



## **MARKET GUIDE**

### **Slovakia**

Slovenská sporiteľňa, a.s. is with 2.5 million clients the largest commercial bank in Slovakia. In 2007, it was awarded the Best Bank in Slovakia by Global Finance. In 2006, the Bank was awarded the Euromoney Magazine Award 'The Best Bank in Slovakia' and according to the weekly Trend, it is the most successful bank in Slovakia in 2006. Its only shareholder is the Austrian 'Erste Bank Group'. Slovenská sporiteľňa has a long-term leading position in total assets, loans, client deposits, number of points of sale and ATMs. Slovenská sporiteľňa offers complex banking services in 279 points of sale and 18 commercial centres in all regions of Slovakia.

Erste Group is one of the leading financial providers in CEE. More than 50.000 employees serve 17,5 million clients in 3 200 branches in 8 countries (Austria, Czech Republic, Slovakia, Romania, Hungary, Croatia, Serbia, Ukraine). As of 31 December 2009 Erste Group reached EUR 201.7 billion in total assets, a net profit of EUR 903.4 million and cost-income-ratio of 9.1%.

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## 1. Main figures of the Stock Market

### 1.1 SAX

The **Slovak share index (SAX)** is the official share index of the Bratislava Stock Exchange (BSSE). The SAX is a capital-weighted index that compares the market capitalization of a selected set of shares with the market capitalization of the same set of shares as of a given reference day. The SAX index reflects an overall change of assets connected with an investment in shares that are included in the index. This means that, besides fluctuations of prices, the index also includes dividend payments and revenues connected with changes of share capital amount (that is, the difference between current market price and the issue price of new shares).

The initial value of the SAX index - 100 points - refers to September 14, 1993. The index reflects development only on the BSSE, and until June 30, 2001 it was based on average prices stated in the price lists. Effective as from July 1, 2001 the official daily index value is calculated on the base of last prices of shares. The SAX index formula is flexible and allows for participation of various companies in the index, as well as changes in the number of companies, proportional to changes in their tradability, or in the case of a new company entering the capital market. In the case of a change in the index's structure, the correction factors are set in such a way that the index with the new structure continuously follows the development of the index with the previous structure.

Company name		Abbrev.	Weights in %
Biotika, a.s.	CS0009013453, SK1120004009	BSL	7.11
Slovenské energetické strojárne, a.s.	SK1120008034	SES	3.53
OTP Banka Slovensko, a.s.	SK1110001452, SK1110004613	OTP	9.25
Slovnaft, a.s.	CS0009004452, SK1120001369, SK1120005949	SLN	18.76
Tatry mountain resorts	SK1120010287	SKI	21.18
Best Hotel Properties	SK1120005105	SRA	21.16
Všeobecná úverová banka, a.s.	SK1110001437	VUB	19.00

as of 29<sup>th</sup> April 2011

### 1.2 Rating

Current Credit Ratings of the Slovak Republic

Agency	Standard & Poor's	Moody's	Fitch Ratings	R&I	JCR
Grade	A+ stable outlook	A1 stable outlook	A+ stable outlook	A stable outlook	A+ stable outlook
Assignment Date	November 27, 2008	March 27, 2009	May 8, 2009	July 16, 2008	August 21, 2008

Further information:

- Standard & Poor's ([www.standardandpoors.com](http://www.standardandpoors.com))
- Moody's Investors Services ([www.moodys.com](http://www.moodys.com))
- Fitch Ratings ([www.fitchratings.com](http://www.fitchratings.com))
- Japan Credit Rating Agency ([www.jcr.co.jp/english/](http://www.jcr.co.jp/english/))
- Rating and Investment Information ([www.r-i.co.jp/eng/](http://www.r-i.co.jp/eng/))

## 2. Capital Market

### 2.1. Instrument types available

The Central Securities Depository of the Slovak republic (CDCP) performs the activities of the National Numbering Agency for Slovakia, which means that it assigns, alters and cancels the ISIN codes in compliance with the ISO 6166 Standard. An ISIN code is assigned by the CDCP to every issue of book-entry securities. An ISIN code is usually not assigned to T-Bills. Issues of T-Bills are identified by a 10 digit numerical code. The T-bill code consists of 10 digits, where the first numeral is 1 - T-Bills, the second numeral represents the last digit of the issue year, the third and fourth figures mean the maturity day, the fifth and sixth numerals represent the maturity month, the seventh and eighth ones mean the period for which the T-Bills are issued, the ninth and tenth numerals represent the sequence of the issuance in the given year.

	Form	Trading place	Settlement location	Settlement Cycle	Minimal denomination	Additional information
Equities	Bearer/ Book entry	BSSE/OTC	CSD	T+3	Variable (usually 33,19 EUR)	Ordinary, preferred, employees
Government bonds	Bearer/ Book entry	BSSE/OTC	CSD	T+3	3319,39 EUR and 33 193,92 EUR	1-20 years maturity, interest is paid annually or semi annually, zero coupon bonds are also issued.
Convertible bonds	Bearer/ Book entry	BSSE/OTC	CSD	T+3	varies	Various
Corporate bonds	Bearer/ registered	BBSE/OTC	CSD	T+3/ OTC negotiable	varies	1-5 year maturity
T-Bills	Bearer	OTC/OTC	CSD	T+3	1 EUR up to 33 193,9 EUR	Various up to 1 year, zero coupon
Other		BBSE/OTC	CSD	varies	varies	Mortgage bonds/ participation certificates/ Investment funds
Municipal bonds	Bearer	BBSE/OTC	CSD	varies	varies	4-10 years maturity

## 2.2. Market Participants

### 2.2.1. Bratislava Stock Exchange (BSSE)

Vysoká 17, 811 06 Bratislava, Slovak Republic  
[info@bsse.sk](mailto:info@bsse.sk) Tel.: +421 2 49 236 111, [www.bcpb.sk](http://www.bcpb.sk)

#### Basic information

Bratislava Stock Exchange, Joint Stock Company, founded in 1991, is the sole operator of the securities market in Slovakia. The Stock Exchange started its commercial activity on 6 April 1993. The BSSE performs its activity on the basis of a licence granted by the National Bank of Slovakia or respectively by its predecessors – the Financial Market Authority.

#### Shareholders

The Stock Exchange's supreme body is the General Meeting of Shareholders that includes the National Property Fund of the Slovak Republic, the biggest Slovak financial institutions, investment, brokerage and insurance companies.

	Shareholder	Share in registered capital (%)
1.	National Property Fund of the Slovak Republic	75.94
2.	Patria Finance, a.s.	11.77
3.	Allianz - Slovenská poisťovňa, a.s.	5.07
4.	Slovenská sporiteľňa, a.s.	3.93

#### Stock exchange bodies

Three Stock Exchange Committees work as permanent advisory bodies of the Executive Board: Trading Committee, Listing Committee and Membership Committee. The Stock Exchange Bodies Arbitration Court (SEAC) was established in the year 1995. Its main task is to resolve disputes resulting from Stock Exchange transactions, as well as those resulting from transactions executed outside the Stock Exchange. The SEAC is a permanent and independent body.

