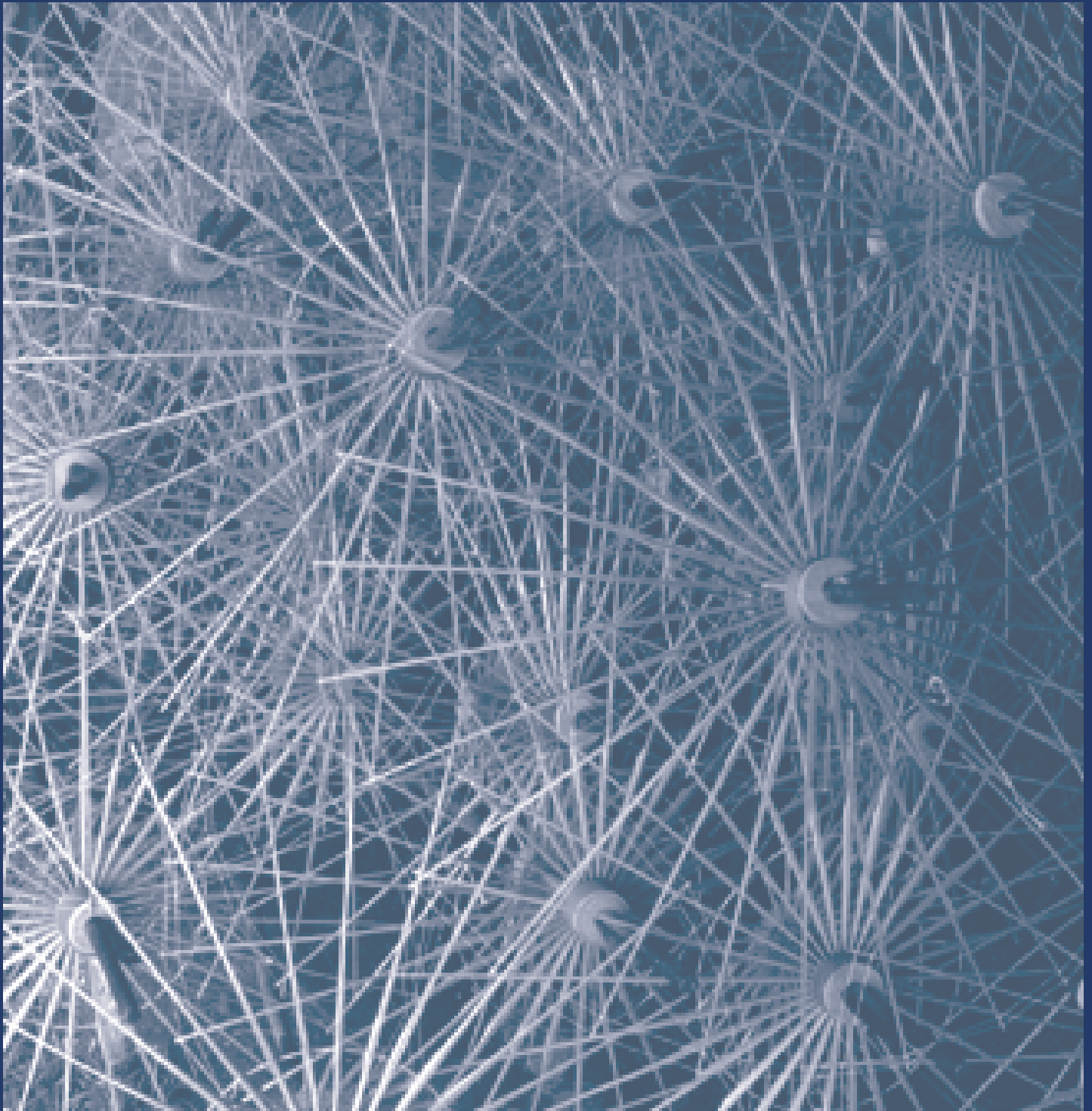


Investment Management Industry Profile Slovakia



Foreword

PricewaterhouseCoopers provides this guide as part of our ongoing commitment to the industry. This is one of an increasing number of initiatives including surveys, white papers, thought leadership journals and newsletters that are designed to share our wide-ranging knowledge with the industry*.

As the dynamics of the market and competitive environment for the financial services sector increase in their complexity, being able to identify and adapt to the new challenges will determine the industry's dominant players.

With further globalisation and convergence of the industry, the growing pressures on cost control and consistent investment returns and the increasing sophistication of investors, investment managers are having to change the way they operate.

To assist financial services organisations, investors and other parties who are involved or interested in the funds or investment management industry exposed to funds and other types of investments, PricewaterhouseCoopers global team of investment management industry experts has produced this profile to provide general, illustrative guidance only. We have focused on highlighting the extent of the industry development in key locations around the world, together with the nature and scope of its regulation.

While all reasonable care has been taken in preparing this guide, there is no substitute for regulations. Should readers encounter particular problems or require further information, we encourage you to seek professional advice or to contact one of the members of our global investment management network listed at the end of this publication.

A handwritten signature in white ink that reads "Simon Jeffreys". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

Simon Jeffreys

Global Investment Management Leader

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Introduction

The significance of investment management activity in the Slovak Republic is increasing. Although the market in the Slovak Republic still cannot be compared with those in developed countries, the prospects of the Slovak economy, the growing interest of the public in new savings and investment tools, the need for private pension provisions, and Slovakia's entry into the European Union make it an increasingly significant place for new investments and their management.

This publication is divided into several parts. In the first part, we describe the development and current stage of the capital market in the Slovak Republic.

The second part refers to regulations that apply to operating mutual funds, management companies, and depositaries as at August 2004.

The law regulating investment management in the Slovak Republic is the Act on Collective Investment No. 594/2003 Coll. ("the Act"), which reflects several EU directives. This Act also includes the requirements that a foreign collective investment entity and foreign asset management companies must meet when carrying out activities in the Slovak Republic.

The third part lists legal obligations related to operating asset management companies existing as at August 2004. It also describes specific legislation intended to prevent money laundering.

The fourth part of this publication describes the tax aspects of investment management. We also comment on Slovak corporate income tax, personal income tax, and value-added tax (VAT) implications.

The fifth part describes other vehicles for investment management. We provide you with an overview of the current situation in the Slovak pension system, with a special focus on the Slovak reform of the pension system as at December 2004.

Finally, we include a brief summary of all regulatory and professional bodies active in the investment management sector. We also list contact details for all of these organisations. In the appendix II we also include brief facts about Slovakia

We trust you will find this helpful as you plan your investments in the Slovak capital market.

Investment industry profile



Before 1989, the Slovak Republic's economy was a socialist, planned economy. This type of economy did not provide conditions for the existence of a capital market.

The political changes in 1989 led to the establishment of a market economy. This brought with it the need for a capital market, where business entities could receive necessary financial resources. Collective investment products determined the development of the Slovak capital market.

The origin and development of collective investment is closely tied to coupon and bond privatisation, which began with the transfer of state-owned property to private entities. Act No. 92/1991 Coll. set out the terms for these transfers.

There were two waves of coupon privatisation. In the first wave, approximately 2.5 million citizens held investment coupons and around 167 newly formed investment privatisation funds successfully acquired almost three-quarters of all investment coupons. This first wave of coupon privatisation was completed by the end of 1993.

The second wave of coupon privatisation was extremely successful. Approximately 3.3 million owners of investment coupons (out of a total population of 5 million) took part. Simultaneously, the Ministry of Finance established 166 new investment funds for this second wave. Afterwards, there were several changes in the treatment of investment funds established before 1 January 2000, where the investment funds were

required to transform into open-ended mutual funds. Investment funds that did not comply with this requirement by 30 June 2000 were automatically dissolved by liquidation on 1 July 2000.

At the end of the year 1999, the Ministry of Finance had records of 15 investment companies that were operating under the old Act on Investment Companies and Investment Funds and which managed a total of 98 mutual funds.

Changes made after the year 2002

In the following years, there were several changes on the financial market in the Slovak Republic.

The Slovak economy was the most dynamic in the Central European region during 2003 and 2004. Despite this stagnating domestic demand slowed GDP growth to 4.2% and developing exports became the most significant incentive for economic growth. Household consumption, which makes up the major part of domestic demand, also declined by 0.6% as a result of governmental restrictions. The unemployment rate went down by almost 2% points to 15.6% at the end of 2003.

In 2004, the tax reform was completed and there is a flat rate of 19% for corporate tax, personal tax, as well as VAT as of 1 January 2004.

The Slovak economy was the most dynamic in the Central European region during 2003 and 2004.

Collective investment

Collective investment in the Slovak Republic has been growing and has lately become one of the most dynamic financial sectors.

At the end of 2003 a new law on collective investment, Act No. 594/2003 Coll. was introduced. It came into effect at 1 January 2004 and is harmonised with existing legal regulations in the EU directives.

There are 199 open-ended mutual funds in Slovakia, and 53 closed-ended mutual funds operating in Slovakia, including foreign funds.

At the end of 2003, the total value of assets that Slovak investors had invested in mutual funds exceeded SKK 38 billion, which represented a 140% increase compared to the year 2002. At the beginning of the second quarter of 2004, the amount of total value assets invested in mutual funds increased to SKK 46.3 billion. Of this amount, SKK 40.7 billion has been invested into the mutual funds of Slovak asset management companies.

The development of assets in mutual funds in the Slovak Republic can be seen in the table below:

Development of assets in mutual funds in the Slovak Republic

	30 June 2002 (in SKK '000)	31 December 2002 (in SKK '000)	30 June 2003 (in SKK '000)	31 December 2003 (in SKK '000)
Open ended mutual funds	10 108 344	14 293 111	23 229 282	33 843 217
Closed-ended mutual funds	1 856 622	1 879 723	1 909 306	1 858 433
Special mutual funds	0	0	50	50
Total	11 964 966	16 172 834	25 138 638	35 701 700

Source: The Financial Market Authority



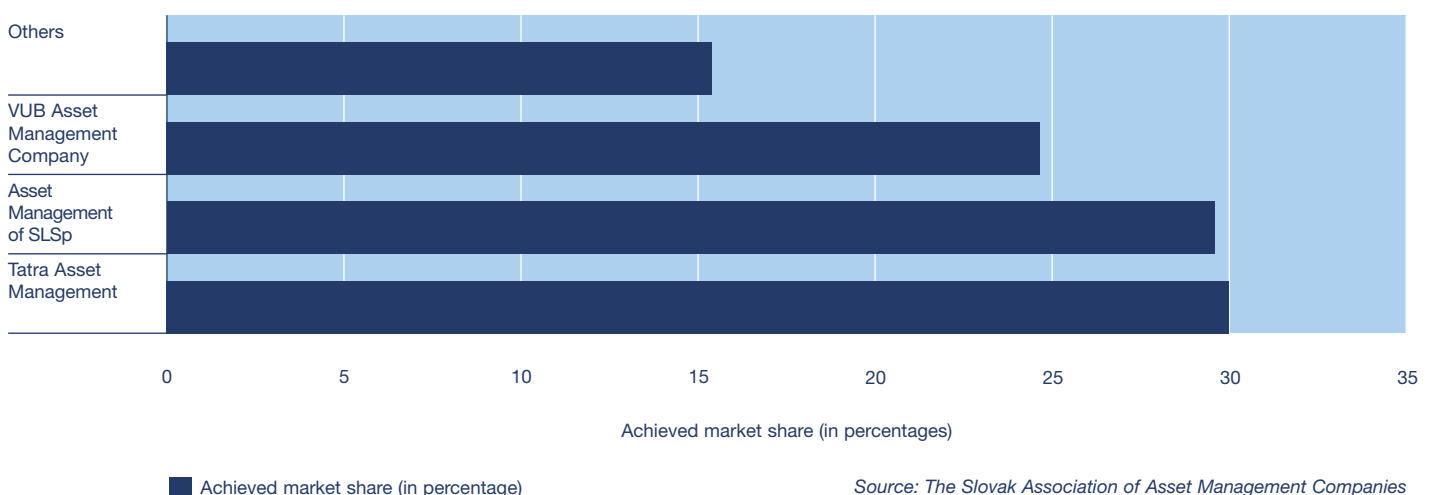
In the year 2003, three asset management companies achieved the highest net sales. Asset Management of Slovenska Sporitelna achieved net sales of SKK 6.423 billion and had a market share of 29.5%. To compare, it had net sales of SKK 4.7 billion in the first half of 2004 and had the highest share, 38.1%, of total sales among asset management companies in that period 2004. The Tatra Asset Management správcovská spoločnosť achieved a market share of 30.11% in the year 2003. The third largest company was VUB Asset Management, with a market share of 24.23% in 2003. The remaining asset management companies shared 16.6% of the market in the year 2003.

