corruption (CPC), an independent state body, with a broad mandate to prevent and investigate corruption, breaches of ethics, and integrity of public officials. The CPC is not part of the law enforcement or prosecution system of Slovenia and its employees do not have typical police powers. The CPC does, however, have broad legal powers to access and subpoena financial and other documents, question public servants and officials, conduct administrative investigations and proceedings and instruct different law enforcement bodies to gather additional information and evidence within the limits of their authority. While the CPC cannot prosecute cases (only recommend to the State Prosecutor's Office), it can issue fines for different violations (sanctions can be appealed to the Court).

In 2011, to combat Slovenia's ongoing problems with corruption and nontransparent procedures in public procurement, the GoS established a new government-wide Public Procurement Agency to carry out all public procurements over established EU thresholds (which vary from sector to sector, i.e. goods and services above 40,000 Euro and works above 80,000 Euros). The agency reports to the Ministry of Justice. By law, the National Review Commission also provides non-judicial review of all public procurements. While corruption remains an important problem facing Slovenia, its prevalence remains relatively minor compared to other former-communist countries in Eastern and Central Europe. In 2001, Slovenia convicted its first senior public official for accepting a bribe. The second such case occurred in 2010, resulting in the imprisonment of a member of parliament. The small size of Slovenia's political and economic elite contributes to a lack of transparency in government procurement and widespread cronyism in the business sector. Currently, multiple prominent national and local political figures have been charged or are on trial for corruption in public procurements. The CPC has instituted a new system for tracking corruption in public procurement at the municipal level and in one week discovered 61 violations involving seven municipalities and hundreds of suspect deals in 86 municipalities. As noted above (see first section), a CPC report was at the center of a January 2013 political crisis which led to the collapse of a former government.

## **14. Bilateral Investment Agreements**

Slovenia has signed Bilateral Investment Treaties (BITs) with Albania, Austria, Belgium - Luxembourg Economic Union, Bosnia & Herzegovina, Bulgaria, China, Croatia, Denmark, Egypt, Finland, France, Germany, Greece, Hungary, Israel, Kuwait, Lithuania, Macedonia (F.Y.R.), Malta, Moldova, Montenegro, Netherlands, Poland, Portugal, Romania, Slovak Republic, Spain, Sweden, Switzerland, Thailand, Turkey, Ukraine, the United Kingdom, Uzbekistan, and Serbia. Slovenia is currently negotiating BITs with Iran and Kazakhstan. Slovenia does not have a BIT with the United States.

### ***Bilateral Taxation Treaties***

Slovenia has signed Bilateral Taxation Treaties with Albania, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Canada, China, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, India, Ireland, Isle of Man, Israel, Italy, Kuwait, Latvia, Lithuania, Luxembourg, Macedonia (F.Y.R.), Malta, Moldova, Monte Negro, Netherlands, Norway, Poland, Portugal, Qatar, Republic of Korea, Romania, Russian Federation, Serbia, Singapore, Slovakia, Spain, Sweden, Switzerland, Thailand, Turkey, Ukraine, United Kingdom, Uzbekistan. The treaties with Egypt and Kosovo have not yet entered into force.

## **15. OPIC and Other Investment Insurance Programs**

Slovenia signed a bilateral agreement with the U.S. Overseas Private Investment Corporation (OPIC) on April 24, 1994. There are currently a number of OPIC investment finance and insurance programs available in Slovenia, including loan guarantees, direct loans, and political violence and expropriation insurance.

The U.S. Export-Import Bank offers short-, medium-, and long-term private sector, as well as short-term public sector, programs in Slovenia. In July 1999, the Slovenian Export Corporation (SEC) and the U.S. Export-Import Bank signed a memorandum on cooperation in financing, insuring, and reinsuring exports to Southeast European countries. In January 2007, the SEC restructured to become the Slovenian Export and Development Bank. More information is available on their website [www.sid.si](http://www.sid.si).

## **16. Labor**

In September 2008, the unemployment rate stood at a record-low 4.4% (according to the ILO method). However, when the global financial crisis hit Slovenia in the last quarter of 2008, it pushed the unemployment rate up substantially. In 2012, the unemployment rate stood at 8.8% and rose to 10.7% in 2013. Youth unemployment is disproportionately high – around 15 percent. Since 2008, Slovenian companies have undertaken significant layoffs and bankruptcies, especially in the construction, automotive, textile and other sectors of industrial production. The government's economic reforms propose to address this problem through a combination of retraining and investment in new technologies. The regions where unemployment is the highest are primarily in the northeast.