#### Types of trades

Members are allowed to close price-setting transactions, negotiated deals and repo transactions. In addition, they can execute a take-over bid or obligatory take-over.

**A price-setting** transaction is closed in the EBOS when an order to buy and an order to sell are matched. Members can close price-setting transactions in the following modules of the EBOS:

1. *Module of auction trading* (trading at one price – fixing) is based on a batch processing of orders to buy and sell securities at a given moment. For each issue of securities that has been the object of at least one order, one auction price is calculated according to an algorithm and all transactions are closed at that price. The calculation algorithm ensures that a maximum number of securities are traded with a minimum overlap that is the difference between the total purchase and total sale.
2. *Module of continuous trading* allows closing transactions on the basis of orders to buy and sell securities, which are placed on a continuous basis. Received orders are prioritised according to their price and, subsequently, according to their time. If the price of the best order to buy is equal to or higher than the price of the best order to sell, the system will automatically close the transaction by matching these orders. The price of securities in one issue may vary in the course of continuous trading.

3. *Module of market-maker trading* is based on the function of market maker whose obligation is to quote, during the entire trading period, the sale price and purchase price of the given issue in which he is 'making the market', while having to follow the maximum spread set by the Stock Exchange. In this module, the numbers of securities are specified in 'lots', whereas in other modules the number of securities is specified in units. In the course of trading, quotations of market makers in the issues admitted to this module are permanently available, which allows buying or selling securities at any time during the trading period. Received quotations are prioritised according to their price and, subsequently, according to their time.
4. *Module of block trading* allows trading blocks of securities contained in one order, in which a minimum and maximum number of securities are specified. The orders to buy and sell securities are not matched automatically. Instead, they are matched by means of address orders. Members express their will to buy or sell securities by placing non-address orders, which the system ranks according to price, volume of order, and time of order indentation. Members can react to the most advantageous non-address order for a given number of securities by placing an address order, which will close the transaction. The price of securities in one issue may vary in the course of block trading.

If a price-setting transaction is closed in the module of auction trading or in the module of continuous trading, the parties to the trade are completely anonymous. In the market-maker module and in the module of block trading, however, it is allowed to quote on a non-anonymous basis or to place a non-address bearing a name.

In a **negotiated deal**, the price and volume are set beforehand through an agreement of the buying and selling member, with both parties knowing each other.

**Repo transaction** is a sale of securities for cash with a concurrent agreement to repurchase the securities at a certain date in the future, and at a price set beforehand. Each repo transaction consists of a transfer of securities and a retransfer by which the securities of the same type and number are transferred to the account of the original owner. If there are obstacles to the return of a repo transaction, the participating sides can agree on a change of the date of return (i.e. prolongation or shortening) of repo transaction, a partial return of securities, or discontinuance of repo transaction.

**Take-over bid** in compliance with the Act on Securities and Investment Services, legal and physical persons or persons acting in agreement are allowed/ obligated to perform a bid/an obligatory bid to take over the company. The obligatory take-over bid applies to the above-mentioned persons whose share in the voting rights connected with the shares of one issuer of listed shares equals to or exceeds 33%, 50% and 66%. By means of price-setting and negotiated deals, the BSSE allows buying securities in the framework of a take-over bid/obligatory take-over bid.

#### **Phases of a trading day (CET):**

10:30 a.m. – 10:50 a.m. Fixing (Auction trading)

11:00 a.m. – 15:30 p.m. Continuous trading, Block trading, trading of market makers, Negotiated trades, Repo transactions

#### **Market capitalisation (end 4Q/2011)**

32.00 billion EUR

#### **Traded securities**

Shares, corporate bonds, government bonds, investment fund notes, mortgage bonds and fund units

#### **Trading system**

The trading of securities runs daily by means of the Electronic Stock Exchange Trading System (EBOS). The system is based on the active placing of orders to buy and sell into a computer by each member individually. It means that a Stock Exchange transaction is closed directly between members, who are represented by brokers. Members place the orders to buy and sell by means of EBOS workstations, which are located at their offices and have an on-line connection to the Stock Exchange's central computer. Members are allowed to close price-setting transactions, negotiated deals and repo transactions. In addition, they can execute a takeover bid.

#### **Membership**

Similar to the majority of foreign Stock Exchanges, the BSSE is based on a membership principle. It means that if physical persons wish to sell or buy securities via the Stock Exchange and have not been granted Stock Exchange membership, they first have to address one of the Stock Exchange members. A Stock Exchange member will perform a transaction on behalf of its client. This creates a foundation for professionalism, particularly in the area of investor relations. The Stock Exchange Rules permits two types of membership: regular membership – unlimited in time and temporary membership – limited to one-year period.

A **regular member** of the Stock Exchange is entitled to appoint its representatives to the Stock Exchange Committees and introduce issues of companies to the to the listed markets of the Stock Exchange. A regular member is obligated to pay a one-off entry fee for Stock Exchange membership and annual membership fees that are paid on a continual basis.

A **temporary member** does not have these rights and obligations; it is only subject to the annual membership fee. Both types of membership are subject to approval by the Board of Directors of the Stock Exchange, based on a proposal by the Membership Committee.

Only those securities dealers, foreign securities dealers or asset-management companies which meet the conditions stipulated by the Stock Exchange rules can be granted the Stock Exchange membership.

The main listed market of the Stock Exchange is open to shares, bonds and participation certificates that meet the conditions stipulated by the Stock Exchange Act and they are issued and fully repaid in compliance with the generally binding regulations. The rules for securities admission to stock exchange markets stipulate the procedure for the listed market and regulate free market as well as the necessary conditions applying to the securities and their issuer.

#### **Basic criteria for the admission of shares to the Main Listed Market:**

- the issuer's minimum period of business activity is 3 years;
- the issue's minimum market capitalisation is 16 596 959,44 EUR;
- at least 25 % of the total nominal value of shares must be distributed among the public or the minimum market capitalisation of part of the issue which is distributed among the public must be 8 298 479,72 EUR;
- the minimum number of owners of the issue is 100;
- according to audited annual financial statements, the issuer's economic result for the last 3 years has been positive and the company is expected to be profitable in the future.

#### **Basic criteria for the admission of bonds to the Main Listed Market:**

- issuer's minimum period of business activity is 3 years;
- minimum volume of the issued issue or of its unpaid or converted part, respectively, is EUR 8 298 479.72;
- minimum number of owners of the issue is 10;
- according to audited annual financial statements, the issuer's economic results for the last 3 years have been positive and the company is expected to be profitable in the future.