In the year 2003, two companies decided to leave the collective investment market due to an insufficient volume of sales. In spite of that, the number of open-ended funds increased by more than 85.

In the table below is the share in the collective investment market in Slovakia at December 2003:

There are 199 open-ended mutual funds in Slovakia, and 53 closed-ended mutual funds operating in Slovakia, including foreign funds.

Share in the collective investment market in Slovakia at December 2003



Asset management companies in the year 2004

The development of the financial market could also be seen in the increasing number of asset management companies. There are 16 asset management companies operating in Slovakia in 2004. Eight of these are Slovak asset management companies, and eight are foreign asset management companies.

By June 2004, 12 of the asset management companies operating on the Slovak finance market had significant penetration:

Asset management companies in Slovakia in 2004

Asset Management Company	Depositary	Funds operated
TATRA ASSET MANAGEMENT	Tatra banka a.s. Bratislava	Operates nine open-ended mutual funds
ASSET MANAGEMENT SLOVENSKEJ SPORITELNE	Slovenská sporiteľňa a.s. Bratislava	Operates four open-ended mutual funds
VUB ASSET MANAGEMENT	Všeobecná úverová banka a.s. Bratislava	Operates eight open-ended mutual funds
PRVÁ PENZIJNÁ	Poštová banka a.s. Bratislava	Operates four open-ended mutual funds and 41 closed-ended mutual funds
KCB (ČSOB)	ČSOB	Operates five mutual funds
ISTRO ASSET MANAGEMENT	Istrobanka a.s. Bratislava	Operates four mutual funds
WIOF (SFM GROUP)	Dexia a.s. Bratislava	Operates eight open-ended mutual funds
CAPITAL INVEST, INVESCO (HVB SLOVAKIA)	Bank Austria Creditanstalt AG, Austria and Bayerische Hypo- & Vereinsbank AG, Germany	
AMSLICO AIG FUNDS	Československá obchodní banka a.s. foreign branch in Slovak Republic	Operates three open-ended mutual funds
PIONEER INVESTMENTS	City Bank International Plc. Luxemburg	Operates 45 mutual funds (including two in Slovak crowns)
VOLKSBANKEN (L'UDOVA BANKA)	Volksbank Austria	Operates 15 mutual funds
INVESTICNÁ A DŮCHODKOVÁ	Československá obchodní banka a.s. foreign branch in Slovak Republic	Operates four open-ended mutual funds

Source: The Slovak Association of Asset Management Companies and the Financial Market Authority



Mutual funds

The new Act on Collective Investment brought fundamental changes, resulting in some recovery of investor trust in collective investment compared to previous years. Increased trust in asset management companies also contributed to the growth of investments.

Compared to the year 2000, the number of mutual funds has increased ten-fold. Mutual funds are very popular with small investors, who are starting to prefer investing in mutual funds rather than bank savings or regular accounts.

It is thought that the share of collective investments will grow in the near future as a result of declining yields from bank deposits. A study by UniBanka predicts that collective investment will grow by 29% in the years 2005 to 2007. However, the current percentage is still low compared to adjacent countries.

In the year 2000, half of the asset management companies operating in the Slovak market were owned by banks. This changed after the new Act on Collective Investment was passed. Global foreign asset management companies now dominate the Slovak financial market.

Open-ended mutual funds

At 1 September 2004, there were 199 open-ended mutual funds operating in the Slovak financial market. Of these, Slovak asset management companies operated 38, while foreign asset management companies operated 161.

In 2003, SKK 21.773 billion was invested in open-ended mutual funds, which is a growth of nearly 190% compared to 2002. Investors expressed the greatest interest in bond funds, and around SKK 10.938 billion has been invested in this area. This is a growth of 318% compared to 2002.

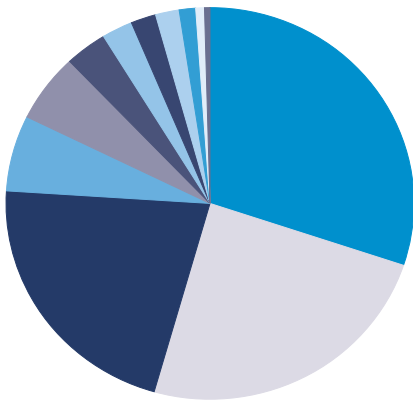
Assets in open-ended mutual funds in Slovakia in 2004

Asset Management Companies	The amount of assets in open-ended mutual funds in millions of SKK	
	2002	2003
Tatra Asset Management, správ. spol.	5,101	11,556
Asset Management Slovenskej Sporitelne	2,721	9,328
VÚB Asset Management company	1,763	8,298
Prvá penzijná	1,979	2,404
KBC (CSOB)	267	2,164
Istro Asset Management	488	1,282
WIOF (SFM Group)	700	939
Capital Invest, Invesco (HVB Slovakia)	186	764
Amslico AIG Funds	464	720
Pioneer Investments	83	500
Volksbanken (Ludova Banka)	208	263
Investičná a Dôchodková	62	166
Total	14,022	38,384

Source: The Association of Asset Management Companies

The proportion of open-ended mutual funds on the Slovak financial market as of August 2004 is shown below:

Proportion of open-ended mutual funds in Slovakia in 2004



Source: The Slovak Association of Asset Management Companies

After the new Act on Collective Investment was introduced, foreign collective investment entities were expected to enter the Slovak financial market under the “Europass”. However, all foreign companies are currently conducting their business as a branch of a foreign asset management company or are owned by banks. One of the reasons could be that securities brokers already on the Slovak market can offer foreign participation certificates.

In 2003 Tatra Asset Management expanded its operations. It now sells participation certificates for nine open-ended mutual funds, where different levels of investment are required.

VUB Asset Management currently operates eight open-ended mutual funds.

CSOB was the first asset management company to offer monetary and bond funds registered in Luxembourg in Slovak crowns. The monetary fund KBC Multi Cash CSOB SKK gathered nearly SKK 2 billion, of which more than half was from Slovak investors.

UniBanka sells crown funds for its Pioneer Investments affiliate. Slovak investors have placed over SKK 800 million into these funds.

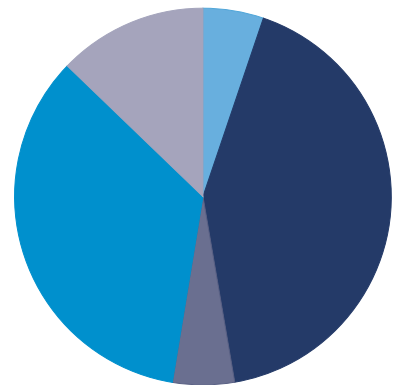
The key factor for the success of mutual funds has been their investment focus. Mutual funds focused on the financial market and bond investments led to positive results. On the other hand, mutual funds that focused on local stock market investments, especially those that invested in technology stocks, reported losses.

Closed-ended mutual funds

By the end of the first half of 2004, there were 53 closed-ended mutual funds operating on the Slovak financial market. Slovak asset management companies operated all of these funds. Foreign asset management companies did not offer participation certificates of such funds to the public in Slovakia.

Prvá penzijná správcovská spoločnosť, a. s. and J&T Asset Management správcovská spoločnosť, a. s. were the two largest managers of closed-ended mutual funds.

Share of respective types of mutual funds in Slovakia



Source: The Financial Market Authority



Overview of investment entities in Slovakia

The table below provides an overview of officially registered investment entities in the Slovak Republic as at August 2004:

Investment entities in Slovakia

Type of investment entity	Number of entities
Slovak asset management companies with valid authorisation under the Act on Collective Investment (*one of these companies still does not have any funds)	8*
Mutual funds managed by existing asset management companies:	252
- closed-ended mutual funds	53
- open-ended mutual funds	199
Foreign asset management companies with valid authorisation under the Act on Collective Investment - all operating as a branch of a foreign company or are owned by a bank	8
Number of foreign funds available for investment in the Slovak Republic	161
Number of depositaries	7

Source: The Slovak Association of Asset Management Companies

Regulations and operations

Asset management companies and depositaries are separate legal entities in the Slovak Republic, while mutual funds are not legal entities. Asset management companies operate and manage mutual funds, while depositaries administer the assets of the management company's mutual funds, securities, and financial resources. Only a Slovak bank or the Slovak branch of a foreign bank can act as a depositary. The Slovak Financial Market Authority ("FMA") supervises management companies, their mutual funds, and depositaries.

The term "collective investment" describes collecting money from the public based on a public offer, with the aim of investing the money into assets based on the Act's injunction to restrict and spread risk.

The Act (No 594 (2003) which came into effect on 1 January 2004) repealed the previous Act on Collective Investment (No.385/1999), as well as several Decrees of the Ministry of Finance (No.25/2000 and No.26/2000). This new Act regulates Slovak asset management companies, mutual funds, depositaries and their operation in the Slovak Republic, as well as the activities of foreign asset management companies and investment funds carrying out activities in Slovakia.

During the Slovak Republic's EU accession process, the Act was fully harmonised with EU legislation regarding collective investments, mainly with the following directives:

- European Council Directive No. 85/611/EC of 20 December 1985 on the coordination of rules, regulations and administrative acts related to organisations of collective investment into transferable securities ("UCITS I");
- European Council Directives No. 2001/107/EC and No. 2001/108/EC of 21 January 2002 ("UCITS III"), which amend UCITS I - full harmonisation;
- European Council Directive No. 88/220/EC; amendment to UCITS I – full harmonisation;
- European Council Directive No. 95/26/EC; amendment to UCITS I – full harmonisation; and
- European Council Directive No. 2000/64/EC, amendment to UCITS I – full harmonisation.

In the following sections, we outline the regulations that apply to mutual funds, asset management companies, and depositaries existing as at August 2004.

Mutual funds – regulations and operations

Mutual funds comprise assets that holders of the mutual fund's participation certificates own.

The assets in a mutual fund are not a part of the asset management company's assets and must be separated. The asset management companies issue and sell mutual fund participation certificates to individuals or legal entities.

A mutual fund may be established as:

- An open-ended mutual fund;
- A closed-ended mutual fund; or
- A special mutual fund.

The FMA, as a regulatory body of the financial market, must give its permission before any Slovak mutual fund is established.

Open-ended mutual funds

An "open-ended mutual fund" can be defined as a mutual fund where the participation certificate holder has the right to apply for pay out of his participation certificates from the assets in this mutual fund. An asset management company creates an open-ended mutual fund and issues participation certificates for the fund.

The minimum net value of an open-ended mutual fund's assets must be SKK 50 million. The net value of the fund's assets is the difference between the book value of the fund's assets and its liabilities. This amount should be reached within six months of the date the asset management company begins issuing its participation certificates. If it is not, the permission to establish the fund expires automatically. The asset management company must then liquidate the fund.



