



DETERMINATION OF MERGER NOTIFICATION M/11/010 -

Northern Trust / BoISS

Section 21 of the Competition Act 2002

Proposed acquisition by Northern Trust (Ireland) Limited and Northern Trust Fiduciary Services (Ireland) of sole control of Bank of Ireland Securities Services

Dated 5 April 2011

Introduction

1. On 8 March 2011, the Competition Authority ("the Authority"), in accordance with Section 18 of the Competition Act 2002 ("the Act") received a notification of a proposed transaction whereby Northern Trust (Ireland) Limited and Northern Trust Fiduciary Services (Ireland) Limited, with the Northern Trust Company as Purchaser Guarantor, would acquire sole control of Bank of Ireland Securities Services ("BoISS") from Bank of Ireland Group (BoI).

The Undertakings Involved

The Acquirer

2. The Northern Trust Company, a U.S.-based financial holding company, is a provider of asset servicing, fund administration, investment management, banking and fiduciary solutions for corporations, institutions and high net worth individuals worldwide.
3. Within the State, Northern Trust Ireland Limited ("Northern Trust") provides a range of asset servicing solutions to a diverse client base encompassing alternative, multi-manager and traditional fund managers and institutions worldwide. Its focus is on the provision of fund administration services and it provides specialist fund administration, including traditional funds, multi-manager products, hedge funds, fund of hedge funds, real estate funds, private equity funds and cross-border pooling vehicles.
4. For the financial year ended 31 December 2011, Northern Trust had a worldwide turnover of €2.8 billion and turnover in the State of [...].

The Target

5. BoISS provides custody and administration services to promoters of specialised products, including exchange traded funds (ETFs), multi-manager funds, property funds, hedge funds as well as mutual funds, money market funds and structured products for a range of off-shore and on-shore structures.

6. For the financial year ended 31 December 2011, BoISS had worldwide turnover of approximately €56.3 million and turnover in the State of [...].

Third Party Submissions

7. No third party submissions were received.

Analysis

8. There is a horizontal overlap between Northern Trust and BoISS within the State in the provision of fund custody services and fund administration services to investment funds.¹
9. Investment funds are established to give individual savers and investors the ability to pool their resources to achieve better returns and spread risk. The investment funds industry consists of various groups of participants including:
 - Promoters - such as banks and insurance companies who market and sell the funds to potential investors.
 - Fund managers - who make the investment decisions on behalf of their clients.
 - Custody and fund administration service providers - who are responsible for the safekeeping of the funds' assets and the day-to-day recording and settling of transactions.
10. The proposed transaction concerns competition in the provision of fund custody services and fund administration services. Customers are usually fund managers acting on behalf of large institutions and insurance companies with an international dimension. These customers are in a position to exercise significant bargaining power vis-à-vis suppliers.
11. The parties submit that the custody and fund administration industry is organised on a global basis. The largest custody and fund administration companies have expanded their operations to meet their customers' requirements for administering increasingly complex financial transactions in multiple currencies and securities markets across a range of time zones.
12. The parties submit that switching by fund managers to other custody and fund administration service providers is not generally costly or difficult. Custody and fund administration service contracts are typically concluded following a tender process and fund managers keep their custody and fund administration arrangements under regular commercial and quality review.
13. The parties also submit that fund managers are highly sophisticated buyers which in many cases have previously provided these services themselves internally. They are therefore able and willing to switch service providers if their required standards of price, quality and service are not met.

¹ There is no vertical overlap in the activities of Northern Trust and BoISS in the State.