#### **Basic criteria for the admission of participation certificates to the Main Listed Market:**

- issuer's minimum period of business activity is 3 years;
- minimum net value of property in the unit trust is EUR 8 298 479.72

The issuer submits the Application for Admission accompanied by the Listing Prospectus to the Stock Exchange which decides on its acceptance or rejection, respectively, within a period of 60 days.

### **2.2.2. Central Securities Depository of the Slovak republic (CDCP)**

29. Augusta 1/A, 814 80 Bratislava, Slovak Republic  
[www.cdcp.sk](http://www.cdcp.sk)

#### **Basic information**

The Central Securities Depository of the Slovak Republic was founded in 2004 via transformation of its predecessor, the Securities Centre. Effective from 2006, Bratislava Stock Exchange has become a 100-percent shareholder of the CDCP, as a result of deposit of a state property interest in the CDCP business into the Stock Exchange's registered capital. The ultimate objective of this transformation is the privatisation of the BSSE – CDCP group. The CDCP is a joint-stock company that operates on the basis of a licence granted by the National Bank of Slovakia or, respectively, its predecessor – the Financial Market Authority.

The central depository's scope of activity includes primarily the following:

- registration of issues of book-entry securities,
- administration of lists of shareholders for paper form registered shares,
- assignment of ISIN codes,
- administration of securities accounts,
- clearing and settlement of transactions in securities,
- administration of the pledges register over securities.

#### **REGISTRATION OF ISSUES OF BOOK-ENTRY SECURITIES**

One of the Depository's core activities is the registration of issues of book-entry securities. The central depository currently registers all types of share issues, bond issues (including mortgage bonds), co-operative units and the units of open-end unit trusts. What can also be registered in the central depository are the book-entry deposit certificates, treasury bills, coupons etc., as well as all types of immobilised securities. Upon registration of the first issue, the central depository opens for an issuer the issuer's register that contains information on the issuer and on individual securities. An issue is registered in the issuer's register upon the issuance of book-entry securities.

At the request of an issuer who has issued registered paper shares, the CDCP administers a list of shareholders for the registered paper shares. On this list, the central depository records the changes of shareholders, changes in the shareholders' data and changes in the issuer's identification.

#### **ADMINISTRATION OF THE REGISTER OF PLEDGES OVER SECURITIES**

The CDCP keeps a special register of pledged securities – the register of pledges. Following an authorised person's order, in this register the CDCP records the emergence, change and termination of contractual and legal pledges over dematerialised securities. There is also the contractual and legal pledge over securities in paper form registered in the register of pledges. The CDCP issues a statement of the register of pledges based on a request. Information from the register of pledges is available on the CDCP website; this information, however, cannot be used for legal purposes.

#### **ADMINISTRATION OF SECURITIES ACCOUNTS**

In the system of securities registration, the CDCP uses two types of securities accounts. The owner's account and the client account of a member. A special type of account is the holder's account of a member. A special type of account is the holder's account of a member – the foreign central depository.

The **owner's account** contains primarily data on the account owner and on securities kept in this account. The account owner is at the same time the owner of securities registered in this account. The members of the central depository open owner's accounts for their clients. Directly in its registration, the central depository opens an owner's account for a member where information is kept on the securities owned by the member. In its registration, the central depository shall open an owner's account also for state authority acting on behalf of the Slovak Republic or for the National Property Fund. For other persons, an owner's account can be open only at a member's request.

In a **member's client** account, the central depository registers data on securities which owners are registered by the member. The member itself does not own the securities kept in its client account; the owners of such securities are recorded in the member's registration.

In a **holder's account** the CDCP records information on securities whose owners are registered with the person who is a another central depository, a foreign legal person with an equivalent scope of business, securities dealer, bank or foreign bank authorized to perform the ancillary service of custodianship. Information on the owner of a security shall be kept in the records of a securities dealer, or in equivalent records in accordance with the same legal system under which was founded the foreign securities dealers, or in records established under the same legal system as was founded the foreign legal person for whom the holder's account was opened.

#### **Working hours (CET):**

9:00 a.m. – 15:00 p.m.

#### **Share capital**

Total assets of 16 339 617 EUR

#### **Traded securities**

equities, interim certificates to equities, units of the unit trust, cooperative units, bonds (including mortgage bonds), depository certificates, coupons, investment certificates, state T-bills

### **2.2.3. Debt and Liquidity Management Agency**

Radlinského 32, 813 19 Bratislava, Slovak republic

Tel: +421 2 57262 503, Fax: +421 2 57262 525

[info@ardal.sk](mailto:info@ardal.sk)

#### **Basic information**

The Debt and Liquidity Management Agency has been established as a budgetary organisation linked to the state budget via the budgetary chapter of the Ministry of Finance of the Slovak Republic. The Agency is a state administration body and, at the same time, it trades in securities.

#### **ARDAL Bodies**

The Agency is represented and managed by a director appointed by the Minister of Finance of the Slovak Republic. On January 1st, 2004, after successful implementation of information system, the Agency undertook full competence for operative management of the state debt and liquidity.

The main role of the Debt and Liquidity Management Agency within the system of State Treasury is security of activities relating to operative state debt management, state liquidity management and management of whole system of State Treasury, management of financial risks and pursuance of financial operations in the financial market.

## Functions

- security of professional debt and liquidity management, i.e. the Agency optimizes the debt structure and related costs on the basis of market analysis, debt portfolio analysis and executed system of risk management,
- possibility of formulization of strategy and control of strategic scopes and rules observance to Liquidity Management and Hedging Operations Department,
- improvement of communication with financial and capital market and investors – in co-operation with Ministry of Finance of the Slovak Republic and other institutions actuating in financial and capital market, increasing liquidity and transparency of the government securities market,
- security of flexibility of operative state debt management,
- support of the integration of Slovak financial market and financial management of public finance with other countries of the European Union on the international level.

The Agency provides in the name of the Ministry of Finance of the Slovak Republic in accordance with valid legislative following activities:

- organizes and realizes redemption of the state debt,
- secures issuing of government securities,
- provides settlement of securities and trades,
- provides payment of nominal values and yields,
- provides secure assignments of government securities,
- provides financial operations with investment tools associated with the state debt management including financial derivatives operations associated with the risk management of the state debt and liquidity,
- provides buy back of the unpaid state debt,
- provides premature payment of the state debt, if it enables contract documentation or issue conditions,
- provides financial operations with investment tools including operations with financial derivatives in financial market in terms of temporary discrepancy bypassing between incomes and expenses of the state budget and in terms of security of the liquidity system of the State Treasury.

The goal and the purpose of the functioning of the Agency shall be “providing liquidity and access to market in order to finance the needs of the State in a transparent, prudent and cost-effective manner, and, at the same time, minimise the debt service costs over the time, provided the debt portfolio inherent risks will remain on an acceptable level”.