The open-ended mutual fund's statutes are an inseparable part of the contract between the participation certificate holder and the asset management company and must include the following information:

- Identification of the mutual fund and the period for which the fund will exist;
 - Identification of the asset management company;
 - Identification of the depositary and the depositary's remuneration;
 - The area and targets of the investment strategy;
 - How the mutual fund's assets will be managed;
 - The rules for determining the value of the assets, as well as the rules for identifying and using the revenues from the fund's assets;
 - The method of publishing information regarding the mutual fund and its assets, as well as changes in its statutes and prospectus;
 - The remuneration for managing the mutual fund and the method for calculating this;
 - The policy on using voting rights from securities the mutual fund owns;
 - The form of the fund's participation certificates, the procedure and conditions for issuing them, their initial value and the method for calculating it, the conditions for repaying them, and the issuing and redemption costs;
 - The maximum charges for issuing and distributing the participation certificates;
- The procedure for amending the statutes and prospectus;
 - A declaration by the asset management company's Board of Directors that all information stated in the statutes is complete and correct.

The prospectus and sales brochure of an open-ended mutual fund must include information about the mutual fund, the asset management company, and the depositary agent.

Participation certificates may be issued in the form of registered participation certificates or bearer participation certificates. The participation certificate should contain the following information:

- Identification of the asset management company and open-ended mutual fund;
- The number of participation certificates and the initial value of a participation certificate;
- A description of the form of participation certificate;
- The issue date of the participation certificate; and
- For registered participation certificates, identification of the owner, the registered number of the participation certificate, and the signatures of at least two members of the asset management company's Board of Directors.

The owner of an open-ended mutual fund participation certificate is entitled to immediate payment for any certificate presented, provided the net value of the fund's assets exceeds SKK 50 million. The asset management company is entitled to require a maximum fee of 5% of the participation certificate's

Mutual funds comprise assets that holders of the mutual fund's participation certificates own.

actual value at the payment day. Either the asset management company or the FMA may stop repayments of participation certificates, if this is to the general advantage of the participation certificate owners.

The open-ended mutual fund's assets

The fund can have assets that consist only of the following:

- i. Transferable securities and financial instruments traded on a regulated market and included in a list that an EU Member State compiles and the European Commission publishes;
- ii. Transferable securities and financial instruments traded on another regulated market (besides that mentioned above) in the Slovak Republic or in another EU Member State, that is publicly accessible and its authorised by the FMA or suitable authority of another EU Member State;
- iii. Transferable securities and financial instruments traded on the securities market of a foreign stock exchange;
- iv. A new issue of transferable securities, where the issue conditions include the issuer's obligation to apply for permission to trade these securities on the regulated market as set out in i) or ii), or the securities market of a foreign stock exchange as set out in iii), and it is obvious that the issuer will receive this permission within one year of the issue;
- v. Participation certificates of other open-ended mutual funds, securities of European funds, and securities of other foreign collective investment entities;
- vi. Money in regular bank accounts and in deposit accounts with payment on request or with a payment period shorter than 12 months in a Slovak bank or foreign bank with its registered seat in an EU Member State or non EU Member State under the requirements set out in the Act;
- vii. Financial derivatives, including equivalent instruments connected with the right to cash compensation;
- viii. Financial market instruments other than those set out in i), ii), or iii), if the issuer or the issuer is connected with certain bodies, such as the EU or state governments; and
- xv. Other transferable securities and financial market instruments, at a value of no more than 10% of the value of the assets in the open-ended mutual fund.

However, the fund's assets and the asset management company's assets cannot include the following:

- More than 10% of the total nominal value of shares with voting rights that have been issued by one issuer;
- Securities with voting rights that would allow the asset management company to have a significant influence on the management of an issuer with its registered seat in the Slovak Republic or a non EU Member State;
- More than 10% of the total nominal value of shares without voting rights that have been issued by one issuer;
- More than 10% of the total nominal value of debenture securities that have been issued by one issuer;

- More than 25% of the total share of participation certificates of one open-ended mutual fund, more than 25% of the total nominal value of securities of a foreign collective investment entity, or more than 25% of the number of securities issued by a foreign collective investment entity, if it is not possible to determine the total share by the nominal value; or
- 10% of the total nominal value of financial instruments issued by one issuer, or 10% of the total number of financial instruments issued by one issuer, if it is not possible to determine the total share by the nominal value.

Risk management

There are also certain risk management rules that apply to open-ended mutual funds.

- The value of transferable securities and other financial instruments issued by the same issuer should not exceed 5% of the value of the open-ended fund's assets.
- Deposits in one bank or branch of a foreign bank cannot exceed 20% of the value of the open-ended fund's assets.
- The value of financial derivatives that are not dealt in a regulated market when traded with another party cannot exceed:
 - 10% of the value of assets in the open-ended mutual fund, if the other party is a bank; or



- 5% of the value of assets in the open-ended mutual fund, if the other party is a person other than a bank.

There are also other rules that apply that are not listed.

Closed-ended mutual funds

A “closed-ended mutual fund” is a mutual fund where the participation certificate holder does not have the right to request pay out of his participation certificates from the assets in the mutual fund.

Here, an asset management company establishes a closed-ended mutual fund and issues participation certificates for the fund. The asset management company can only create a closed-ended mutual fund for a definite period of time, not exceeding 10 years. The asset management company may operate the closed-ended mutual fund only if it receives permission from the FMA and it meets all necessary conditions.

The minimum net value of a closed-ended mutual fund’s assets must be SKK 50 million. The net value of the fund’s assets is the difference between the book value of the fund’s assets and its liabilities. This amount should be reached within six months of the date that the asset management company begins issuing participation certificates. If it is not, the permission to establish the fund expires automatically and the asset management company must liquidate the fund.

The asset management company must apply to have the participation certificates accepted on a regulated market within six months of the date that the asset management company begins issuing participation certificates.

The owner of a closed-ended mutual fund participation certificate cannot receive payment for the certificate while the fund is still in existence. When the finite period ends, the closed-ended mutual fund may either be transformed into an open-ended mutual fund or the owners of participation certificates are paid out and the fund is liquidated.

The statutes and prospectus for a closed-ended mutual fund must include the same information as that of an open-ended mutual fund – see the section “Open-ended mutual funds” above.

The closed-ended mutual fund’s participation certificates may be issued in the form of registered participation certificates or bearer participation certificates.

Closed-ended mutual fund participation certificates should contain the same information as open-ended mutual fund participation certificates – see the section “Open-ended mutual funds”.

In addition, the asset management company must make sure that the closed-ended mutual fund participation certificates are traded on a regulated market.

The asset management company can only create a closed-ended mutual fund for a definite period of time, not exceeding 10 years.

Closed-ended mutual fund assets

The fund can have assets that consist only of the following:

- i. Transferable securities and financial instruments traded on a regulated market and included in a list that an EU Member State compiles and the European Commission publishes;
- ii. Transferable securities and financial instruments traded on a regulated market (besides those mentioned above) in the Slovak Republic or in another EU Member State that is publicly accessible and is authorised by the FMA or a suitable authority in the EU Member State;
- iii. Transferable securities and financial instruments traded on the securities market of a foreign stock exchange;
- vi. A new issue of transferable securities, where the issue conditions include the issuer's obligation to apply for permission to trade these securities on the regulated market as set out in i) and ii) above, or on the securities market of a foreign stock exchange as set out in iii) above, and it is obvious that it will receive this permission within one year of the issue;
- v. Participation certificates of other closed-ended mutual funds, securities of European funds, and securities of other foreign collective investment entities;
- vi. Money in regular bank accounts and in deposit accounts with payment on request or with a payment period shorter than 12 months in a Slovak bank or a foreign bank with its registered seat in an EU Member

State or a non EU Member State under the requirements set out in the Act;

- vii. Financial derivatives, including equivalent instruments connected with the right to cash compensation;
- viii. Financial market instruments other than those set out in i), ii), or iii) above, if the issuer or the issuer is connected with certain bodies, such as the EU or state governments;
- xv. Other transferable securities and financial market instruments at a value of no more than 10% of the assets in the closed-ended mutual fund;
- x. Participation certificates of closed-ended mutual funds and securities of a foreign collective investment entity;
- xi. Participation certificates of other closed-ended mutual funds and securities of a closed-ended foreign collective investment entity; or
- xii. Precious metals, or certificates representing them.

In addition, the fund's assets cannot include the following:

- More than 10% of the total nominal value of shares with voting rights that have been issued by one issuer;
- Securities with voting rights that would allow the asset management company to have a significant influence on the management of an issuer with its registered office in the Slovak Republic or a non EU Member State;
- More than 10% of the total nominal value of shares without voting rights that have been issued by one issuer;
- More than 10% of the total nominal value of debenture securities that have been issued by one issuer;

- More than 25% of the total share of participation certificates of one closed-ended mutual fund, more than 25% of the total nominal value of securities of a foreign collective investment entity, or more than 25% of the securities issued by a foreign collective investment entity, if it is not possible to determine the total share by the nominal value; or
- 10% of the total nominal value of financial instruments issued by one issuer, or 10% of the total number of financial instruments issued by one issuer, if it is not possible to determine the total share by the nominal value.

There are also certain risk management rules that apply to closed-ended mutual funds:

- The value of an investment in one bank or branch of a foreign bank cannot exceed 20% of the value of open-ended fund's asset.
- The value of asset involvement when trading financial derivatives that are not traded on a regulated market with another party cannot exceed:
 - 10% of the value of assets in the closed-ended mutual fund, if the other party is a bank; or
 - 5% of the value of assets in the closed-ended mutual fund, if the other party is a person other than a bank.
- The value of transferable bearer securities and financial instruments issued or guaranteed by one of the EU Member States;
- The total value of investment into transferable securities and financial instruments issued by one person, total asset involvement when trading financial instruments with that same



person and total deposits in a bank which is also an issuer of these securities or with whom this asset involvement is concerned, cannot exceed 40% of the value of the closed-ended fund's assets.

- Certificates representing precious metals and the value of each type of precious metal cannot exceed 20% of the assets in the closed-ended mutual fund.

There are also other rules that apply that are not listed.

Special mutual funds

A "special mutual fund" is an open-ended mutual fund, where participation certificates generally cannot be publicly offered in another EU Member State.

Special mutual funds can be established in two forms, either as:

- A risk mutual fund; or
- A diverse mutual fund.

An asset management company creates a risk mutual fund where a maximum of 50 participation certificate holders can participate, or where the issuing of its participation certificates must be restricted to the possibility of each individual investor gaining participation certificates with an actual value of at least EUR 40,000, or where the initial participation certificates value will not be less than EUR 40,000.

These restrictions do not apply to the diverse mutual fund.

The asset management company can only create a special mutual fund for a definite period of time not more than 10 years. The FMA can extend this time period if the asset management company and all participation certificate owners request this. The minimum net value of a special mutual fund's assets should be SKK 50 million.

The owner of a special mutual fund participation certificate is entitled to immediate payment for any certificate presented, once the complete application has been received. Under special circumstances, either the asset management company or the FMA may stop repayments of participation certificates if this is to the general advantage of participation certificate owners. Participation certificates may be transferred to another legal entity only with the asset management company's consent.

The statutes and sales prospectus for a special mutual fund must include the same information as those for an open-ended mutual fund – see the section "Open-ended mutual funds".

Special mutual fund participation certificates may be issued only in the form of registered participation certificates. The participation certificates must contain the following information:

- Identification of the asset management company and the special mutual fund;
- The number of participation certificates and the initial value of a participation certificate;
- A description of the form of the participation certificate;

The owner of a special mutual fund participation certificate is entitled to immediate payment for any certificate presented, once the complete application has been received.

- The date of issue of the participation certificate; and
- The identification of the owner, the registered number of the participation certificate, and the signatures of at least two members of the management company's Board of Directors.