14. Investment funds that are domiciled in Ireland are subject to relevant Irish legislation and regulations. It is a condition of their establishment that they are both established and administered from Ireland.² Ireland has become one of the leading centres for the provision of custody and fund administration services with a significant number of global players present. These include organisations such as BNY Mellon, State Street International, JP Morgan, Brown Brothers Harriman, RBC Dexia, Citi, HSBC Securities Services, BNP Paribas, Societe Generale and SEI. The parties submit there are believed to be in the region of 40 entities providing custody and/or fund administration services in the Irish marketplace.
15. Total assets of funds under administration in Ireland amounted to €1.88 trillion at the end of 2010 – up from €1.4 trillion at the end of 2009.³

Fund Custody Services

16. Fund custody services involve safekeeping of assets, presentation of securities for, and reception of securities from, clearing/settlement platforms, income and dividend processing, arranging of withholding tax relief and tax reclaim, and acting as a trustee of mutual funds.
17. The parties state that they are not in a position to provide global fund custody sector services data relating to their largest competitors. However, given the very small scale of BoISS relative to the size of global custody services sector, the parties believe that the increase in their share of worldwide global fund custody services which will result from the proposed transaction would be negligible.
18. However, data supplied by the parties indicate that Northern Trust's share of fund custody services within the State is approximately 9.64% and BoISS's share is approximately 4.86%. These market share figures have been estimated by the Authority based on data contained in Lipper Ireland Fund Encyclopaedia 2010/2011.⁴ On the basis of this information, it appears that the combined post-transaction market share of Northern Trust/BoISS of fund custody services within the State would be 14.5%.
19. Globally and within the State, the proposed merged entity would continue to face strong competition, post transaction, from alternative suppliers of custody services. In particular, within the State there will remain strong competition from a number of suppliers including BNY Mellon/PNC, State Street Custodial Services, JP Morgan and Brown Brothers Harriman.
20. The Authority therefore considers that the proposed transaction is not likely to raise competition concerns in relation to the provision of custody services in the State given (i) the small increase in market share and (ii) the number and size of the remaining competitors.

² S.I. 211 of 2003 gives effect to European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2003.

³ Irish Funds Industry Association press release, 23 February 2011.

⁴ Lipper Ireland Fund Encyclopaedia 2010/2011. Lipper (formerly Lipper Fitzrovia) is a London-based provider of investment funds research. The Competition Authority relied on information from Lipper in its determinations in M/10/006 - BNY Mellon/GIS and M/07/026 - State Street/IFIN.

Fund Administration Services

21. Fund administration services typically include accounting services and net asset valuations, share registration and taxation services, transfer agency, record keeping services, and portfolio reporting services.
22. The parties are not in a position to provide global fund administration sector data relating to their largest competitors. However, given the very small scale of BoISS relative to the global fund administration services sector, the parties believe that the increase in their share of worldwide global fund administration which would result from the proposed transaction would be negligible.
23. Within the State, data supplied by Lipper⁵ indicates market shares for fund administration services of approximately 8.87% for Northern Trust and approximately 3.51% for BoISS. This implies a combined market share within the State of approximately 12.28% would rank Northern Trust/BoISS as the third largest fund administration services provider in the State, behind BNY Mellon/PNC with 23.88%, State Street International with 15.88% and just slightly ahead of JP Morgan with 12.16% of the market.
24. Globally, and within the State, post-acquisition, Northern Trust will continue to face strong competition from alternative suppliers of fund administration services including such globally established companies as BNY Mellon/PNCGIS, State Street International, JP Morgan, Citi, Brown Brothers Harriman and HSBC Securities Services.
25. The Authority therefore considers that the proposed transaction is not likely to raise competition concerns in relation to the provision of fund administration services in the State given: (i) the small increase in market share and (ii) the number and size of the remaining competitors.

⁵ Ibid.

Determination

The Competition Authority, in accordance with Section 21(2)(a) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed transaction whereby Northern Trust Fiduciary Services (Ireland) Limited and Northern Trust (Ireland) Limited (Purchaser) with the Northern Trust Company (Purchaser Guarantor) would acquire sole control of Bank of Ireland Securities Services will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority**Gerald FitzGerald****Member of the Competition Authority
Director, Mergers Division**