The significant benefits of detaching the State management debt into a separate institution may include the flexibility of the decision-making and execution process based on the development on financial markets and the fluctuating needs of the State in the fields of debt and liquidity by the use of the knowledge and the experiences of the best commercial practice in this field. The Agency will make all efforts to implement the “bank regime” of funds administration including elimination of debt and liquidity market risks in a way applied in the commercial practice. This means managing not only the already existing State debt position, but also the risks derived from potential changes in interest and exchange rates on the market, etc.

## Auctions Calendar

At the latest on 15 March, 15 June, 15 September and 15 December respectively, the auctions calendar for the forthcoming quarter is disclosed on the ARDAL web site. ARDAL may publish a calendar for the half-year or the entire year by the 15th day in the month preceding the given period.

## Notification of Terms of the State Securities Auctions

- a) T-Bonds
- b) T-Bills

Notification of the terms of auctions has to be published by ARDAL at the latest 7 calendar days prior to the auction date in national newspapers and through its web site – [www.ardal.sk](http://www.ardal.sk).

Maturity date and identification code of T-Bills to be issued can be identical with the data of the T-Bills issued previously (increase in issue).

## Submitting the State Securities Bids

Only subjects who have signed the Contract on participation in the primary market for registered state securities issued in the Slovak Republic and denominated in SKK or EUR with ARDAL are authorized to submit bids to auctions (sale and exchange auctions). The National Bank of Slovakia is authorized to submit bids within the non-competitive subscriptions on the account of foreign central banks and associated organizations whose member the Slovak Republic is.

The bids are submitted electronically via the auction Participant's Reuters offering page and the bids on the page are required to be updated on and as of the auction day. Properly tendered bids and auctions results are presented on the Reuters “Result Page”. Bids may be assigned and modified at the latest at 11:00 am. Determinative time is the Local Reuters time, time valid in Reuter's system for Slovakia. Multiple of bids by the nominal value must be equal to or higher than SKK 10 million. Bids are not accepted by the system if they do not comply with the given requirement or are not correctly submitted.

## **Types of State Securities Auctions**

American auction - deals are closed at the price of accepted bids

Dutch auction - all deals are closed at the price accepted by ARDAL, whilst accepted are only those bids with the price that is higher than or equal to the accepted price.

### **Auction**

Bids evaluation has been performed pursuant to prices offered by the auction Participants. Bids are accepted from the bid with a maximum price to the bid with the last price (stop price) accepted by ARDAL. All submitted bids with a price higher than the stop price are accepted in the full value. Bids submitted with the last price accepted by ARDAL are possible to be proportionally reduced. All the bids relating to the reduction are rounded to the nearest nominal value of one piece of a security and are re-calculated in order to accept the specific value.

### **Publishing of Results of State Securities Auctions**

The auctions results are announced immediately after bids evaluation and auction termination. If auction results are not delivered to Participants on the auction day within three hours from the deadline of submitting orders (generally 11:00 am), ARDAL is obliged to notify the auction Participants of the cause of delay and potential consequences on the auction. The communication will be realized via Internet and/or Reuters dealing and/or by phone. If the auction results are not delivered to the Participants on the auction day within 4 hours from the deadline of submitting orders, the auctions Participants are supposed to cancel their bids unless they otherwise notify ARDAL through fax.

### **Non-competitive Auctions of the State Securities**

Non-competitive auctions are held at 02:00 pm on the auction day. All the Participants authorized to submit bids to auctions i.e. those who have concluded the contract with ARDAL for the participation on the primary market may take part in the non-competitive subscribing.

## **2.3. Market Regulations**

**Commercial Code**, No. 513/1991 Coll. – defines business forms, sphere of business operations and trade contracts and relations between business entities

**Act on Supervision of the Financial Market**, No. 747/2004 Coll. - lays down general rules for supervision of the financial market in the area of banking, capital market, insurance business, and pension schemes, performed by the National bank of Slovakia

**Act on the Introduction of the Euro in the Slovak Republic**, No. 659/2007 Coll. – governs certain measures and procedures relating to the preparation for the introduction of the euro currency in Slovakia.

**Act on Banks**, No 483/2001 Coll. – governs some relations associated with the establishment, organisation, management, business operations, and termination of banks in the territory of the Slovak republic and certain relation in association with the operation of the foreign banks in order to regulate and supervise banks, branch offices of foreign banks and other entities with objective of ensuring safe functioning of the banking system

**Stock Exchange Act**, No 483/2001 Coll.- governs the conditions for the establishment, role, operation and termination of operation of the stock exchange; trading in financial instruments on regulated stock exchange market or multilateral trading system, membership etc.

**Act on Bonds**, No 530/1990 Coll. - defines basic rules of issuing bonds, redemption of bonds and interests, issue terms of bonds, mortgage, government, municipal, employees bonds etc.

**Act on Securities and Investment Services (The Securities Act)**, No 566/2001 Coll.- regulates securities, investment services, some contractual relations involving securities, some relation associated with activities of persons providing investment services, the business of the central depository of securities

**Act on Collective Investment**, No. 594/2003 Coll. – governs collective investment, activities of depositaries and operation of asset management companies.

**Prevention against Legislation of incomes from illegal activities**, No. 367/200 Coll. – defines rights and duties of legal entities and natural persons in the preventing and detecting cases of legalisation of incomes from illegal activities.

**Act on Retirement Pension Saving**, No. 43/2004 Coll. - defines retirement pension saving, the scope, legal relation, organisation, funding and supervision.

## **2.4. Regulatory Bodies**

### **2.4.1. Ministry of Finance**

The Ministry of Finance of the Slovak Republic is the central body of the state government in the field of finance, taxes and duties, customs activities, finance control and internal audits. The ministry is responsible for amending the act on the securities and investment services and setting the regulations and the budget figures for the financial Market office.

The Ministry of Finance of the Slovak Republic oversees:

- a) development and implementation of the finance, customs and prices policy including budgeting the total deficit of the public budget, adoption and implementation of the state budget, administration of the financial assets and liabilities of the Slovak Republic, capital market, insurance activities, the policy on taxes and duties, and financial and economic implementations with regard to the activities of entrepreneurs.
- b) execution of the state administration in the fields of banking; building savings, excluding providing a state bonus related to building saving activities; additional old age pension insurance; foreign exchange administration and foreign exchange controls; unified accounting and accounting reporting; gambling activities; in matters of the administration of state properties; in public and non- entrepreneurial fields of activities; and in matters relating to state aid.