The special mutual fund's assets

The fund can have assets that consist only of the following:

- Transferable securities and financial instruments traded on a regulated market and included in the list that an EU Member State compiles and the European Commission publishes;
- Transferable securities and financial instruments traded on another regulated market (besides that mentioned above) in the Slovak Republic or another EU Member State, that is publicly accessible and is authorised by the FMA or suitable authority of another EU Member State;
- Transferable securities and financial instruments traded on the securities market of a foreign stock exchange;
- A new issue of transferable securities, where the issue conditions include the issuer's obligation to apply for permission to trade these securities on a regulated market as set out in i) and ii) above, or the securities market of a foreign stock exchange as set out in iii) above, and it is obvious that it will receive this permission within one year of issue;
- Participation certificates of other special mutual funds, securities of

European funds, and securities of other foreign collective investment entities;

- Money in regular bank accounts and in deposit accounts with payment on request or with a payment period shorter than 12 months in a Slovak bank or a foreign bank with its registered seat in an EU Member State or a non EU Member State under the requirements set out in the Act;
- Financial derivatives, including equivalent instruments connected with the right to cash compensation;
- Financial market instruments other than those mentioned in i), ii), or iii) above, if the issue or the issuer is connected with certain bodies, such as the EU or state governments; and
- Other transferable securities and financial market instruments at a value of no more than 10% of the value of the assets in the closed-ended mutual fund;

Asset management companies – regulations and operations

An asset management company is a legal entity that collects money from other entities and individuals to invest in certain assets and to manage mutual funds created from these assets. The asset management company creates and manages the mutual funds after receiving the FMA's permission. An asset management company may be established only as a joint-stock company. It must keep separate

accounting records and prepare separate annual financial statements for itself, as well as for each of its mutual funds.

Registration

Before beginning its activities, the company must file a request for authorisation from the FMA. The request must contain the following information:

- The asset management company's name, its seat of business, and an identification number of the future company, if applicable;
- The amount of share capital (the minimum is EUR 1 million);
- A description of its activity;
- A list of the founders of the asset management company;
- A list of members of the Board of Directors, the Supervisory Board, and the individuals authorised to act on the company's behalf, including information about their professional abilities, and their economic and personal relations;
- The depositary's name and seat of business;
- Material, staff, and organisational conditions for the company's activity; and
- A statement by the applicants that the information is complete and correct.

In addition, the following documentation must be attached to the request:

- The company's Memorandum of Association and Articles of Association;
- The statutes and sales prospectus for mutual funds that will be set-up;



- A proposal for the company's organisational structure, and a proposal for the internal rules to govern risk management procedures;
- Brief professional curriculum vitae, educational records and details of practical experience, as well as evidence showing no criminal record, for each member of the Board of Directors, the Supervisory Board and authorised individuals, as well as a statement from each of them that they meet the requirements of the Act on Collective Investment;
- Confirmation that the share capital has been fully paid up;
- A written statement from the founders of the company about the origin of the share capital;
- A written statement from the company's founders that they are not currently in bankruptcy proceedings; and
- A statement from the National Bank of Slovakia, when the founder is a bank.

The company cannot start its activities until the FMA issues its authorisation. The FMA must issue a decision within three months of the request being filed, but not later than 12 months. Permission to open and operate the asset management company should be issued for an unlimited period of time and cannot be transferred to another person or legal successor.

In addition to the initial capital of EUR 1 million, the company must open separate bank accounts with its depositary for itself, as well as for each of its mutual funds.

Managing assets in mutual funds

The company is responsible for managing the assets in its mutual funds. The company must do so separately, in its own name and on the account of the participation certificate holders. There are basic guidelines which asset management companies must follow when managing mutual funds:

- The company should manage the assets with proper care and in accordance with the investment strategy stated in the fund's statutes. The company should also follow the risk management guidelines that apply to mutual funds.
- The company should act with professional care and in the best interests of participation certificate holders and in the interests of the financial market's stability.
- The company should use its staff, material and technical resources to perform its activities properly.
- The company should give preference to protecting the interests of participation certificate holders. This preference should take precedence over the interests of the asset management company or its investors.
- The company should treat all investors equally.

When an investor in the asset management company invests over EUR 15,000, the asset management company must prove that the investor owns the means used for the investment. However, this does not apply if the investor or client is a bank.

When an investor in the asset management company invests over EUR 15,000, the asset management company must prove that the investor owns the means used for the investment

The asset management company is entitled to a commission for managing the mutual funds. The net value of the assets in the mutual fund is used to calculate the commission for a specific time period. The company is responsible for all damages caused to participation certificates owners as a result of not complying with the law or the fund's statutes.

Information obligations

When an asset management company promotes mutual fund participation certificates, this promotion should not contain any false information or omit any important information. Every promotion should also contain a warning that there is an element of risk with the investment and any existing profits are not a guarantee of future profits. When promoting participation certificates for a closed-ended mutual fund, it is also necessary to inform potential investors that it is not possible to cash in the participation certificate until the fund's time period ends.

The asset management company must publish its business report and financial statements, as well as those for its mutual funds, twice a year. When publishing the mid-year report, it should enclose the financial statements for the previous half-year.

In addition, the company must publish the following information in Slovak professional journals:

- Information regarding an open-ended mutual fund, at least once a week – including the actual price of a participation certificate, the amount of participation certificates issued

and redeemed since this information was last published, and the net value of the fund's assets; and

- Information regarding a closed-ended mutual fund, at least once a month – including the actual price of a participation certificate, the amount of participation certificates issued since this information was last published, and the net value of the fund's assets.

Asset management companies also have other obligations, such as publishing information about the merger of mutual funds and reporting any violation of risk management rules to the FMA.

Depositories – regulations and operations

A depository administers and controls operations connected with mutual fund assets, securities, and financial resources that management companies own. Under the Act, each mutual fund must have a depository.

The depository of a mutual fund and an asset management company that manages this mutual fund cannot be the same entity. However, all mutual funds managed by one asset management company must have the same depository.

Only a Slovak bank or the Slovak branch of a foreign bank can act as a depository. Only a bank with its registered seat in the Slovak Republic, or a foreign bank with its seat in an EU Member State and a branch in the Slovak Republic, can be a depository of

an open-ended mutual fund where participation certificates are publicly offered in any EU Member State.

A depository provides its activities based on a written depository agreement for an indefinite period.

A depository's main activities include:

- Reviewing the procedures for issuing and refunding participation certificates;
- Being liable for accurately counting the asset management company's share value;
- Providing operations on the asset management company's instructions;
- Administering the current bank accounts of an asset management company and its mutual funds, including all receipts, payments, and money transfers;
- Holding material securities that the asset management company or mutual fund owns;
- Reviewing the correctness of the valuation of a mutual fund or asset management company's assets;
- Checking for compliance with risk management rules;
- Reviewing the calculation and payment of the asset management company's commission; and
- Reviewing the use of the mutual fund's revenues.

The depository is responsible for any damages it causes by not meeting these obligations. The depository's commission for these activities should not exceed 0.5% of the average value of the mutual fund's net assets, or 0.5% of the average value of the asset management company's net assets, each year.



Foreign collective investment entity and foreign asset management company

Under the Act, there are several changes compared to the previous legislation regarding foreign asset management companies and branches of foreign management companies.

A foreign asset management company is a legal entity with its registered seat outside of the Slovak Republic that creates and operates a foreign collective investment entity and has a licence to operate in the state where it has its registered seat. The foreign collective investment entity can take the form of a foreign mutual fund or of a foreign investment company.

The branch of a foreign asset management company is the branch in the Slovak Republic of such a company, including all distribution points in the Slovak Republic of such companies with their registered seat in an EU Member State or state that is a member of the European Economic Area, and are entitled to provide their activities as a single entity.

A foreign collective investment entity is considered a European fund if it meets the requirements under EU law.

A European fund managed by a foreign asset management company can publicly offer its participation certificates in the Slovak Republic, either through a foreign asset management company managing this European fund and

operating in the Slovak Republic under the “Europass” or through a Slovak asset management company.

Requirements for foreign collective investment entities and foreign asset management companies under the Slovak law

The most significant change in the law is that a foreign investment company or its branch can publicly offer its securities in the Slovak Republic. However, they can only perform these activities after obtaining permission from the FMA.

A foreign asset management company can also publicly offer securities in the Slovak Republic that are issued by another foreign collective investment entity.

A foreign asset management company, having its registered seat of business in an EU Member State, can perform its activities in the EU, including the Slovak Republic, based on the licence granted in its home country (“Europass”). The supervisory authority in the foreign company’s home country must notify the FMA of the foreign company’s intention to enter the Slovak capital market. Information on the company’s planned activities must be included in this notification. Afterwards the Slovak FMA contacts the company, and the foreign asset management company can then perform its activities in the Slovak Republic. It does not need to establish a branch to do so.

The asset management company must publish its business report and financial statements, as well as those for its mutual funds, twice a year.

To obtain the FMA's permission, the foreign asset management company must provide certain documents. These can include a certificate issued by the Financial Market Authority in the foreign management company's country, verifying that the company meets the requirements of the applicable foreign collective investment law and that this Authority agrees to the company providing activities in the Slovak Republic, as well as statutes or Articles of Association, a sales prospectus and simplified sales prospectus.

Other documents are also needed to obtaining the FMA's permission.

The FMA issues permission for the branch to operate in Slovakia if it meets the legal requirements. Under the Act, European funds do not need to pay any registration fees to the FMA when offering their participation certificates in the Slovak Republic.

To obtaining permission from the FMA, several legal requirements must be met:

- The foreign collective investment entity must have permission to perform collective investment in transferable securities and financial instruments under the law in the state where it has its registered seat.
- The foreign Authority must agree to the company providing its activities in the Slovak Republic.
- The protection of participants in collective investments must be guaranteed under the laws of the state where the foreign company has its seat.
- The foreign collective investment entity must list any related parties and make its relationship to the parties clear.

Other legal documents are also necessary to obtain the FMA's permission.

A foreign collective investment entity and a foreign management company must treat investors in the Slovak Republic equally.

Foreign investment and foreign asset management companies that do not have a "Europass" can offer their securities in the Slovak Republic through a Slovak branch.

A foreign collective investment entity must also meet other Slovak legal requirements.

Money laundering obligations for asset management companies



The Slovak Money Laundering Act (“the MLA”) became effective on 1 January 2001.

Under the MLA, an asset management company, including the Slovak branch of a foreign asset management company and any depositary, must comply with the obligations set out in the MLA. Under the Act on Collective Investment, a foreign collective investment entity conducting business under a “Europass” must observe also the main duties and obligations imposed by the MLA, as described below.

i. Definition of terms

Unusual business transaction

The MLA uses the term “unusual business transaction”. This is defined as using or treating income or other assets gained from criminal activity, or where there is a reasonable suspicion that such is the case, in such a way that the income appears to come from legal activity (“money laundering”). The MLA does not give further details about what exactly should be considered an unusual business transaction. However in some areas, especially in banking, there are several working definitions used.

ii. Obligations for liable entities

Under the MLA, asset management companies must comply with the following obligations:

Prepare and update (when necessary) a plan aimed at avoiding money laundering. The plan should include:

- A list of unusual business transactions when considered against the background of the company’s normal business activities. (The asset management company itself should specify what it will consider an unusual business transaction);
- A schedule for specialised employee training. (This training should take place at least once a year. A report proving that such training was carried out should also be written and kept as part of the company’s records); and
- A procedure for avoiding and identifying money laundering.

Keep all data and documents on unusual business transactions for five years:

- After ending the contractual relationship with a client, keeping a written document of identification; and
- After completing a business transaction, keeping all data and documents, including the identification.
- Upon request, provide the Financial Police Office of the Ministry of Interior Affairs with information and documents verifying the company’s compliance with the Act.

A foreign collective investment entity and a foreign management company must treat investors in the Slovak Republic equally.