Slovenia fully harmonized its labor legislation with the EU on May 1, 2004. In line with new legislation, Slovenia has retained strict rules on issuing work permits to non-EU applicants. The 2001 Employment of Aliens Act introduces a quota system for work permits and simplifies the

procedure for obtaining work permits for foreigners who have worked and lived in Slovenia for an extended period of time.

Slovenia's wage-setting practice follows the "social partners" model, designed to contain upward pressure by centralizing wage decisions. In practice, however, high wage expectations have pushed Slovenia's wage levels far above those of its central European neighbors. In addition, growing labor unrest has placed pressure for wages to rise further. However, its well-educated labor force and position as a productive transition economy allows it to remain competitive in niche markets.

Slovenia adopted an Employment Relationship Act that entered into force in January 2003. The Act defines a full time workweek as 36 to 40 hours (made up of six to eight-hour days including a 30-minute lunch break). The act increases protection of critical working groups (including women and children), and eases the conditions under which an employer may terminate employees. The amendments to the Act in 2013 further ease the conditions for termination of employment, but Slovenia still needs to introduce major labor and education reform if the country wants to have a more flexible labor market in order to compete on the global economy.

Slovenia's labor force performs well in the higher value-added activities that utilize its skilled technicians and engineers at a somewhat lower cost than in the developed West. However, Slovenia would benefit from a workforce with stronger managerial skills, most notably in the banking and insurance sectors. Despite the introduction of greater labor market flexibility, the market for workers remains quite rigid and investors will find that termination of workers is more difficult than in the United States. In addition, the labor market remains relatively over-protected, and pay scales in public service are very complicated and do not reward performance.

In February 2010, the government implemented an increase to the minimum wage that was phased in over a 3 year period. The minimum wage rose in 2010 from € 597 per month (\$776) to € 734 (\$954), to € 748 (\$972) in 2011, and to € 763 (\$992) in 2012. In 2013 the minimum wage was € 783.66 (\$1,017).

## **17. Foreign Trade Zones/Free Ports**

There are two kinds of Free Trade Zones in Slovenia: Free Economic Zones and Free Customs Zones.

### ***Free Economic Zones***

Slovenia has phased out two Free Economic Zones (FEZ) in Koper and Maribor. The following activities were eligible to be performed within FEZs: production and services; wholesale trade; banking and other financial services; and insurance and reinsurance regarding the above mentioned activities. After obtaining an appropriate tax authority decision, users of FEZs were entitled to the following benefits:

- i. VAT exemption for imports of equipment, production materials, and services necessary for export production or performance of other permitted activities;
- ii. a reduction in corporate tax rates from the normal 21% to 10%;

- iii. a tax allowance amounting to 50% of invested resources on investments in tangible assets in the FEZ; and
- iv. a reduction in the taxable base amounting to 50% of the salaries of apprentices and other workers formerly unemployed for at least 6 months.
- v.

While FEZ Koper was fully operational, there were only a few companies operating in FEZ Maribor. Despite the lack of success in Maribor, the government adopted an amendment to the Law on Free Economic Zones in January 2010, guaranteeing the FEZs' operations until December 31, 2013. In 2013, the government considered extending FEZs' operations, but eventually decided against prolonging them and they were phased out.

### **Free Customs Zones**

As of December 2009, the only free customs zone (FCZ) in Slovenia is the Port of Koper. Under the Customs Act, subjects operating in FCZs are not liable for payment of customs duties, nor are they subject to other trade policy measures until goods are released into free circulation. Duties and rights of users include the following:

- i. Separate books must be kept for activities undertaken in FCZs;
- ii. Users may undertake business activities in a FCZ on the basis of contracts with the founders of FCZs;
- iii. Users are free to import goods (customs goods, domestic goods for export) into FCZs;
- iv. Goods imported into FCZs may remain for an indefinite period, except agricultural produce, for which a time limit is set by the government;
- v. Entry to and exit from FCZs is to be controlled;
- vi. Founders and users must allow customs, or other responsible authorities, to execute customs, or other, supervision; and
- vii. For the purposes of customs control, users must keep records of all goods imported into, exported from, consumed or altered in FCZs.