## 2.4.2. National Bank of Slovakia

The purpose of the supervision of the financial market is to contribute to the stability of the financial market as a whole, as well as to its safe and smooth operation, in the interest of maintaining the credibility, protection of customers and compliance with the rules of competition. As part of its supervision the National bank of Slovakia shall perform supervision of banks, branches of foreign banks, securities dealer, stock exchanges, central depositories etc. In supervising the supervised entity National bank of Slovakia shall:

- set out prudential business rules, rules of safe operation and other requirements on the business pursued by supervised entities,
- supervise over compliance with the provisions of the act, separate laws and other generally binding regulations
- conduct proceedings, grant authorisations, licences, approvals and prior consents, makes other decisions, positions, methodical instructions and recommendations.
- performs on-site and off-site supervision of the supervised entities

### National Bank of Slovakia as capital market supervisor

Since 1<sup>st</sup> January 2006 NBS has been acting as the only supervisor over the financial and capital market. NBS supervises the insurance marker, capital market and activities of the stock exchange and central depository. Financial market authority ceased to exist on 31 December 2005. BSSE is supervised by NBS. Members of the BSSE are also regulated by the Bratislava Stock Exchange Rules. The central securities depository is regulated by NBS as well. Brokers/dealers and custodian banks are supervised by NBS.

## 3. Clearing and Settlement

### Types of trades and their settlement

- transactions with financial settlement are cleared and settled via the “delivery versus payment method (i.e. securities/investments)
- transactions without financial settlement are settled via the “free of payment” (FOP) method (i.e. liabilities and claims)

### 3.1. Clearing and settlement of Stock Exchange transactions

The clearing and settlement of the Stock Exchange transactions is performed by the CSD. The BSSE sends confirmed commands to register a transfer, resulting from closed transactions, either to CDCP members or directly to CDCP depending on whose registration administers the account of securities owner.

The settlement of securities is performed on the ‘delivery versus payment’ basis (DVP); the central depository’s system of clearing and settlement is based on standard models BIS Model 1 and BIS Model 2. In addition to the “DVP” settlement, it is also allowed to deliver securities without a financial settlement. Such delivery is usually performed through a transfer directly in a member’s or the CDCP registration. The central depository also performs clearing and settlement of public offers to take over, which are organised by BSSE.

In the clearing of transactions, it is possible to use the ‘gross’ or the ‘netting’ method, with the latter being available only for clearing of financial obligations and claims. As a standard, the stock exchange trades are settled by the netting method and duration of the settlement cycle for stock exchange transactions is T+3. Negotiated deals and REPO transactions are settled according to a request the members enter into the trading system (from T+0 to T+n); these transactions can be settled without financial consideration.

#### *Time schedule*

The confirmation must be made not later than on SD-1 by 4 p.m. The recommended times for sending payments on the side of members/participants in the clearing and settlement system are 11:30 a.m. for netting and 13:30 for gross positions. The instructions for registration of transfer resulting from stock exchange transactions for a given SD, which the BSSE sends to the CDCP, are received and continuously processed by the clearing and settlement system usually from 8:00 a.m. to 6:00 p.m.

### 3.2. Clearing and settlement of OTC transactions

For OTC transactions, duration of the settlement cycle is not limited and these transactions are primarily settled on a gross basis. The processing of the instructions related to OTC is made on a continuous basis usually from 8:00 a.m. to 6:00 p.m. the instructions for clearing and settlement of OTC transactions with financial settlement where the day of instruction entry is identical with the SD of a given transaction can be entered into the clearing and settlement system usually from 8:00 a.m. to 15:30 a.m. The time recommended for participants in the clearing and settlement system to send payments is by 16:00 a.m.

### 3.3. Cash and Proprietary Settlement of the State Securities

T-bonds and T-Bills<sup>1</sup> issued both via competitive auctions and via non-competitive auctions are credited to the proprietary account of the final owner on the day of the proprietary settlement, i.e. maximum on the following business day after confirming the priority payment payable on the succeeding business day after the auction (spot value of 2 days). Funds must be on the Issuer's account on the day of cash settlement, i.e. the business day following the auction.

The organiser of the settlement of T-Bills is CDCP as DVP system and participants therefore may freely dispose of securities only after the final transfer of funds. Back to back transactions are allowed only when the funds in the amount of the total value of the transactions are credited to the account of the selling participant in the inter-bank payment system SIPS on the settlement day of the transaction. The settlement cycle for the T-Bills is negotiable from T+0 to T+3; standard cycle is T+2.

The NBS shall accept on working days from 8:30 a.m.

- until 10:30 a.m. an application for registration of an issue for the issuer's own portfolio,
- until 1:00 p.m. an application for registration of an ordinary issue,
- until 1:30 p.m.: instruction to register a transfer of securities credited to a safe custody account of a buyer instruction to register a transfer of securities debited against a safe custody account of a seller instruction of a creditor for a transfer of pledged securities; instruction of a debtor for a transfer of pledged securities; instruction for the registration of a contractual pledge of securities.
- until 2:15 p.m. confirmation of payment,
- until 3:00 p.m.: application for admission as a member of CDCP and for opening a safe custody account of a member, application for opening of a safe custody account of a client, applications for a change or a closure of a safe custody account of a client, complaints.

### 3.4. Investments guarantee fund

The stock exchanges Guarantee fund enables investors who sell securities to receive financial compensation even when that the counter-party is unable to fulfil its financial liability in time. The fund is a legal person registered in the Commercial register. All stock exchange members participate at in the guarantee fund by paying an initial fee and a floating amount (annual and extraordinary contribution). The latter is represented by an agreed percentage of the average daily volume of the electronic order book transactions and block transactions, closed by a member on the BSSE in the previous month. Neither negotiated deals nor REPO transactions are subject to the financial coverage by the resources of the Guarantee Fund.

The fund shall compensate for up to 100% of the protected client assets, provided that total compensation paid under this act to a single client or another entitled person, shall not be higher than EUR 50.000. The exact regulations determinate the compensation, payment, rights and obligations of the Fund and the stock brokerage firms are set in the Act on Securities and Investments Services.

The protection scheme set in law, which obliges all licensed brokers to contribute towards a guarantee fund only, guarantees the assets of physical persons and non-profit organisations. There is no form of juridical protection for the deposits of the legal entities in place.

### 3.5. Cash clearing centre

Significant change occurred in the Slovak interbank payment system (SIPS) from 1 January 2003 when the National bank of Slovakia took over the running of the payments system from Slovak national Clearing centre, Inc., which provided operation of SIPS from 1993. SIPS was the only payment system in the Slovak republic designated for the processing and settlement of domestic payments. After entering the EURO zone, i.e. from 1.1.2009 there are EUROSIPS and TARGET2 available for domestic payment system:

System **EURO SIPS** is a new generation of previous SIPS system. It has been established together with EURO adoption in Slovakia, i.e. on 1.1.2009. Euro adoption caused the changes in conception of international payment system in Slovakia and due to this change EURO SIPS system has become a retail system designed for processing of clients payments. Interbank payments have been redirected to TARGET2 system. EURO SIPS system is associated with TARGET2 system and all payments are settled in two clearing cycles.

<sup>1</sup> Regarding the proprietary and cash settlements of T-Bills, the NBS Decree is in force.