- Identify individuals or companies if there are:
 - any suspicious unusual business operations;
 - business operations of EUR 15,000 or more; or
 - several related business operations of at least EUR 15,000 in any consecutive 12 month period.

iii. Reporting deadline

An unusual business transaction must be reported to the Financial Police Office without delay, no later than three days from the time it was noticed. It is up to the asset management company or its Slovak branch to design the reporting form. The following information must be included in the report:

- Information on the asset management company submitting the notice;
- The name, seat, and other identifying data of the individual or company performing the transaction;
- Information on the character of the unusual business transaction; and
- Information on any third parties being informed about the unusual business transaction.

iv. Penalties

The Financial Police may perform an inspection and impose penalties of up to SKK 2 million for failure to comply with the MLA. If an asset management company repeatedly fails to comply with the Act, the penalty may be increased to SKK 4 million.

Taxation



The Act on Collective Investment No. 594/2003 governs collective investment activities. Under this Act, there are two ways an investor can earn income by investing in Mutual Funds:

- Selling units (called deposit certificates) in a Mutual Fund. Distribution of the Mutual Fund's profit;
- Mutual Funds are not legal entities and are not individually liable to corporate tax. However, income distributed from the Fund may be subject to withholding tax;
- Certain income, such as interest income from bank accounts, deposits and participation certificates, which is distributed by Mutual Funds, is generally subject to withholding tax. However, the interest from bank accounts, deposits and participation certificates, is not subject to Slovak withholding tax if it is paid or distributed to a Mutual Fund;
- Dividends paid out of a company's profits earned in 2004 or later are not subject to withholding tax. If a Mutual Fund receives such dividends, the dividends can be distributed to investors without any withholding tax;
- An Asset Management Company's corporate tax base is separate from and does not include income of the Mutual Funds' that it manages.

i. Taxation of income that the Fund's investors receive

Personal income tax

A Mutual Fund that distributes income to Slovak individuals who hold participation certificates in the Fund must withhold 19% withholding tax from that part of the distribution that is subject to withholding tax e.g. interest. This tax is then paid to the tax authorities on behalf of the individual Slovak investors. This withholding tax is an advance payment of the investor's personal tax liability, which means the individual can claim a tax credit for the tax withheld in their personal tax return.

An individual's profit from the sale or redemption of participation certificates in Mutual Funds that were acquired before 31 December 2003 will be exempt from personal income tax if:

- The investment was held for more than three years;
- The investment was held for three years or less and the profit is less than SKK50,000 (approximately EUR 1,250) in that particular year, taking into account any profits from the sale of domestic publicly traded securities and profits from the sale of other participation certificates in Slovak Mutual Funds.

However, these exemptions do not apply to income from the sale of securities that form part of an individual entrepreneur's business assets.

Mutual Funds are not legal entities and are not individually liable to corporate tax.

From 1 January 2004, the overall profit from the sale or redemption of participation certificates (and other securities) for a calendar year is exempt from personal income tax if it is equal to or less than five times the monthly minimum subsistence level in Slovakia set on 1 January of that calendar year. On 1 January 2004, the monthly minimum subsistence level was approximately EUR 105, so the overall 2004 tax free profit limit would be approximately EUR 525.

In other cases, a profit from the sale or redemption of participation certificates in Mutual Funds is subject to a flat personal tax rate of 19%. The profit is the difference between the sales price and the acquisition price of the participation certificates, including a deduction for any incidental costs related to the purchase and sale. Any loss on the sale of securities is generally treated as non tax deductible.

From 1 January 2005, interest distributed by Slovak Mutual Funds to an individual (participation certificate holder) who is a foreign EU tax resident and is the beneficial owner of the income, will be exempt from Slovak taxation.

Corporate income tax

A Slovak corporate investor that receives interest income from a Mutual Fund will receive the interest less 19% Slovak withholding tax. This withholding tax is considered an advance payment of the company's tax liability, which means that the company can deduct the withholding tax from its final tax liability.

Generally, profit on the sale or redemption of participation certificates is treated as a profit on sale of securities and is subject to corporate income tax at 19% (effective from 1 January 2004). A loss on the sale of securities (including participation certificates) is only tax deductible against any similar profits on sales achieved in the same year.

From 1 January 2005, interest from participation certificates distributed from Slovak Mutual Funds to an EU tax resident company that is also the beneficial owner of the interest, will be exempt from Slovak taxation provided any of the following conditions were fulfilled for at least 24 consecutive months before the date of interest payment:

- The taxpayer paying the interest has at least a 25% direct share in the registered capital of the beneficial owner of the income, or
- The beneficial owner of the interest has at least a 25% direct share in the registered capital of the taxpayer who pays the interest; or
- Another legal entity with a seat in an EU member state has at least a 25% direct share in the registered capital of the taxpayer who pays the interest and at the same time has at least a 25% direct share in the registered capital of the beneficial owner of this interest.

Double tax treatment for foreign investors

Withholding tax of 19% deducted from distributions of interest to foreign investors from Mutual Funds will be considered to be the final tax liability,

provided the foreign investor has no permanent establishment in Slovakia.

The tax treatment set out above applies unless a double tax treaty provides for a different tax treatment for investors who are foreign tax residents. In particular, Slovak withholding tax applied to interest from participation certificates may be reduced depending on the definition of dividends and interest under a particular double tax treaty and the actual rate set out in the double tax treaty.

ii. Taxation of an Asset Management Company

As noted above, an Asset Management Company's tax base does not include income from the Mutual Funds it manages. An Asset Management Company must pay corporate income tax at a rate of 19% on its own income (usually consisting of mainly management fees).

The Asset Management Company is responsible for managing the tax affairs of the Mutual Funds. This means that it is responsible to withhold and remit tax to the tax office on behalf of the fund.

Similar provisions will also apply to the Pension Asset Management Companies constituting the second pillar of the Slovak social security scheme. This means that a Pension Asset Management Company's tax base should not include income from the Pension Funds it manages. The Pension Asset Management Company must pay corporate income tax at a rate of 19% on its own income.



iii. Taxation of the II. Pillar Pension Fund's policyholders

From 1 January 2005, the income of individuals received from II. Pillar Pension Funds should be fully exempt from income tax. The individual contributing to the II. Pillar Pension Fund will not be taxed on their income received from the fund. On the other hand, the contributions to a II. Pillar Pension Fund should be tax deductible.

iv. VAT consequences

The provision of financial services in Slovakia, including operations related to managing Mutual and Pension Funds, is VAT exempt. Therefore, the management fees of an Asset Management Company (or Pension Asset Management Company) are not subject to VAT.

However, if the turnover of the (Pension) Asset Management Company exceeds SKK 1,500,000 during 12 consecutive months, it must register for VAT in Slovakia. This does not change the VAT exempt status of the (Pension) Asset Management Company's asset management services.

The provision of financial services to foreign entities outside the EU are exempt from Slovak VAT.

v. European passport

A foreign Asset Management Company having its registered seat of business in an EU Member State, on the basis of and to the extent permitted under a license granted in its home country, can perform its activities throughout the EU. This company does not necessarily need to establish a formal presence in Slovakia, such as a branch, for this purpose. Instead, it can carry out its activities under the European passport.

The European passport rules do not apply to Pension Asset Management Companies.

Although unclear in the Slovak tax law, a foreign Asset Management Company may create a permanent establishment if it carries out its business activities in Slovakia. However, the permanent establishment should be taxed only on the income that the Asset Management Company generates in Slovakia.

As noted above, an Asset Management Company's tax base does not include income from the Mutual Funds it manages.

Other Vehicles

Retirement products

Introduction to Slovak pension system

During 2004, the Slovak government has introduced economic reforms in various sectors. Among these was the reform of the pension system.

The Slovak pension system should be based on three pillars:

- i. First pillar – compulsory pension insurance payable to the Social Insurance Office governed by the State,
- ii. Second pillar – commercial pension savings payable to commercial pension asset management companies,
- iii. Third pillar – supplementary pension scheme run by supplementary pension insurance companies.

Legislative environment

The pension savings legislation covers the rights and obligations of individual savers, the position of pension asset management companies, intermediary activities in the area of pension savings as well as the control measures of the respective authorities.

The pension savings legislation is represented by:

- The Act on Pension Savings No. 43/2004 Coll. as amended;

- Decree No. 440/2004 of the Ministry of Labour, Social Affairs, and Family of the Slovak Republic on false or misleading information, service or performance that is not due to the pension savings;
- Decree No. 184/2004 of the Ministry of Labour, Social Affairs, and Family of the Slovak Republic on the professional examination of pension savings intermediaries; and
- Decree No. 183/2004 of the Ministry of Labour, Social Affairs, and Family of the Slovak Republic on meeting the conditions for issuing a permit to establish and carry out the activities of a pension asset management company.

i. Compulsory pension insurance

The first pillar is compulsory pension insurance for any working individual, whether an employee or an entrepreneur, as well as for any employer.

Currently, the social security contributions under the first pillar consist of:

- 4% of the computation base for the employee (maximum monthly contribution, SKK 1,724 - around EUR 42,88);
- 16% of the computation base for the employer (maximum monthly contribution of SKK 6,895 for each employee - around EUR 171,51); and
- 20% of the computation base for an individual entrepreneur (maximum monthly contribution, SKK 8,619 - around EUR 214,40).

ii. Commercial pension savings scheme

Beginning 1 January 2004, all citizens of productive age participate in the state pension system. From 1 January 2005, people will have a chance to choose either to stay in the reformed, state-run one-pillar system, or to move into the new private, two-pillar system.

Any working individual or entrepreneur contributing to the compulsory pension scheme (the first pillar) would have until 30 June 2006 to decide to enter a commercial pension savings scheme. The pension savings system should be open only to individuals who will reach pension age at least 10 years after joining the second pillar.

The commercial pension savings scheme (the second pillar) will be compulsory for any individual or entrepreneur who was not part of any pension insurance scheme before 1 January 2005.

The contributions under the second pillar will be 9% of the computation base for the employee, employer and individual entrepreneur. The maximum monthly contribution should be SKK 3,878 (around EUR 96.46).

An individual who entered in the second pillar will be entitled to receive a pension from both sources, from the first pillar (paid out by the state Social Security office) and from the second pillar (paid out by the pension asset management company).

Pension asset management companies will administer these pension savings.



Market players in the commercial pension savings system

Based on initial projections and according to the publicly accessible information, 50% of working population (around 1.4 million individuals) would like to enter the second pillar and conclude a contract with a pension asset management company. This means that pension asset management companies are likely to manage around SKK 12 to SKK 18 billion each year.

Currently, eight companies have requested and already obtained pension asset management company licence.

Pension asset management companies requesting a licence

Pension asset management company	Founder		Parent Company of Founder	
Aegon d.s.s. , a.s.	Insurance company Aegon		Aegon (Holland)	
Allianz – Slovenská d.s.s., a.s.	Allianz- Slovenská poisťovňa		Allianz (Germany)	
Credit Suisse Life and Pensions d.s.s., a.s.	Credit Suisse Life and Pensions Slovensko		Credit Suisse (Switzerland)	
ČSOB d.s.s., a.s.	Československá obchodní banka, a.s., foreign branch in Slovakia		KBC (Belgium)	
ING d.s.s. , a.s.	ING		ING (Holland)	
Prvá dôchodková sporiteľňa, d.s.s. , a.s.	Prvá stavebná sporiteľňa, a.s.		Erste Bank/Slovenská sporiteľňa (Austria) Raiffeisen Bausparkassen (Austria) Bausparkasse Schwäbisch Hall (Germany)	
VÚB Generali d.s.s. , a.s.	Všeobecná úverová banka; Generali Poisťovňa		Banca Intesa (Italy) Generali (Italy)	
Sympatia - Pohoda, d.s.s., a.s.	VSP Tatry		TBI Holding (Israel)	
	Istrobanka, a.s.		BAWAG (Austria)	Pro Partners (Slovakia)
	Jednotnýmajetkovýfond zväzov odborových organizácií v SR	Investičná a dôchodková, správ. spol.		

