



DETERMINATION OF MERGER NOTIFICATION M/16/026 - AMUNDI / KLEINWORT BENSON

Section 21 of the Competition Act 2002

Proposed acquisition by Amundi Asset Management of sole control of Kleinwort Benson Investors Dublin Limited

Dated 8 July 2016

Introduction

1. On 1 June 2016, in accordance with section 18(1) of the Competition Act 2002, as amended (“the Act”), the Competition and Consumer Protection Commission (the “Commission”) received a notification of a proposed transaction whereby Amundi, part of the Credit Agricole Group (“CAG”),¹ through its wholly-owned subsidiary Amundi Asset Management (“Amundi AM”), would acquire sole control of Kleinwort Benson Investors Dublin Limited (“KBID”) from BHF Group UK Limited (“BHF UK”).

The Proposed Transaction

2. The proposed transaction is to be implemented pursuant to a share purchase agreement (“SPA”), dated 18 May 2016, between BHF UK, BHF Group SA, Amundi and Amundi AM, whereby Amundi AM would acquire 87.5% of the issued share capital of KBID from BHF UK.²
3. Certain employees of KBID would acquire the remaining 12.5% of the issued share capital of KBID pursuant to two share purchase agreements between BHF UK, Amundi and certain employees of KBID and a shareholders’ agreement between Amundi and certain employees of KBID, all of which are dated 18 May 2016,. The acquisition of the remaining 12.5% of the issued share capital of KBID by certain employees of KBID does not, in this instance, confer on those employees joint control over KBID together with Amundi.³

¹ Amundi is a French public limited liability company headquartered in Paris. Credit Agricole S.A and SACAM Développement, both of which are part of CAG, hold a combined 75.5% of the issued share capital of Amundi.

² The SPA identifies BHF UK as the seller and BHF Group SA as the vendor guarantor.

³ Amundi AM states in correspondence with the Commission dated 17 June 2016 that Amundi AM would acquire sole control of KBID and that “*In particular, the ‘Key Executive Veto Issues’ at Schedule 8 of the shareholders agreement ..., are not sufficient to confer joint control in this instance.*” The Commission agrees with this conclusion.



The Undertakings Involved

The Acquirers – CAG, Amundi and Amundi AM

Credit Agricole Group

4. CAG, headquartered in Montrouge, France, is involved, through its various subsidiaries, in retail banking, insurance, asset management and project financing activities, primarily in France and also elsewhere in Europe, including in the State.⁴
5. Within the State, CAG is involved in:
 - the insurance sector through its three wholly-owned indirect subsidiaries, namely: CACI Life Limited, CACI Non-Life limited,⁵ and CACI RE Limited. The total value of the assets held by these 3 entities is approximately €[...].
 - the financial services sector, in particular the provision of custody and fund and administration services, through its indirect wholly-owned subsidiary Caceis Ireland Limited.

Amundi

6. Amundi, a French public limited liability company headquartered in Paris, France, is the holding entity in the Amundi group of companies (“Amundi Group”). The Amundi Group is involved, in over 30 countries, in the provision of asset management services to individual and institutional customers. The Amundi Group’s investment strategy includes investing in bonds, equities, money market and real investments.⁶ Amundi’s wholly-owned subsidiary Amundi AM is also headquartered in France.
7. The Amundi Group is involved in the provision of financial services within the State, including through Amundi AM’s wholly-owned subsidiary Amundi Alternative Investment Ireland (“Amundi Ireland”). Amundi Ireland is involved in the promotion and marketing of collective investments schemes authorised by the Central Bank of Ireland.⁷ Amundi states that none of Amundi Ireland’s clients are located in Ireland and that there is only a limited exposure of any companies within the wider Amundi Group to the Irish market.⁸

⁴ For more information on CAG see <<http://www.credit-agricole.com>>.

⁵ See <<http://www.ca-caci.ie>>.

⁶ For more information on Amundi see <<https://www.amundi.com>>.

⁷ For more information on the collective investments scheme sector see <http://www.centralbank.ie/regulation/industry-sectors/funds/pages/default.aspx><http://www.centralbank.ie/regulation/industry-sectors/funds/pages/default.aspx>

⁸ Notification page 11. Amundi identifies [...] as its only significant client (i.e., with significant assets under management) within the State.