Results of clearing cycles are financially settled in TARGET2. EURO SIPS rules are stated in operating instructions for EURO SIPS system participants and in EURO SIPS agreement, which has been signed between National Bank of Slovakia and each participant in the same wording. These documents are not assigned for public. TARGET2 (Trans-European Automated Real-Time Gross Settlement Express Transfer System) is the RTGS system for euro, offered by the Euro system; it is used for the settlement of central bank operations, large-value euro interbank transfers as well as other euro payments. It provides real-time processing, settlement in central bank money and immediate finality.

Bank to bank transfers are executed with same day value. Client transfers usually take 2 days.

## 4. Entitlements

### Corporate actions and income payments

Corporate Actions can pertain to either equity or debt securities. Corporate actions entitlements are based on the settled position on the record date. Record date in case of the equities is usually event date -5; for debt securities event date -2.

A mandatory action is one in which the holder of the security has no choice regarding the change in status of his or her shares. Most mandatory actions happen automatically, with no action required on the part of the holder (stock split, stock bonus, merger, stock dividends, interest payment, and final redemption).

A voluntary action is one in which the holder has a choice to make about how the action will affect the status of his or her shares. Usually, there is some action required on the part of the holder in order to participate in the action (ordinary/extraordinary general meeting, purchase/repurchase/subscription offer).

- Merger MRGR
- Demerger DMGR
- Spin off SOFF
- Stock split SPLF
- Reverse Split SPLR
- Rights offer (non renounceable rights offer + renounceable rights offer) RHTS
- Priority offer PRIO
- Take-overs TEND
- Offers for sale TEND
- Odd Lot Offer ODLT
- Liquidations LIQU
- Assimilation PARI
- Bonus shares BONU
- Capital reconstructions OTHE
- Instalments OTHE
- Scrip dividends (optional dividend + dividend reinvestment plan) DRIP or DVOP
- Stock dividends DVSE
- Offers to repurchase equities/bonds TEND
- Redemptions REDM
- Exercise of options, warrants, convertibles EXWA
- Put options for bonds BPUT
- Sale of fractions (it must be the same CAEV as the corporate event had p.ex. MRGR)
- Consent Payment CONS
- Exchange Offers EXOF

Terms of corporate action are announced in the local press after the general meeting, specifying record date, payment conditions, documentation requirements and price. The issuer himself can freely decide all conditions of the corporate action. Local sources of information mostly used are Stock Exchange, daily newspapers, economic journals, and issue terms in financial press, "Obchodný vestník" – official bulletin where the companies are obliged to publish corporate announcements. Direct contact between companies and custodians is also used to receive information on upcoming corporate actions.

### Exercise of rights

The issuer obtains a list of shareholders on the record date, who are entitled to participate in the corporate action. According to the Slovak law, the entitlements are acquired upon settlement. The entitled position of the each shareholder is confirmed to issuer by CDCP, CDCP member or by investor itself on record date.

### Rights issues

Issuers must publish the information about new shares issue in the public press 30 days prior to the issue itself. Existing shareholders have a pre-emptive right of purchase of new shares. Rights are neither tradable nor registered. Shareholder can either execute right or ignore it. For the subscription, certain documentation – Power of Attorney, Certificate of Registration – is required. New shares are subscribed in several rounds, whereby the entitlement to subscribe new shares in the first round is granted to the existing shareholders only. Usually 30% of the face value has to be paid before the subscription, the remaining part within 1 year after the subscription.

## Transfer of ownership

Based on the definition of the Securities holder in the act on securities and investment services, it is specifically acknowledged that ultimate title to securities rests with the individual or entity in whose name the securities are recorded on a client ownership account held with a member or on a direct ownership account held with the CDCP. Therefore based on local law the investors/beneficial owner of the security become the legal owner of the securities upon credit of securities to the securities account on the actual Settlement Date. Only securities shown on the account statement issued by either CDCP or the CDCP Member bear entitlement.

## Proxy voting

Announcement on general meeting should be published in daily economic newspaper and in commercial bulletin "Obchodný Vestník" 30 days prior to date. Private companies send invitations directly to investors.

Documentation requirements for the participation may differ, but in general includes:

- Abstract from the commercial register of the holdings owner, notarised and translated into Slovak not older than three months prior the event date.
- Power of attorney issued for the custodian or other entity representing the account owner.

An order to suspension of the disposal right according to law may be given by the issuer of shares not more than 5 days before a General Meeting of a joint stock company is held. The shares are released for trading one day after the event.

## Dividend payments

Slovak companies usually approve the dividends payment on the general meeting annually. The meetings are held mostly April – June each year. The amount of dividends, payment date and documents needed for obtaining are published on the website of the issuer or in the press. The shareholders are entitled to receive dividends according to the settlement position on the record date. The market practice in Slovakia involves no fixed payment date, but just the payment period of 60 days from the record date for equities. In some cases the dividends can be paid for previous years, if they hold the position on the record date of the relevant year.

## Interest/maturity payments

**Corporate Bonds:** registration is performed by the account holder on record date, when custodians send all necessary documentation to the paying agent and informs him about the details of the beneficiary. Accounts are credited with the income amount only after actual receipt from paying agent.

**Treasury bills and treasury bonds:** ARDAL acts as a principal paying agent on behalf of the Ministry of Finance - the issuer. Pays interests and repays principal to investors on the basis of data supplied by the CSD. The amount is credited on the interest due date on T-Bills at NBS payment day. The dating conventions are set in the issue conditions, which are published at the date of issue on the website. Securities holders are entitled to receive interests according to the settled position on the record date. For corporate bonds it is usually coupon date – 30 working days and government bonds coupon date – 1.

## 4.1 Disclosure obligations

The Securities Act enacts disclosure obligation to National Bank of Slovakia which applies to persons wanting to reduce (grow) their holding in the registered capital of a securities dealer below (over) 50, 33, 20 and 10% without undue delay after becoming aware of the fact. A stock brokerage firm shall submit a list of its shareholders to the ministry and the National Bank of Slovakia by 31 March of a calendar year.

According to Banking Act, prior approval of the National Bank of Slovakia is required for:

- a. acquire or exceed of a share in the banks registered capital or voting rights of 5, 10, 20, 33 or 66%, in one or a series of operations directly through concerted action,
- b. legal or a natural person intending to dispose of its holdings in the banks registered capital or voting rights to an extent that would result in its share falling below 5, 10, 20, 33, 50 or 66%.

## Public purchase offer

**Obligatory purchase offer:** according to Act on Securities, holding of at least 33% of the voting rights attached to the shares of a single issuer of listed shares has to be followed by a takeover bid to purchase all listed shares of that issuer ("compulsory takeover bid"). Until the publication of takeover bid, the person or a legal entity concerned may not exercise voting rights. Another obligation to announce a takeover bid is when an issuer decides to delist a public company's shares from the Stock Exchange.