Source: SME

Establishing a pension asset management company

A pension asset management company is a Slovak legal entity established in the form of a joint-stock company.

The core activities of a pension asset management company is creating and managing pension funds based on a licence granted by the Slovak FMA.

The initial share capital of the pension asset management company must be SKK 300 million and must be fully paid up before applying for the FMA licence.

The Act on Pension Savings sets out detailed conditions for granting the FMA licence, as well as essential information that must be included in the application. The FMA licence is granted for an indefinite period of time.

Only financial institutions such as banks insurance companies and asset management companies can have a stake of 50% or more in the pension asset management company's registered share capital.

Activities of the pension asset management fund

The pension asset management company can start its operations once it is entered in the Slovak Commercial Register, after obtaining the licence from the FMA.

Under the Act on Pension Savings, the pension asset management company should create all of the following funds:

- A growth fund;
- A balanced fund; and
- A conservative fund.

The pension fund is not a separate legal entity, but part of the pension asset management company. The assets in the pension management fund do not represent those of the pension asset management company. The depositary must maintain the pension fund's assets and open a current bank account for the pension asset management company.

Each pension fund created should have its own statutes. The Act on Pension Savings sets out detailed information that must be included in the fund's statutes.

The pension asset management company must follow the regulations regarding prudent business practices, internal control regulations, risk management and adequate equity.

There are strict regulations on the assets in which the pension fund can invest. However, at least 30% of the pension asset management funds must be invested in Slovak securities.

The Act on Pension Savings, together with the Decrees, imposes various restrictions on pension asset management companies' marketing activities. For example, a pension saver cannot be given a gift for concluding a pension savings contract with a pension asset management company.

The pension asset management company can ask the pension saver to pay the following fees:

- A fee for managing the pension fund (a maximum of 0.07% to 0.08% each month, calculated on the average net monthly value of the pension asset management fund);
- Fee for managing the personal pension account (a maximum of 1% each month, calculated on the average net monthly value of the pension asset management fund); and
- A fee for changing pension asset management companies.

The relationship between the individual and the pension asset management company should be governed by a contract on pension savings. The Act on Pension Savings sets out essential information for this contract.

The pension asset management company should create a pension account for each saver, and should provide the saver with a statement of his account within 15 days from the day of request.

Information obligations

The pension asset management company must deal with information as follows:

- Calculate on a daily basis, and publish at least once a week in the newspapers, the actual value of the pension unit, as well as the net amount of assets in all of its pension mutual funds.



- Publish at least once a month in newspapers the pension asset management company's profit.
- Publish an announcement about the merger of two pension asset management companies and their pension mutual funds in the newspapers.
- Issue a prospectus. This prospectus should include information essential for the saver to properly judge the offered investment possibility and the risks connected with it. The prospectus should also include a separate and easily understandable explanation of the risk profile of this pension mutual fund.
- Create an official website containing all of this information, as well as meet other criteria of the Act.
- Work with the depositary to ensure electronic transmission of data to the Savers and Policyholders Register.

Intermediaries of pension savings

Only a Slovak individual with an FMA licence for the intermediation of pension savings can act as an intermediary. This means that no legal entity can act as a pension savings intermediary.

The intermediaries cannot act for several pension asset management companies at the same time.

The relationship between the pension asset management company and the intermediary should be based on an employment contract or a commercial contract.

The pension asset management company must keep a list of its intermediaries and update it on a regular basis. The list of intermediaries must also be published on the pension asset management company's website.

iii. Supplementary pension insurance

The Slovak supplementary pension scheme, in existence since 1996, is currently also being reformed to reflect changes in the pension system. The third pillar consists of supplementary pension insurance and is voluntary for employees and entrepreneurs. Along the mandatory first and second pillars it represents additional form of pension and could be compared with long-term investment insurance products.

It should enable these individuals to obtain supplementary pension income when they reach pension age or if they become disabled. It should also allow the insured person's heirs to obtain supplementary pension income if the contributor dies.

Each employee has the right to become insured if the employment lasts at least three months, and the employee and employer concluded a contract with a supplementary pension insurance company. To obtain supplementary pension income, an entrepreneur should conclude a separate contract with a supplementary pension insurance company.

Each employee has the right to become insured if the employment lasts at least three months, and the employee and employer concluded a contract with a supplementary pension insurance company.

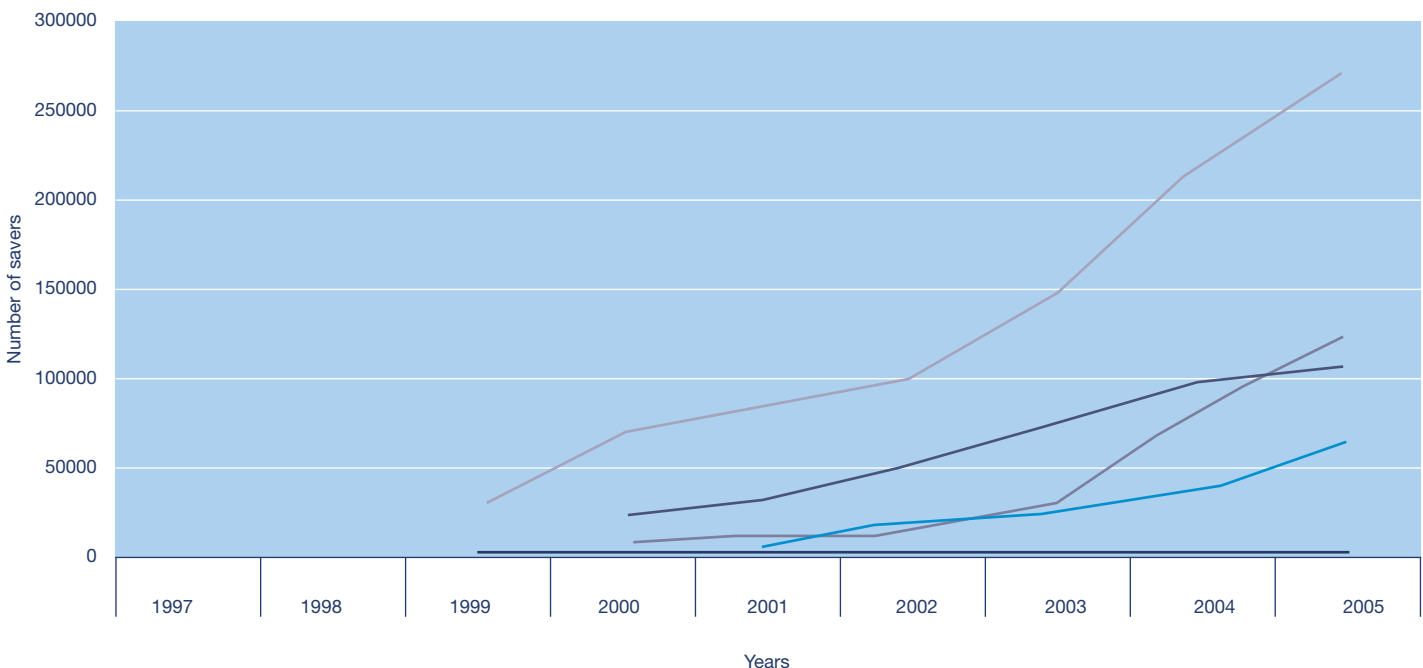
The Slovak government has recently approved also the reform of the supplementary pension insurance scheme, including changes in the regulatory area. The changes should be adopted during 2005.

Supplementary pension insurance companies manage supplementary pension insurance.

In thousands SKK as at the end of 2003				
	Balance amount	Obligations to the clients	Received contributions (first half of 2003)	Number of savers
Tatry-Sympatia	5 062 663	4 961 164	933 948	251 400
Stabilita	2 202 883	2 086 698	369 730	96 833
Pokoj	1 662 450	1 532 369	629 000	115 840
Credit Suisse Life & Pensions	653 193	638 699	151 769	41 487

Source: Trend

Savers



— Number of savers — Credit Suisse Life and Pension — Pokoj
— Stabilita — Tatry Sympatia

Source: Trend



Securities brokers

Licensed securities brokers are business entities possessing an official licence to trade any securities in Slovakia.

Under the “Europass” system, a foreign securities broker must meet the requirements for obtaining FMA permission just once – when he applies for permission in his home country. At August 2004 there were 128 companies licensed to act as security brokers in the Slovak Republic. Such brokers trade mainly on the Bratislava Stock Exchange

and offer both corporate and individual investors the opportunity to invest in securities. Many of these traders also act as brokers for the sale of participation certificates for Slovak or foreign mutual funds.

Overview of securities brokers in Slovakia

The table below provides an overview of officially registered securities brokers in the Slovak Republic at August 2004:

Non-banking “investment” entities

Under the Slovak financial market as it currently exists, some non-licensed entities have carried out various activities in the past. Some of these collected a significant amount of capital, mainly from individual investors. These entities promised gains that were significantly higher than those from mutual funds or bank interest rates. These companies dissolved or are currently in bankruptcy proceedings and left the individual investors without a way to regain their money.

Overview of securities brokers in Slovakia in August 2004

Type of securities brokers	Number of entities
Slovak securities brokers with a licence under Act No. 566/2001	39
Slovak securities brokers with a licence under Act No. 600/1992	2
Foreign securities brokers under the “Europass” system of uniform licensing	60
Foreign securities brokers operating as a Slovak branch	2
Banks offering investment services	25
Total	128

Source: The Financial Market Authority

Appendix I – Regulatory and professional bodies

Financial Market Authority (FMA)

Act No. 96/2002 on Supervision over the Financial Market established the Financial Market Authority (“FMA”) as a legal entity authorised to supervise the markets in accordance with this Act and special laws. The FMA is not listed in the Trade Register. Its headquarters are in Bratislava.

According to Act No. 96/2002, the FMA:

- i. Supervises the activities of a securities broker, a branch office of a foreign securities broker, an investment services provider, the Security Stock Exchange, the Central Securities Depository, an insurance company, the branch office of a foreign insurance company, an insurance broker and, under Act No. 96/2002 or a special law, other persons, entities, and groups of persons or entities that are ruled by special laws in the capital market or insurance fields, by performing the following actions:
 - overseeing compliance with this Act and special laws;
 - in accordance with this Act and special laws in the capital market and insurance sectors, conducting proceedings and issuing permits and other decisions, as well as making sure these decisions are complied with; and
 - having both direct and indirect supervision over these entities,

- ii. Cooperates with the Ministry of Finance of the Slovak Republic in preparing generally binding draft laws for the capital market and insurance sectors;
- iii. keeps and publishes the list of entities it has licensed;
- vi. cooperates and exchanges information with foreign supervisory authorities in the capital market and insurance sectors, within the scope and under the conditions provided by this Act;
- v. Oversees pension reform; and
- vi. Fulfils other tasks, as set out by this Act or by a special law.

It is planned that from the year 2006 all the activities of FMA will be taken over by the National Bank of Slovakia and the FMA will perish.

Contact information for the Financial Market Authority

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Vazovova 2
Bratislava 813 18
Slovenska Republika

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Fax: +421 (0)2 5726 8200
info@uft.sk
www.uft.sk

Bratislava Stock Exchange

The Bratislava Stock Exchange is a joint-stock company licensed by the Slovak Ministry of Finance. The licence allows it to organise trading on both the spot market and the derivatives market. The largest Slovak financial institutions,

investment companies and brokerage companies make up the Stock Exchange’s highest body - the General Assembly of Shareholders. The Stock Exchange’s statutory body is the Stock Exchange Chamber. The Stock Exchange’s controlling body is the Supervisory Board. The following three Stock Exchange Committees function as the Stock Exchange Chamber’s permanent advisory bodies:

- Trading Committee
- Securities Listing Committee
- Membership Committee

In 1995, the BSSE Stock Exchange Chamber established the Stock Exchange Arbitration Court (SEAC) for resolving disputes involving trades and transactions made outside the Stock Exchange. The SEAC is a permanent and independent institution. Both parties must be willing to negotiate the particular dispute in front of the SEAC and confirm their intent through a signed arbitration agreement before a dispute is heard.