8. For the financial year ending 31 December 2015, CAG's worldwide turnover was approximately €31.8 billion, of which €198 million was generated within the State.⁹

The Target – KBID

9. KBID is a private limited company headquartered in Dublin with sales offices in New York, Boston and San Francisco. KBID is involved in the provision of asset management services to corporate customers including corporate pension funds, financial services companies, charitable foundations and sovereign wealth funds.
10. KBID invests primarily in equity investments and also, to a lesser extent, in other investments including government securities, corporate bonds and real estate. KBID does not take a controlling interest in any of its investments.¹⁰
11. For the financial year ending 31 December 2014 KBID's worldwide turnover was approximately €[...] million, of which €[...] million was generated within the State.¹¹

The Vendors (Oddo et Cie and BHF UK)

12. Oddo et Cie ("Oddo"), headquartered in Paris, France, is the ultimate parent company of BHF UK and KBID. Oddo is involved in the financial services sector, in particular in investment banking and capital management, primarily in France and elsewhere in Europe as well as in New York, Singapore and Tunis.¹²
13. BHF UK, the immediate parent company of KBID, is a private limited company located in London, UK. Oddo and BHF UK have no material activities in the State other than through KBID.¹³

Rationale for the Proposed Transaction

14. The notification states that:

"Amundi's and KBID's businesses are highly complementary in terms of product and geographic focus. KBID's global equities expertise will strongly augment Amundi's offer. Likewise, KBID will benefit from Amundi's strong retail and institutional presence in Europe, Asia and the Middle East."¹⁴

⁹ For the same period, the turnover of Amundi AM (including entities placed under its control) in the State was approximately €[...], comprising approximately €[...] generated by Amundi Ireland and approximately €[...] generated from sales to Irish clients by Amundi AM and other entities under its control.

¹⁰ For more information on KBID see <<http://www.kleinwortbenisoninvestors.com>>.

¹¹ KBID turnover within the State is comprised of investment management fees received from clients located within the State.

¹² For more information on Oddo see <<http://www.oddo.eu/about-us/Pages/default.aspx>>.

¹³ KBID states in correspondence with the Commission dated 17 June 2016 that it is possible that Oddo may, in the normal course of its business, provide services to Irish clients but not to any significant extent.

¹⁴ Notification page 9.



Third Party Submissions

15. No submission was received.

Competitive Analysis

16. There is a horizontal overlap in the activities of the parties within the State to the extent that both CAG and KBID are involved in the financial services sector, and in particular in the supply of asset management services within the State.

Market Definition

17. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. In this instance, it is not necessary for the Commission to define precise relevant markets. The Commission's conclusion concerning the competitive effects of the proposed transaction would be unaffected whether the relevant product market is defined broadly in the present case to include all financial services or narrowly, e.g., to distinguish between asset management services and other financial services. However, for the purposes of its competitive analysis, the Commission has reviewed the impact of the proposed transaction on the narrowest possible product market, being the supply of asset management services in the State.
18. Similarly, while it is not necessary in this instance to precisely define a geographic market or markets for the purposes of reviewing the notified transaction, the Commission has assessed the impact of the proposed transaction by reference to the narrowest possible geographic market, namely the State.

Competitive Effects

19. The parties estimate that their market shares for the supply of asset management services on a worldwide basis less than [0-5]% for CAG (through the activities of Amundi) and less than [0-5]% for KBID.¹⁵ The parties do not have market share estimates for the State and state that their market shares for the supply of asset management services on a worldwide basis "*either reflects or overestimates*" their market shares for the supply of asset management services in the State.¹⁶ The merged entity will continue to face competition from substantial competing providers of asset management services such as Investec, Irish Life Investment Managers, Mercer and Northern Trust.
20. The Commission considers that it is very likely that the market shares of Amundi Ireland and KBID within the State are not significant given that the respective turnovers within the State of Amundi AM, Amundi Ireland and KBID are not significant.¹⁷ There are, and will remain following implementation of the proposed transaction, effective competitors to the merged entity within the State.

¹⁵ Market share estimates were provided by the parties based on estimates provided in Investment & Pensions Europe, which were calculated on the basis of assets under management.

¹⁶ Notification page 18.

¹⁷ See footnote 8.



21. There is no vertical overlap in the activities of the parties and the proposed transaction does not give rise to vertical competition concerns.

Conclusion

22. In light of the above, the Commission considers that the proposed acquisition will not substantially lessen competition in any market for goods or services in the State.

Ancillary Restraints

23. No ancillary restraints were notified.



Determination

The Competition and Consumer Protection Commission, 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 Amundi, part of the Credit Agricole Group, through its wholly-owned subsidiary Amundi Asset Management, would acquire sole control of Kleinwort Benson Investors Dublin Limited from BHF Group UK Limited will not be to substantially lessen competition in any market for goods or services in the State, and, accordingly, that the acquisition may be put into effect.

For the Competition and Consumer Protection Commission

Gerald FitzGerald
Member
Competition and Consumer Protection Commission