**Voluntary purchase offer:** means that when someone is aiming to acquire a given stake in a company, it is not necessary to pass the certain holdings (33% limit) when obligatory purchase offer bid has to be made, but any shareholder has the right to make a voluntary public offer at any time.

**Squeeze-out (buy-out):** Securities Act includes disposals regarding the so called squeeze-out procedure, which means that if the bidder has acquired at least 95% stake of the voting, the majority owner has the right to squeeze out the remaining minority. If the circumstances of buy out arise, a holder of remaining shares in the offered company may require the bidder to acquire his shares from him for a fair consideration. The offer price can not be lower than the price applied during the public purchase offer.

## 4.2 Securities Account Structure

In the system of securities registration, the CDCP currently uses two types of securities accounts. The owner's account and the client account of a member. A special type of account is the holder's account. Members of the CSD can have at least two main securities accounts opened. One represents the participant's own portfolio while the other clients' assets in order to provide proper segregation. The main account opened for client's assets has a segregated structure, where each one is managed in the name of a client of the Member. It means that the owner of such account is considered as the beneficial owner of the securities.

Custodians usually offer two possibilities for account structure:

- One or more omnibus accounts for the nominee name with further segregation for the reporting purposes
- Segregated (individual) ownership account for each client.

In case a client wants to open an omnibus account, the main issue to take care of such multi beneficiary account is the issue of disclosure and reporting obligations as well as the monitoring of levels at which mandatory take over bid has to be announced. For taxation purposes the following things need to be kept in mind in case nominee omnibus account is opened: the omnibus account holder is considered to be the sole owner of the securities, any income resulting from securities in such account are taxed according to DTT between Slovakia and Tax residency of the account owner.

## 4.3 Cash Account Structure

Cash Account is activated with the first deposit. SWIFT is utilized as communication channel. No minimum balance is required. Account statement is sent the next morning. Overdrafts are subject to individual negotiations. Interest is credited to the account at the end of the year. Interest bearing accounts, standing orders and wide range of value-added services are provided as well. However these accounts are not covered by the Deposit Protection Act No. 118/1996 in case of bankruptcy of the custodian bank. Customer claims will be satisfied after compensation of the protected deposits.

Cash account can be opened as:

- single, omnibus account for both Custody related and clean/commercial payments accomplished by the Client in EUR (and other currencies CAD, CHF, CZK, GBP, USD)
- single, omnibus account for all Custody related cash movements and another separate cash sub-account for commercial and clean payments accomplished by the client

## 4.4 Usage of IBAN Numbers

In domestic payments between local credit institutions, standardised account numbers are used, through which the account keeping bank and account holder customer can be clearly identified. National Bank of Slovakia provides the table with valid bank codes, Bank identifier code list, which is available on website. Regulation No 2560/2001 of the European Parliament and of the Council (19.12.2001) on cross-border payments in euro stated with the effect from 1 July 2003 that institutions of European Community shall indicate on statements of accounts of each customer, his IBAN and the institution's BIC. As of joining of Slovakia to the EU (1.5.2004) this regulation is the part of Slovak legislation. In compliance with it all institutions shall indicate IBAN and BIC on statements of accounts of each customer. Furthermore the institution is obliged to communicate these data to its client. The aim of the IBAN is to facilitate the automatic processing of cross-border credit transfers. Data correctness is assured and manual intervention reduced.

## 5. Taxation

### 5.1. Withholding tax

With regard to the taxation of income from capital asset, substantial changes were introduced by the new income Tax Act that entered into force on 1 January 2004. The changes stem from one of the acts' basic principles, the principle of a single taxation income – meaning that income from a capital asset is to be taxed only once. Under the applicable Income tax Act all groups of taxpayers are now paying tax at a flat rate of 19%. The Slovak parliament approved an amendment to Law of income Tax on 21.12.2010. The Amendment excluded the income from government bonds and T-bills from taxable source of Income for non-residents in Slovakia. From January 2011 this type of income, if paid out to a non-resident investor, will no longer be subject to withholding tax. State Debt and Liquidity Management Agency, as a paying agent, already informed that from January 2011 gross interest on government securities will be paid out to all foreign investors independent of their tax residency. Foreign investors thus will have the obligation to tax this income in their country of residence. The exemption concerns only government securities it does not relate to other type of debt securities such as corporate bonds, municipal bonds etc.

## Dividends

The tax-exempt status of dividends in Slovakia is based on the tax reform that entered into force on 1<sup>st</sup> January 2004. Double taxation has been eliminated through a system of dividend exemption at the shareholders level. Any shares in profits paid out after taxation, settlement amounts and liquidation surpluses as well as shares in profits paid out after taxation by a foreign legal entity similar to a Slovak trade company or a co-operative are not subject to Slovak tax.

Document requirements for dividend payment for foreign investors are as follows:

1. **Certificate of residency** issued by the investors tax authorities is needed to prove the tax domicile of the investor and must be obtained each year prior to the first payment in the specific year.
2. **Certificate of incorporation** not older than three months and with certified translation to Slovak language is usually required by the issuing company prior to dividend payment

## Interest

Interest or similar income from deposits, loans, bonds and equal securities investment instruments and deposits paid out to foreign taxpayers by Slovak taxpayers will be subject to a withholding tax at 19% or at the rate specified in the relevant Double Tax Treaty. The issuer is responsible to withhold tax according to a respective DTT. All income related to the account is taxed depending on the tax domicile of the account owner (beneficial owner).

## 5.2. Double Tax Treaties

Even if there is no Double Tax Treaty concluded between Slovakia and the state of source, the exemption method to avoid double taxation of any income may be applied if the taxation of such income in the other state is documented. Slovakia is a signatory to Treaty for the Prevention of Double Taxation with many countries all over the world. A Double Taxation Prevention Treaty enables offsetting tax paid in one of 2 countries against the tax payable in the other, in this way preventing double taxation. Another important factor is the grant of an exemption or tax at a reduced rate on certain receipts such as interest, royalties, dividends, capital gains and others that are connected with a transaction carried out between parties associated with Double Taxation Prevention Treaty. If certain income is taxable under the Slovak Income Tax Ordinance but there is an exemption under any Taxation Treaty, income is taxed, but only according to provisions of Treaty.

## 5.3. Capital gains tax

A capital gain in Slovakia is added to regular income and is taxable at the same rate for both an individual and a company. Capital loss from the sale of an asset may be offset against regular taxable income. Capital gain tax exists but it concerns only tax residents

## 5.4. Other taxes and charges

There are no special taxes, charges or duties to enter the market; and no stamp duty applies on securities transactions.

## 5.5. Tax reclaim

Tax reclaims are not an established market practice.