Contact information for the Bratislava Stock Exchange

Burza cenných papierov Bratislava, a.s.
Vysoká 17
P.O.BOX 151
814 99 Bratislava 1
Slovenská republika

Tel: +421 (0)2 4923 61 11
info@bsse.sk
www.bsse.sk



The Central Securities Depository of the Slovak Republic, Inc.

The Slovak Ministry of Finance established the predecessor of the current Central Securities Depository on 12 November 1992 under the Act on Securities. The Depository is a joint-stock company.

The Centre's activities include:

- Registering and recording changes in ownership title for securities;
- Providing evidentiary, informational, and commercial services;
- Assigning international ISIN codes (the Depository has been a member of the International Organisation of Numbering Agencies – ANNA – since 1994);
- Providing information on securities issuers;
- Maintaining individual or collective custody of physical securities;
- Providing other services to owners of securities brokers in accordance with the Securities Act; and
- Organising and providing a system for processing data under the Act on Securities.

Contact information for the Central Securities Depository of the Slovak Republic

Centrálny depozitár cenných papierov SR, a.s.
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814 80 Bratislava
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The Association of Asset Management Companies

Companies active in the collective investment sector established the Association of Asset Management Companies on 23 February 1998. The Association's function is to resolve problems that arise in the areas of legislation, accounting, taxation and investor confidence.

The Association is lobbying for the creation of guidelines for transparent trading, which they hope will increase the level of confidence in collective investment in the Slovak Republic. The Association works closely with other important capital market institutions in the Slovak Republic, such as the Association of Securities Brokers. The Association would like to become a member of the European Association of Investment Funds and Companies (FEFSI). It has already taken the first step by obtaining observer status in FEFSI.

The SEAC is a permanent and independent institution.

Contact information for the Association of Management Companies

Asociácia správcovských spoločností
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831 04 Bratislava
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Tel./Fax: +421 (0)2 4445 65 91
ass@ass.sk
www.ass.sk

The Association of Securities Brokers

The Association of Securities Brokers is a self-regulating association of security brokers who are licensed by the Slovak Ministry of Finance. The Association was established in 1994. Its members are specialised broker companies and banks. The Association was established by 26 companies, which included the most important securities brokers active in the Slovak market. There are currently 31 members of the Association and one associate member.

The Association defines its mission as follows:

- Advocating a suitable legal framework for the capital market to function;
- Performing activities that maintain a high standard of services to clients;
- Organising promotional and educational activities to expand the knowledge of its members and others; and

- Implementing and presenting information to protect investors from the possible adverse effects of financial funds being handled in an unprofessional manner.

Contact information for the Association of Securities Brokers

Asociácia obchodníkov s cennými papiermi
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The Association of Supplementary Pension Insurance Companies

The Association of Supplementary Pension Insurance Companies is an association that protects the interests of its members in Slovak Republic. The Association has four regular members.

The Association defines its mission as follows:

- Advocating the common interests of supplementary pension insurance companies by reforming legal regulations related to supplementary pension insurance;
- Creating possibilities for securing the policyholder rights and receiver claims of supplementary pension insurance companies; and

- Acting jointly to solve outstanding problems for supplementary pension insurance.

Contact information for the Association of Supplementary Pension Insurance Companies:

Asociácia doplnkových dôchodkových poisťovní
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Appendix II – Facts about Slovakia



Investor considerations

The Slovak Republic became an independent country on 1 January, 1993.

- Democratically elected government.
- Estimated population of 5.4 million as at December 2003.
- Became a NATO member in March 2004.
- Joined the EU on 1 May, 2004.

Geography and climate

The Slovak Republic is located in Central Europe. It covers 49,035 square kilometers (19,600 square miles) and is bordered by Austria, the Czech Republic, Hungary, Poland, and Ukraine. The country maximum length from east to west is about 416 kilometers, and its maximum width from north to south about 208 kilometers. The Danube river, located in the southwest, forms part of the country's border with Hungary.

The climate is continental (warm summers and cold winters). Maximum temperatures are 32.0C to 35.0C (89.50 F to 90.0 F). Minimum temperatures are -12.0C to -20.0C (10.0F to -4.0F).

The country is divided informally into the western, central and eastern Slovak Republic and formally into the regions of Bratislava, Trnava, Trenčín, Nitra, Žilina, Banská Bystrica, Prešov, and Košice. The climate and geography of each region varies widely; central and eastern regions are wetter and more mountainous than the west. Parts of the eastern Slovak Republic have up to 150 days of snow a year. Average annual

rainfall varies from 300 to 1,100 millimeters a year.

Almost 60% of the Slovak Republic lies more than 300 meters above sea level.

Previously, Slovak Republic formed a federation with the Czech Republic called Czechoslovakia (the Czechoslovak Republic). However, on 1 January, 1993, Czechoslovakia divided into two independent countries, the Slovak Republic and the Czech Republic. The two republics are distinct in their cultures and languages, although the Slovak and Czech languages are mutually comprehensible. The capital of the Slovak Republic is Bratislava.

History

There is historical evidence that Slavic peoples have occupied the Slovak lands since the fifth century. During the ninth century, the Slovaks and Czechs were united in the Greater Moravian Empire. However, the Slovak lands were soon absorbed into the Hungarian Empire—which later became the Austro-Hungarian Empire—where they remained for the next 1,000 years. The end of the First World War saw the collapse of the Austro-Hungarian Empire and the creation of a number of new, small nation states in Central Europe and the Balkans.

Czechoslovakia was established on 28 October, 1918 by the bringing together of the Czech lands (Bohemia, Moravia, and part of Silesia), Upper Hungary (Slovak Republic) and Ruthenia (now part of western Ukraine). The country's industrial heritage was derived from the industrial capacity of the old empire.

Between the two world wars, Czechoslovakia ranked among the most industrialized and economically advanced countries in all of Europe, and its people enjoyed an even higher standard of living than the Swiss.

However, the constitution made no provision for a federal structure, and Slovak proposals for self-government were rejected by the authorities in the capital, Prague. Czechoslovakia existed as a progressive liberal democracy until its dismemberment under the Munich agreement of 29 September, 1938 and the German invasion of the Sudetenland in the following year. On 14 March, 1939, the day before the German invasion of the Czech lands, the Slovak Republic became a nominally independent state under a pro-Nazi president.

The end of the Second World War saw the restoration of Czechoslovakia as an independent democratic state (its territory was reduced slightly because Ruthenia was ceded to the Ukraine). In response to Slovak demands for autonomy, separate legislatures were created for the Czech and Slovak republics. Democracy was short-lived, as the Communist Party of Czechoslovakia (KSČ) emerged with 38.7% of the vote in the country as a whole and dominated the coalition government.

Communist control was consolidated in February 1948 after the ministers from the noncommunist parties resigned from the coalition government in an unsuccessful attempt to force the KSČ from power. On 9 June, 1948, a People's Republic was declared, and in the early 1950s Soviet-style political and economic policies were introduced. Political opposition was eliminated, many

Political opposition was eliminated, many political trials were held and the KSČ purged. Nationalization of industry and collectivization of agriculture began and centralized state planning was introduced.

The relative liberalization of the Soviet Union in the late 1950s, coupled with Czechoslovakia's economic crisis of the early 1960s, contributed to the emergence of reform-minded communists within the KSČ. Led by Alexander Dubček, the reformers sought to combine socialist economic principles with political democracy and greater individual liberty. Despite Dubček's best efforts to convince the Soviet Union of his loyalty and his command of the situation, the Soviet leadership decided on armed intervention by the Warsaw Pact forces on the night of 20 August, 1968. However, a small dissident movement remained active, later becoming associated with a statement of democratic principles and human rights known as Charter 77. Another lasting effect of Dubček's reforms was the introduction of a federal political structure and division of the country into two administrative entities, namely the Slovak Republic and the Czech Republic.

In March 1985, Mikhail Gorbachev assumed leadership of the Soviet Union. He launched a series of political and economic reforms—openness and restructuring—in an effort to reform the crumbling Soviet system. Pro-democracy movements arose throughout central and eastern European countries that had been under Soviet control. In Czechoslovakia, small-scale pro-liberty protests surfaced in 1988 and escalated into a number of large demonstrations. Events took a decisive turn in the last

two months of the year. Popular pressure eventually caused the resignation of the ruling government, and political freedom was reborn on 17 November, 1989, the official day of the "Velvet Revolution." A broad opposition grouping, comprising the Public Against Violence in the Slovak Republic and the Civic Forum in the Czech Republic, was formed and quickly gained widespread popular support. By the end of November 1989, Vaclav Havel was elected President.

Between June 1990 and June 1992, the date scheduled for the next elections, the political and economic positions of the two republics diverged markedly. In the Slovak Republic, demands for greater autonomy or outright independence grew stronger. The elections of June 1992 opened up a political rift between the Czech and the Slovak Republics. The fate of Czechoslovakia rested with two powerful politicians representing different political and economic programs.

On 17 October, 1992, the parliaments of the two republics passed a joint resolution authorizing the division of the federation at midnight on 31 December 1992 and the creation of two independent countries on 1 January, 1993. The Federal Assembly adopted a similar law on 25 November, 1992. A number of important agreements governing key aspects of the split (e.g., division of federal property, establishment of a customs union, creation of a special clearing account, etc.) were concluded. Both republics adopted laws to ensure the continuity of their respective legal frameworks until new national legislation could be enacted. Although many Czechs and Slovaks regretted the passing of the federation, it was in keeping with their

traditions that the split was achieved constitutionally, democratically and without violence.

Political system

The head of state is the President, who is elected for five years by the National Council. The latest presidential election was held in April 2004 and as a result Ivan Gašparovič became the President from 16 June 2004. The Prime Minister, currently Mikuláš Dzurinda, is appointed by the President.

The Slovak Republic's ruling body is a single elected chamber of representatives (deputies), called the National Council. At present, the Slovak National Council has 150 deputies elected under a system of proportional representation. A general election is held every four years. The last election was in 2002 and was won by the Movement for a Democratic Slovak Republic (HZDS).

However, the Slovak Democratic and Christian Union (SDKU) formed the new government. Its coalition partners are the Christian Democratic Movement (KDH), liberal Alliance of New Citizens (ANO) and the Hungarian Coalition (SMK). The next parliamentary election should be held in 2006.

The political parties in Parliament are currently the Slovak Democratic and Christian Union (SDKU), the Movement for a Democratic Slovak Republic (HZDS), SMER – the left wing party, the Hungarian Coalition (SMK), the Christian Democratic Movement (KDH), the Alliance of New Citizen (ANO) and the Communist Party of Slovakia (KSS).

Membership in international organizations.



The Slovak Republic is a member of BSEC (observer), CEFTA, CEI, EBRD, IAEA, IBRD, IMF, IMO, Interpol, OECD, United Nations, NATO, UNESCO, WHO, WMO and others. It has been accepted for full membership in the European Union and NATO.

Slovakia joined the European Union on 1 May 2004.

Legal system

The Constitutional and Supreme Courts are the highest-level courts. It is the responsibility of the Supreme Court to ensure uniform interpretation of the law.

At the lowest level are the district courts which deal with commercial, criminal, civil, family and labor relations lawsuits. Appeals made at the district level are referred to the regional courts, which deal with first hearings, as well as appeals. The Supreme Courts deal with appeals from the regional courts.

There are also several arbitration courts in Slovakia. For example the Arbitration Court is an independent body attached to the Chamber of Commerce and Industry. Its role is to settle disputes between state enterprises, companies and other legal entities and foreign individuals and companies.

