



**Case M955/13**

**Proposed Acquisition of State Street Capital Markets Services  
(Jersey) Limited and State Street Administration Services  
(Ireland) Limited**

**by Sanne Capital Markets Limited**

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**Decision**

**Document No: CICRA 13/08**

**February 2013**

**Jersey Competition Regulatory Authority**  
2<sup>nd</sup> Floor Salisbury House, 1-9 Union Street, St Helier, Jersey, JE2 3RF  
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## **The Notified Transaction**

1. On 21 January 2013, the JCRA received an application (the **Application**) for approval under Articles 20 and 21 of the Competition (Jersey) Law 2005 (the **Law**) concerning the proposed acquisition by the Sanne Group (through Sanne Capital Markets Limited) (the **Purchaser**) of the entire issued share capital of State Street Capital Markets Services (Jersey) Limited (the **Jersey Target**) and State Street Administration Services (Ireland) (the **Irish Target**) from State Street (Jersey) Limited (the **Vendor**). State Street Administration Services (UK) Limited has also agreed to transfer to the Purchaser certain business contracts and relevant members of the Vendor's group will transfer a contract relating to business in Guernsey and a contract relating to business in Luxembourg as part of the same transaction.
2. The Jersey Target and Irish Target, together with certain contracts that are being acquired, comprise the Capital Markets Administration division of the corporate services business of State Street AIS Europe (the **Target Business**).
3. The JCRA registered a notice of its receipt of the Application on its website on 22 January 2013, inviting comments on the proposed acquisition. No comments were received.

## **The parties**

- (a) *Sanne Group*

  4. The principal commercial activities of the Purchaser and its group include the management, administration and operation of fund, corporate and trust structures for its customers, which include institutions, listed companies, investment managers and ultra-high-net-worth individuals and families.
- (b) *Target Business*

  5. The Target Business provides capital markets administration services from Guernsey, Jersey, Ireland, Luxembourg and the UK. Capital markets

administration includes administration, company secretarial, registered office, service of process, directorship and accounting services to diverse corporate-owned debt capital markets structures, consisting of companies, limited partnerships, trusts and other vehicles.

### **The Requirement for JCRA Approval**

6. The parties have applied for JCRA approval of the proposed acquisition on the basis that share of supply for the purposes of the *Competition (Mergers and Acquisitions) (Jersey) Order 2005* (the **Order**) could be measured as narrowly as the provision of capital markets administration services in Jersey. If this is the case the parties submit that they may together supply more than 25% of these services. On the basis of these facts, pursuant to the Order, the JCRA's approval is required under Article 20(1) of the Law before the proposed acquisition is executed.

### **Market definition**

7. The parties consider that the proper basis to assess the proposed acquisition is by reference to the provision of corporate administration services worldwide. However, taking a conservative approach, the parties have proposed that a narrower product market definition of capital markets administration could be possible. The JCRA has therefore limited its analysis of the proposed acquisition to a hypothetical product market defined as the provision of capital markets administration services. If the proposed acquisition does not raise competition concerns when viewed solely in terms of capital markets administration services, it is even more unlikely to do so if the relevant product market is widened to take into account corporate administration services.
8. Jersey Finance analyses the Jersey financial industry as comprising four sectors: the banking sector, fund and fund management, company administration and

- investment business<sup>1</sup>. Sanne Group is active in the provision of capital markets administration services (including all related corporate administration services).
9. In the Application, the parties submit that the geographic scope of the market for capital markets administration services is global. The parties have provided information that indicates that the geographic market is at least regional and perhaps global from both a supply-side and a demand-side perspective;-
- (a) From a supply-side perspective, undertakings providing capital markets administration services generally also provide other types of administration services such as corporate and fund administration.
- (b) From a demand-side perspective, customers for these services often may require suppliers of capital markets administration services to be able to service all of their requirements for these services, regardless of jurisdiction, and thus demand global coverage.
10. The parties note that in *State Street/Deutsche Bank*<sup>2</sup>, the European Commission left open the definition of the geographic market for fund administration services. The Commission considered that some of these service activities have specific national regulations or require a national presence to perform them, which might have suggested that the geographic scope of the relevant market was national. At the same time, it noted the parties' views that these services were supplied on a global market, on the basis that most competitors and clients are active worldwide, and similarly manage their financial assets and portfolios on a global basis.
11. In its decision approving the acquisition of AIB Fund Administrators by Mourant & Co in 2006<sup>3</sup>, the JCRA noted that Jersey providers of hedge fund administration services compete at a global level with service providers in other jurisdictions, such as Ireland, the Cayman Islands, Bermuda, the British Virgin

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<sup>1</sup> See the Quarterly Reports of Jersey Finance

<sup>2</sup> COMP./M.3027

<sup>3</sup> Decision M001/06

Islands, the UK, the US, Luxembourg, the Isle of Man and Malta. In *Capita Fiduciary Group/Eagle Management Services Limited*<sup>4</sup>, the JCRA also acknowledged that the clients of Jersey trust and company administration services may be based anywhere in the world and that such firms face competition from companies located in a range of other offshore jurisdictions such as Guernsey, the Cayman Islands, Bermuda, Hong Kong and Switzerland. A similar conclusion was drawn in the JCRA's decision in *Halifax Corporate Trustees Limited/Mourant ECS Trustees (Jersey) Limited*.<sup>5</sup>

12. While there is evidence supporting a global definition of the relevant market, for the purpose of this decision, the JCRA has assumed that the relevant geographical market is limited to Jersey. If the proposed acquisition does not raise competition concerns in this most narrow geographical market, there will be no competition concerns if the geographical market is expanded to include suppliers located in other jurisdictions.

### **Effect on Competition**

13. There is no vertical relationship between the parties' existing activities, so the competitive analysis can be limited to horizontal effects, i.e. the potential effect of the proposed acquisition on competition in the provision of capital markets administration services in Jersey, through the reduction in the number of providers.
14. Both of the parties provide capital market administration services in Jersey. Despite the reduction in the number of suppliers that would result from the proposed acquisition, the JCRA has concluded that the proposed acquisition would not lead to a substantial lessening of competition.
15. The parties informed us, and the JCRA obtained independent verification from Jersey Finance, that there are at least 10 other providers in Jersey of capital

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<sup>4</sup> Decision M145/07

<sup>5</sup> Decision M007/06

markets administration services. In addition, it is accepted that many of the larger Trust Company Businesses in Jersey (the parties estimate that there are at least 25 large Affiliation Leaders<sup>6</sup>), would be capable of providing such services.

16. In addition, the JCRA's investigation indicated that:

- there are no suppliers that have a particularly high market share in the supply of capital markets administration services in Jersey;
- barriers to entry (particularly from existing Trust Company Businesses) may be relatively low;
- customers for these services are typically sophisticated, and may be able to exercise material buyer power;
- for many customers, switching between providers is relatively straightforward.

### **Conclusion**

17. Based on the preceding analysis, the JCRA hereby approves the proposed acquisition under Article 22(1) of the Law.

**28 February 2013**

**By Order of the JCRA Board**

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<sup>6</sup> Affiliation Leaders are entities that operate trust company business activities through more than one group company.