## 6. Public Holidays in Slovakia Year 2012

JANUARY 6 (FRI)	EPIPHANY
APRIL 6 (FRI)	GOOD FRIDAY
APRIL 9 (MON)	EASTER MONDAY
MAY 1 (TUE)	LABOUR DAY
MAY 8 (TUE)	END OF WORLD WAR II.
JULY 5 (THU)	SAINTS CYRIL AND METHODIUS DAY
AUGUST 29 (WED)	SLOVAK NATIONAL UPRISING
NOVEMBER 1 (THU)	ALL SAINTS DAY
DECEMBER 24 (MON)	CHRISTMAS EVE
DECEMBER 25 (TUE)	CHRISTMAS DAY
DECEMBER 26 (WED)	ST.STEPHEN'S DAY

(apart from those which fall on Saturday or Sunday)

## Attachment 1: Double Tax Treaties chart

Country	DTT Tax rate* (%)	
	Dividends	Interest
Austria	10	0
Australia	15 <sup>1</sup>	10 <sup>1</sup>
Belarus	15 (or 10 <sup>2</sup> )	10
Belgium	15 <sup>1</sup>	10 <sup>1</sup>
Bosnia and Herzegovina	15 (or 5 <sup>2</sup> )	10
Brazil	15 <sup>1</sup>	15 <sup>1 3</sup>
Bulgaria	10 <sup>1</sup>	10 <sup>1</sup>
Canada	15 <sup>1</sup> (or 5 <sup>4</sup> )	10 <sup>1</sup>
China	10 <sup>1</sup>	10 <sup>1</sup>
Croatia	10 (or 5 <sup>2</sup> )	10
Cyprus	10	10 <sup>1?</sup>
Czech Republic	15 (or 5 <sup>4</sup> )	0
Denmark	15 <sup>1</sup>	0
Estonia	10	10
Finland	15 (or 5 <sup>2</sup> )	0
France	10	0
Germany	15 <sup>6</sup> (or 5 <sup>2</sup> )	0
Great Britain	15 <sup>1</sup> (or 5 <sup>1 7</sup> )	0
Greece	Tax in both states	10 <sup>1</sup>
Hong Kong	0	0
Hungary	15 <sup>1</sup>	0 <sup>1</sup>
Iceland	10 (or 5 <sup>2</sup> )	0
India	25 <sup>1</sup> (or 15 <sup>1 2</sup> )	15 <sup>1</sup>
Indonesia	10	10
Ireland	10 <sup>1</sup>	0 <sup>1</sup>
Israel	10 (or 5 <sup>8</sup> )	10 (or 2 <sup>9 5</sup> 10 <sup>10</sup> )
Italy	15 <sup>1</sup>	0 <sup>1</sup>
Japan	15 (or 10 <sup>11</sup> )	10
Korea	10 (or 5 <sup>2</sup> )	10
Latvia	10 <sup>1</sup>	10 <sup>1</sup>
Lithuania	10	10
Luxembourg	15 <sup>1</sup> (or 5 <sup>7</sup> )	0
Macedonia	5	10
Malta	5 <sup>1</sup>	0
Moldova	15 (or 5 <sup>2</sup> )	10
Mongolia	0	0
Netherlands	10 (or 0 <sup>2</sup> )	0
Nigeria	15 (or 12,5 <sup>4</sup> )	15 (or 0 <sup>9</sup> )
Norway	15 (or 5 <sup>12</sup> )	0
Poland	10 <sup>1</sup> (or 5 <sup>13</sup> )	0 <sup>9</sup> or 10 <sup>1</sup>
Portugal	15	10
Romania	10 <sup>1</sup>	10 <sup>1</sup> (or 0 <sup>9</sup> )
Russia	10 <sup>1</sup>	0
Serbia and Montenegro	15 (or 5 <sup>2</sup> )	10
Singapore	10 (or 5 <sup>5</sup> )	0
Slovenia	15 (or 5 <sup>2</sup> )	10 <sup>1</sup>
South Africa	15 (or 5 <sup>2</sup> )	0 <sup>1</sup>
Spain	15 <sup>1</sup> (or 5 <sup>1 and 12</sup> )	0
Sri Lanka	15 <sup>14</sup>	10 (or 0 <sup>9 or 10</sup> )
Switzerland	15 (or 5 <sup>1 and 2</sup> )	10 <sup>1 or 15</sup>
Sweden	10 (or 0 <sup>12</sup> )	0
Syrian Arab republic	5	10 (0 <sup>16</sup> )
Taiwan	10	10
Tunisia	15 (or 10 <sup>2</sup> )	12 (or 0 <sup>9</sup> )
Turkey	15 (or 5 <sup>2</sup> )	10 <sup>1</sup>
Turkmenistan	10 <sup>1</sup>	10 <sup>1</sup>
Ukraine	10	10
USA	15 <sup>1</sup> (or 5 <sup>1 or 4</sup> )	0
Uzbekistan	10	10

<sup>1</sup> if recipient is the beneficial owner

<sup>2</sup> if recipient is a company other than partnership that holds directly at least 25% of the capital of the payer

<sup>3</sup> if recipient is the beneficial owner and if granted by a bank for a period of at least 10 years in connection with the sale of industrial equipment, the installation or the furnishing of scientific units or public works

<sup>4</sup> if the beneficial owner is a company and controls at least 10% of the voting power of the payer

<sup>5</sup> if recipient is a company other than partnership that holds directly at least 10% (since 1.1.2004 until then 25% in CZ) of the capital of the payer

<sup>6</sup> if corporation tax rate in a contracting state on distributed profits is 20% lower than the corporate tax rate on undistributed profits, the withholding tax may increase to 25% (see article 10, subsection 3 of the treaty)

<sup>7</sup> if the beneficial owner is a company and controls at least 25% of the voting power of the payer

<sup>8</sup> if recipient is a company that holds directly or indirectly at least 10% of the capital of the payer

<sup>9</sup> on interest from securities issued by the state and on government loans

<sup>10</sup> if the recipient is a financial institution

<sup>11</sup> if a recipient is a company and owns at least 25% of voting shares of payer during period of six months immediately preceding the date of payment of such dividends

<sup>12</sup> if recipient is a company (other than personal) that holds directly at least 25% of the capital of the payer

<sup>13</sup> if recipient is a company other than public company that holds directly at least 20% of the capital of the payer

<sup>14</sup> if paid from Slovakia to Sri Lanka, 0% if paid from Sri Lanka to Slovakia, except from Sri Lanka income tax and additional taxes (6%)

<sup>15</sup> interest, related to loan for industrial, trade and scientific utilities, loan for purchase of goods and bank loan

<sup>16</sup> in case government of the DTT country is the beneficiary

\* Since some Double Taxation Treaties may provide certain limitations as to the applicable tax rates, resulting from the status of taxable persons, substantial holdings etc. it is necessary to check a particular DTT for any such restrictions, exceptions or limitations.

\*\* All data come from available sources consulted with SLSP Legal Department and Ministry of Finance of Slovak Republic (letter dated 20 May 2003). To avoid misinterpretation, the figure „0“ means „zero percent tax rate“. For empty boxes data are not available or are irrelevant.

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