The sources of laws are the Constitution; international agreements which, if ratified by the Slovak National Council, have priority over domestic laws; the statutes enacted by the Slovak National Council; and the decrees of the government, individual ministries and local authorities.

Court decisions (precedents) are not a source of law. Slovak laws are based on Continental legal models and are now required to be harmonized with EU directives.

Population and social patterns

Population

The population as at December 2003 was estimated to be about 5.4 million; the latest census was carried out in 2001. Females account for 51% of the total and males for 49%. Some 18.9% of the population is under 15, with 18% over 60. The chief minorities are Hungarians (9.7%), Romas (1.7%), Czechs (0.8%), Ruthenians and Ukrainians (0.7%), Germans (0.1%), and Poles (0.05%). Most of the country's 520,000 Hungarians live in the south. The Ukrainian minority is concentrated in the northern regions of the eastern part of the country.

Population density is about 110 persons per square kilometer.

Language

The official language is Slovak. Slovak is mutually comprehensible with Czech. Under the previous regime, Russian was the second language and was taught in all schools. However, German (among older people), English (especially among the university educated and the young) and French are common second or third languages. Hungarian is widely spoken in the south and east.

The Slovak Republic's ruling body is a single elected chamber of representatives (deputies), called the National Council. At present, the Slovak National Council has 150 deputies elected under a system of proportional representation.

Religion

The principal churches are the Roman Catholic Church (69%), the Evangelical Church (7%), Greek Catholics (4%), Calvinists and the Orthodox Churches.

Education

There is universal compulsory education for all children between the ages of 6 and 16. All education is free, though recently a public discussion on fees for university education has been going on.

For English-speaking families living in Bratislava, there are two international schools in Bratislava: the British International School and the International School of Bratislava. German-speaking families living in Bratislava can take advantage of the nearest German-speaking school in Hainburg, Austria (15 kilometers from Bratislava). There are many international schools located in Vienna, which is 60 kilometers from Bratislava.

Living standards

Under the previous regime, the Czechoslovaks probably had the highest standard of living of all the Comecon countries, although statistically, comparisons show them to be low in relation to neighboring Western countries. However, even with the withdrawal of consumer subsidies, food is comparatively inexpensive and most living accommodation is still rented at what are, by Western standards, purely nominal rents, although the prices are getting higher with the accession of Slovakia to the EU.

The minimum wage as at 1 January, 2004 is SKK 6,080 per month. Regional and structural differences in unemployment still exist. As at 31 December, 2003, the unemployment rate was around 16%.

Cultural and recreational activities

The Slovak Republic has many attractive locations for sightseeing and relaxation including some of Europe's most beautiful and unspoiled countryside, such as the High Tatra mountain range. Facilities are available for all the usual sports, including riding, swimming and canoeing. Fitness clubs are also available. Skiing, both downhill and cross-country, is a popular winter pastime as is ice hockey.

Weekend excursions to Vienna, Budapest and Prague are easily manageable. In addition to train and bus connections, there is a regular boat service along the Danube to Vienna and Budapest. Vienna international airport is only 45 kilometers from central Bratislava, giving excellent air connections to Western and Eastern Europe as well as other continents. Bratislava airport also provides direct connections to many European destinations. The nearest seacoast is in Slovenia, approximately six to eight hours away by car.

The Economy

Since the establishment of the Slovak Republic in January 1993, the country has continued the difficult transformation from a centrally controlled economy to a modern market-oriented economy.

Macroeconomic performance improved steadily in 1994–96, but privatization progressed only in fits and starts. Strong export performance boosted GDP growth to 4.9% in 1994 after a four-year decline. GDP then rose by 6.8% in 1995, 6.6% in 1996 and 6.5% in 1997. These rates were among the highest in central Eastern Europe. After the election in 1998, the Slovak government began a policy of restructuring, opening to outside investors and privatizing strategic companies in the Slovak market. In particular, the banking sector saw many changes in recent years.

The current Slovak government is fully aware of the importance of foreign direct investment and realizes what kind of entrepreneurial environment it has to create in order to attract needed investment. At present, the Slovak government is adopting explicit and specific measures aimed at decreasing the fiscal deficit which is the most important precondition for macroeconomic stabilization.

Mineral and energy resources

Slovak Republic contains significant forest resources—about 40% of the country is forested. The main mineral resources are copper, lead, zinc, manganese and iron.



Hints for the business visitor

Currency

The currency is the Slovak crown (Slovenská koruna—SKK). It is divided into 100 hellers (halierov). Notes are issued in denominations of SKK20, SKK50, SKK100, SKK200, SKK500, SKK1,000, and SKK5,000. Coins of 50 hellers and 1, 2, 5, and 10 crowns are in circulation.

The crown exchange rates prevailing on 9 December 2004 were as follows.

SKK

GBP 1 = 56.74

USD 1 = 29.35

EUR 1 = 39.13

The Slovak crown is externally convertible, a policy that is proving successful in the development of the country's foreign exchange reserves.

International time

The Slovak Republic is located in the same time zone as continental Western Europe and much of Eastern Europe (Central European Time), which is one hour ahead of Greenwich Mean Time. Clocks are usually put forward one hour on the last Saturday of March and put back on the last Saturday of October each year, as in the rest of continental Europe.

Business hours

The working day starts between 6:00 a.m. and 9:00 a.m. and finishes between 2:00 p.m. and 6:00 p.m. The maximum number of hours per week that can be required of staff is 40 (48 hours including overtime).

The current Slovak government is fully aware of the importance of foreign direct investment and realizes what kind of entrepreneurial environment it has to create in order to attract needed investment.

Statutory holidays

The Slovak Republic recognizes the following official public holidays.	Day/Month
New Year's Day	1 January
Epiphany	6 January
Good Friday	Variable
Easter Monday.	Variable
Labor Day	1 May
Victory over Fascism	8 May
St. Cyril and St. Methodius	5 July
Slovak National Uprising	29 August
Constitution Day	1 September
Our Lady of Sorrows	15 September
All Saints' Day	1 November
Velvet Revolution Day	17 November
Christmas Eve	24 December
Christmas Day	25 December
St. Stephen's (Boxing) Day	26 December

Weight and measures

The Slovak Republic uses the metric system. In addition the quintal or metric hundredweight, equal to 100 kilograms, is used.

Food is usually purchased by the decagram and kilogram.

Electricity supply

Domestic electricity supply of 220 volts, 50 cycles AC is almost universal. Most hotels have standard international two-pin plugs. Where these are not fitted, standard Slovak sockets are used. These will not accommodate ordinary plugs as they have an arrangement of two sockets and a grounding pin. Lamp fittings are screw-type. Industrial supply is 360 volts, 50 cycles.

Dates and numbers

Dates are written in the order day, month and year, as in 29 April 2004. When writing numbers only, a full stop or space between digits denotes thousands and a comma denotes fractional amounts, as in SKK 2.500,50 or 2 500,50 (two thousand, five hundred crowns and 50 hellers).

PricewaterhouseCoopers investment management contact in Slovakia

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Our network of investment management specialists

PricewaterhouseCoopers (www.pwcglobal.com), the world's largest professional services organisation, helps its clients build value, manage risks and improve their performance.

As a leading provider of professional services to investment managers, PricewaterhouseCoopers has a multi-disciplinary team of proven professionals comprised of business advisers and consultants dedicated to the industry and spanning over 68 countries worldwide. This team includes over 500 partners, supported by a network of professionals, whose specialist knowledge and experience enable us to provide our clients with insights into marketplace developments and global opportunities. PricewaterhouseCoopers offers industry-focused solutions and strong implementation capability, providing a globally co-ordinated approach to the investment management industry's business needs. To find out more about our services, contact your usual PricewaterhouseCoopers representative or one of the following Investment Management leaders:

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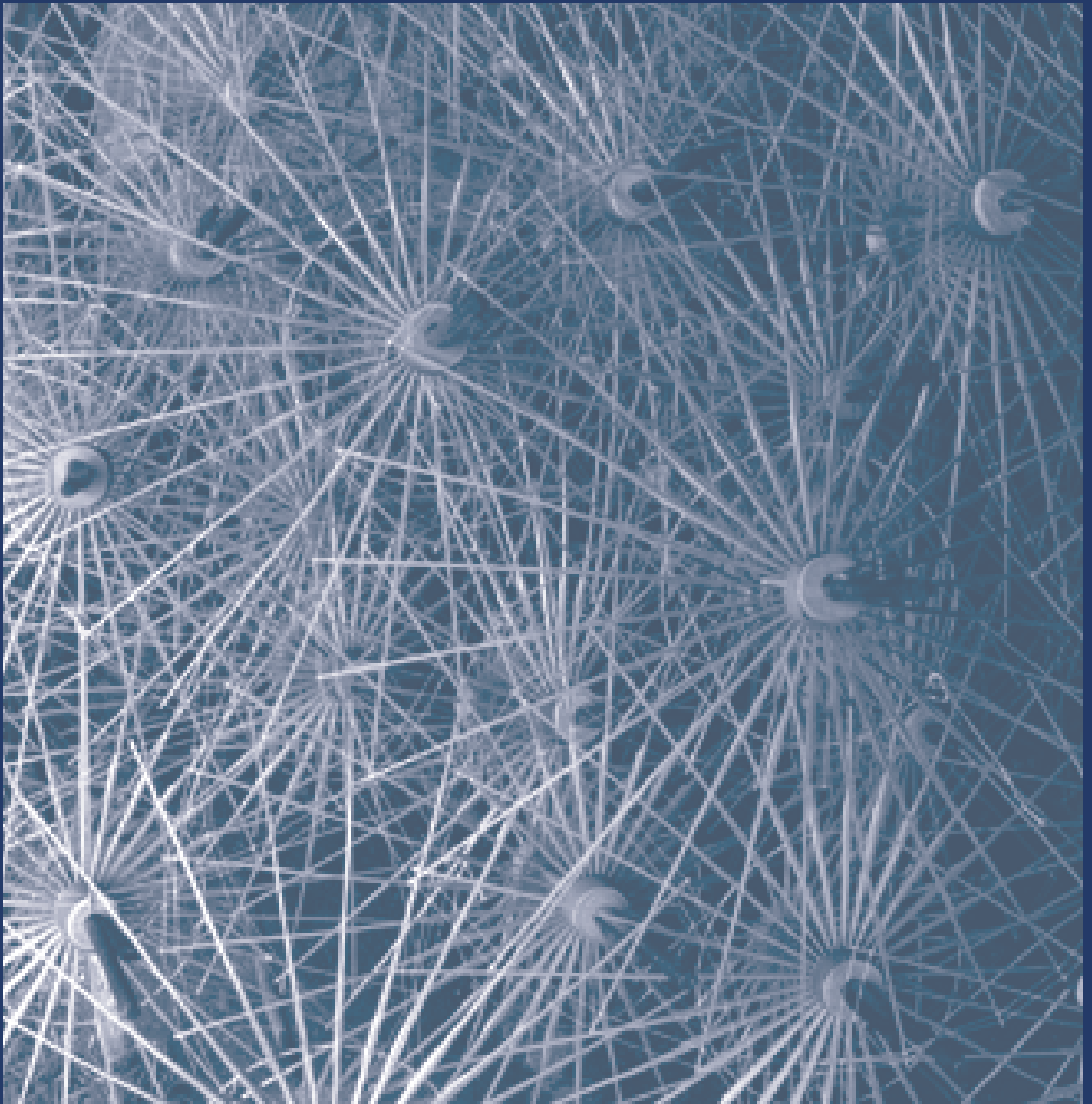


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Barbados	Michael Bynoe	+1 246 436 7000
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Bermuda	George Holmes	+1 441 299 7109
Brazil	Joao Manoel dos Santos	+55 11 3674 3787
British Virgin Islands	Meade Malone	+1 284 494 4388
Canada	Barry Myers	+1 416 869 2441
Cayman Islands	Noel Reilly	+1 345 914 8600
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