The Customs Act also allows the establishment of open FCZs that will allow for more flexible organization and customs' authorities' supervision.

In such FCZs, users may undertake the following activities:

- i. Production and service activities, including handicrafts, defined in the founding act or contract, and banking and other financial business transactions, property and personal insurance and reinsurance connected with the activities undertaken;
- ii. Wholesale transactions; and
- iii. Retail sales, but only for other users of the zone or for use within the FCZ.

Slovenia has recently developed land sites designed for Greenfield investments. Most of the newly developed industrial zones have direct access to highways and rail service and well developed infrastructure. Land prices can vary greatly. Municipalities and the State often subsidize infrastructure and land costs, as they would like to increase employment opportunities, reducing the rate for fully equipped land in industrial zones. In Lendava, a town located in the eastern part of the country, the price per square meter of land is roughly 5 Euro, while prices in the vicinity of Ljubljana can run to 50 Euro or more. Potential investors may also count on a full range of free services and concessions provided by local

development agencies for start-ups. The assistance may also include help in completing all the necessary paper work (permits) and, in some cases, organizing and financing construction in line with investor requirements. Interested investors can contact the U.S. Embassy in Ljubljana for further information.

## 18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Foreign Direct Investment (FDI) in Slovenia is fairly low, despite Slovenia's overall mix of qualities as an attractive investment location. Total FDI stock in Slovenia at the end of 2012 was € 11.7 billion. As with trade, the bulk of FDI in Slovenia is European in origin. U.S. FDI in Slovenia, as calculated by the U.S. Embassy, is around 5% of the total. N.B.: The Bank of Slovenia (BoS), in its official data, lists U.S. FDI at approximately \$31 million or 0.3% of total FDI. However, this amount does not take into account significant investments by U.S. firms, notably Goodyear. This data is not listed as U.S. in origin by the BoS, as U.S. funds are often routed through a third country. Goodyear's investment in Sava Tires, for example, came to Slovenia via a bank in Luxembourg.

**TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy**

	Host Country Statistical source*		USG or international statistical source		USG or international Source of data (Source of Data: BEA; IMF; Eurostat; UNCTAD, Other)
<b>Economic Data</b>	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (Millions U.S. Dollars)	2013 2012	46,848.4 45,377.43	2012	45,280	<a href="http://www.worldbank.org/en/country">http://www.worldbank.org/en/country</a>
<b>Foreign Direct Investment</b>	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (Millions U.S. Dollars, stock positions)	Insert 2012	Amount 41.30	Insert (Year)	Amount n/a	(BEA) click selections to reach. <ul style="list-style-type: none"> <li>• Bureau of Economic Analysis</li> <li>• Balance of Payments and Direct Investment Position Data</li> <li>• U.S. Direct Investment Position Abroad on a Historical-Cost Basis</li> <li>• By Country only (all countries) (Millions of Dollars)</li> </ul>
Host country's FDI in the United States (Millions)	Insert 2012	Amount 54.85	Insert 2012	Amount 18	(BEA) click selections to reach <ul style="list-style-type: none"> <li>• Balance of Payments and Direct Investment Position Data</li> </ul>

<i>U.S. Dollars, stock positions)</i>					<ul style="list-style-type: none"> <li>Foreign Direct Investment Position in the United States on a Historical-Cost Basis</li> <li>By Country only (all countries) (Millions of Dollars)</li> </ul>
Total inbound stock of FDI as % host GDP ( <i>calculate</i> )	Insert 2013 2012	Amount 31.3% 33.2%	Insert (Year)	Amount	

\* Provide sources of host country statistical data used.

**TABLE 3: Sources and Destination of FDI Slovenia 2012**

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	12,109	100%	Total Outward	7,427	100%
Austria	4,323	36%	Croatia	2,000	27%
Switzerland	1,350	11%	Serbia, Republic of	1,834	25%
Italy	993	8%	Bosnia and Herzegovina	763	10%
Germany	869	7%	Macedonia, FYR	473	6%
France	787	6%	Russian Federation	417	6%

"0" reflects amounts rounded to +/- USD 500,000.

Source: IMF, <http://cdis.imf.org>

**TABLE 4: Sources of Portfolio Investment Slovenia 2012**

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	15,393	100%	All Countries	3,389	100%	All Countries	12,004	100%
Germany	3,033	20%	United States	856	25%	Germany	2,776	23%
France	2,220	14%	Luxembourg	459	14%	France	1,993	17%
Netherlands	1,211	8%	Austria	308	9%	Netherlands	1,161	10%
United States	1,183	8%	Germany	257	8%	Italy	1,003	8%
Italy	1,022	7%	France	227	7%	Austria	550	5%

Source: IMF, <http://cdis.imf.org>

## Section 5 - Government

### Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

### Legal system:

Civil law system

### International organization participation:

Australia Group, BIS, CD, CE, CEI, EAPC, EBRD, ECB, EIB, EMU, ESA (cooperating state), EU, FAO, IADB, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IFC, IFRC, IHO, ILO, IMF, IMO, Interpol, IOC, IOM, IPU, ISO, ITU, MIGA, NATO, NEA, NSG, OAS (observer), OECD, OIF (observer), OPCW, OSCE, PCA, Schengen Convention, SELEC, UN, UNCTAD, UNESCO, UNHCR, UNIDO, UNIFIL, UNTSO, UNWTO, UPU, WCO, WHO, WIPO, WMO, WTO, ZC

## Section 6 - Tax

### Exchange control

There are no exchange controls in Slovenia.

### Treaty and non-treaty withholding tax rates

Slovenia has signed **59 agreements (57 DTC and 2 TIEA agreements)** providing for the exchange of information.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Albania	DTC	27 Feb 2008	4 May 2009	Unreviewed	No	
Armenia	DTC	11 Oct 2010	23 Apr 2013	Unreviewed	Yes	
Austria	DTC	1 Oct 1997	1 Feb 1999	Yes	No	
Austria	DTC Protocol	28 Nov 2011	not yet in force	Yes	Yes	
Azerbaijan	DTC	9 Jun 2011	10 Sep 2012	Unreviewed	Yes	
Belarus	DTC	6 Oct 2010	31 May 2011	Unreviewed	Yes	
Belgium	DTC	22 Jun 1998	2 Oct 2002	Yes	No	
Bosnia and Herzegovina	DTC	16 May 2006	20 Nov 2006	Unreviewed	No	
Bulgaria	DTC	20 Oct 2003	4 May 2004	Unreviewed	No	
Canada	DTC	15 Sep 2000	12 Aug 2002	Yes	No	
China	DTC	13 Feb 1995	27 Dec 1995	Yes	No	
Croatia	DTC	10 Jun 2005	10 Nov 2005	Unreviewed	No	
Cyprus	DTC	12 Oct 2010	14 Sep 2011	Yes	Yes	
Czech Republic	DTC	13 Jun 1997	28 Apr 1998	Yes	No	
Denmark	DTC	2 May 2001	3 Jun 2002	Yes	No	
Egypt	DTC	15 Dec 2009	not yet in force	Unreviewed	No	
Estonia	DTC	13 Sep 2005	26 Jun 2006	Yes	No	
Finland	DTC	19 Sep 2003	16 Jun 2004	Yes	No	
Former Yugoslav Republic of Macedonia	DTC	15 May 1998	20 Sep 1999	Yes	No	
France	DTC	7 Apr 2004	1 Mar 2007	Yes	No	
Georgia	DTC	7 Dec 2012	not yet in force	Unreviewed	Yes	
Germany	DTC	3 May 2006	19 Dec 2006	Yes	Yes	
Greece	DTC	5 Jun 2001	8 Dec 2003	Yes	No	
Guernsey	TIEA	26 Sep 2011	9 Aug 2012	Yes	Yes	
Hungary	DTC	26 Aug 2004	23 Dec 2005	Yes	No	
Iceland	DTC	4 May 2011	11 Sep 2012	Yes	Yes	
India	DTC	13 Jan 2003	17 Feb 2005	Yes	No	

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Iran	DTC	20 Sep 2011	not yet in force	Unreviewed	No	
Ireland	DTC	12 Mar 2002	11 Dec 2002	Yes	No	
Isle of Man	TIEA	27 Jun 2011	31 Aug 2012	Yes	Yes	
Israel	DTC	30 Jan 2007	1 Jan 2008	Yes	No	
Italy	DTC	11 Sep 2001	12 Jan 2010	Yes	No	
Korea, Republic of	DTC	25 Apr 2005	2 Mar 2006	Yes	No	
Kosovo	DTC	26 Jun 2013	not yet in force	Unreviewed	Yes	
Kuwait	DTC	11 Jan 2010	17 May 2013	Unreviewed	No	
Latvia	DTC	17 Apr 2002	22 Nov 2002	Unreviewed	No	
Lithuania	DTC	23 May 2000	1 Feb 2002	Yes	No	
Luxembourg	DTC	2 Apr 2001	8 Dec 2002	Yes	No	
Malta	DTC	8 Oct 2002	12 Jun 2003	Yes	No	
Moldova, Republic of	DTC	31 May 2006	14 Nov 2006	Unreviewed	No	
Montenegro	DTC	11 Jun 2003	31 Dec 2003	Unreviewed	No	
Netherlands	DTC	30 Jun 2004	31 Dec 2005	Yes	No	
Norway	DTC	18 Feb 2008	10 Dec 2009	Yes	Yes	
Poland	DTC	28 Jun 1996	1 Jan 1999	Yes	No	
Portugal	DTC	5 Mar 2003	13 Aug 2004	Yes	No	
Qatar	DTC	10 Jan 2010	1 Dec 2010	Yes	Yes	
Romania	DTC	8 Jul 2002	28 Mar 2003	Unreviewed	No	
Russian Federation	DTC	29 Sep 1995	1 Jan 1998	No	No	
Serbia	DTC	11 Jun 2003	31 Dec 2003	Unreviewed	No	
Singapore	DTC	8 Jan 2010	25 Dec 2010	Yes	Yes	
Slovakia	DTC	14 May 2003	11 Jul 2004	Yes	No	
Spain	DTC	23 May 2001	19 Mar 2002	Yes	No	
Sweden	DTC	18 Jun 1980	16 Dec 1981	Yes	No	
Switzerland	DTC	12 Jun 1996	1 Dec 1997	No	Yes	
Switzerland	DTC Protocol	7 Sep 2012	not yet in force	Unreviewed	Yes	
Thailand	DTC	11 Jul 2003	4 May 2004	Unreviewed	No	
Turkey	DTC	19 Apr 2001	23 Dec 2003	Yes	No	
Ukraine	DTC	23 Apr 2003	25 Apr 2007	Unreviewed	No	
United Kingdom	DTC	13 Nov 2007	12 Sep 2008	Yes	Yes	
United States	DTC	21 Jun 1999	22 Jun 2001	Yes	No	
Uzbekistan	DTC	11 Feb 2013	not yet in force	Unreviewed	Yes	



## Methodology and Sources

### Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

### Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
<a href="#">FATF List of Countries identified with strategic AML deficiencies</a>	Not Listed	AML Deficient but Committed	High Risk
<a href="#">Compliance with FATF 40 + 9 recommendations</a>	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
<a href="#">US Dept of State Money Laundering assessment (INCSR)</a>	Monitored	Concern	Primary Concern
<a href="#">INCSR - Weakness in Government Legislation</a>	<2	2-4	5-20
<a href="#">US Sec of State supporter of / Safe Haven for International Terrorism</a>	No	Safe Haven for Terrorism	State Supporter of Terrorism
<a href="#">EU White list equivalent jurisdictions</a>	Yes		No
<a href="#">International Sanctions UN Sanctions / US Sanctions / EU Sanctions</a>	None	Arab League / Other	UN , EU or US
<a href="#">Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network</a>	>69%	35 – 69%	<35%
<a href="#">World government Indicators (Average)</a>	>69%	35 – 69%	<35%
<a href="#">Failed States Index (Average)</a>	>69%	35 – 69%	<35%
<a href="#">Offshore Finance Centre</a>	No		Yes

### **Section 3 - Economy**

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

### **Section 4 - Foreign Investment**

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

### **Section 5 - Government**

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

### **Section 6 - Tax**

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) [PKF International](#))

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