



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 19.12.1997

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying parties:

Dear Sirs,

Subject: Case No IV/M. 1068 - Credit Suisse First Boston/Barclays

Notification of 20.11.1997 pursuant to Article 4 of Council Regulation N/ 4064/89

1. On 21.11.1997, the Commission received a notification of a proposed concentration by which the undertaking Credit Suisse First Boston ("CSFB") acquires control of parts of the undertaking Barclays de Zoete Wedd Ltd. ("BZW") in the field of investment banking.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation (EEC) No 4064/89 and does not raise serious doubts as to its compatibility with the common market and with the EEA Agreement.

I. THE PARTIES' ACTIVITIES AND THE OPERATION

3. CSFB, which is part of the Credit Suisse Group is engaged in investment banking and financial services.
4. BZW is the investment banking subsidiary of Barclays Bank plc.
5. By a Sale and Purchase Agreement dated 12. November 1997 between certain companies belonging to the CSFB group and Barclays Bank PLC on behalf of BZW, CSFB has agreed to acquire certain of the businesses of BZW, namely the "UK and Continental European Equities", "Equity Capital Markets" and "UK, Continental European and Canadian M&A Advisory" businesses (together: "the Business"). The proposed concentration is the acquisition of sole control over the Business by CSFB.

II. COMMUNITY DIMENSION

6. The Credit Suisse Group on its own exceeds the worldwide threshold in accordance with Article 5(3), having a turnover in excess of 5,000 M ECU. At EEA level, the parties submit that both CSFB and the Business have a turnover exceeding 250 M ECU. The EEA turnover of the Business has been calculated based on banking income, because, due to the particular nature of the business activities it is not possible to identify any “loans and advances” or transactions which could be assimilated to them for the geographical allocation. Moreover, the “one-tenth of the assets” rule is clearly misleading in this case. The Business has total assets of [...]¹. If its turnover is calculated according to the method provided by Article 5(3) of the ECMR this would be around [...]², which clearly understates the real economic strength of the Business acquired. Based on the banking income method, the EEA turnover of the Business acquired amounts to [...]³. CSFB does not generate two thirds of its EEA turnover in any Member State. The notified operation therefore has Community dimension.

III. COMPETITIVE ASSESSMENT

A. Relevant product markets

7. According to past Commission decisions the parties suggest the affected product markets in which CSFB and the Business have overlapping activities to be “M&A advice”⁴ and “equity underwriting”⁵ - as core activities of investment banking - and “equity trading”⁶ as a segment of financial markets.

B. Relevant geographic markets

8. The geographical markets of the respective services are also defined by the notifying parties according to the abovementioned decisions. The market for M&A Advisory services may be defined as national, the market for equity trading is predominately national and the market for equity underwriting appears to be global.

C. Assessment

9. Market shares for these activities are difficult to assess. Participants in the investment banking and other financial services business tend for some areas to rely on “league tables”. These are designed to give an indication of the relative market position and performance in what is a fragmented and volatile business

¹ Deleted. Business secrets. Less than 1000 million ECU.

² Deleted. Business secrets. Less than 150 million ECU.

³ Deleted. Business secrets. More than 250 million ECU.

⁴ Case IV/M. 597 - Swiss Bank Corporation/S.G. Warburg, para. 9.

⁵ Case IV/M. 597 - Swiss Bank Corporation/S.G. Warburg, para. 12.

⁶ Case IV/M. 597 - Swiss Bank Corporation/S.G. Warburg, para. 15.

sector. The Commission considered also in previous cases that “league tables” adequately reflect the market position of companies involved in this business.⁷

10. The combined shares of the parties for equity underwriting and for equity trading are low (6% worldwide, respectively 13% in the UK, where the parties achieve the highest combined share) and therefore do not raise competition concern. Only in M&A advice the parties achieve combined shares in excess of 15% in certain countries and in certain years (e.g.: 29.9% in Spain in 1997, 24.7% in the UK in 1996, 60% in Germany in 1995). However, these shares are incidental and erratic in that they fluctuate considerably per country over time due to two main reasons.
11. First, the absence of an active market for corporate control and the tendency to carry out transactions without the use of an external advisor in many parts of the EEA territory results in swings in overall market size and the number of transactions.
12. Secondly, in smaller economies there is only a limited number of large acquisitions and privatisations every year that international investment banks typically compete for. This implies highly concentrated but also highly volatile market positions.
13. There are a number of other important competitors active in the affected markets, namely SBC Warburg, Merryll Lynch, J.P. Morgan, Lazard Houses, Deutsche Morgan Grenfell, Dresdner Kleinwort Benson, Salomon Brothers, Goldman Sachs and others.
14. Given the market position of the merged entity, the competitive nature of the market concerned and the large number and the strength of the competitors it appears that the notified operation does not create or strengthen a dominant position as a result of which effective competition would be significantly impeded in the EEA or any substantial part of that area.

V. CONCLUSION

15. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EEC) No 4064/89.

For the Commission,

⁷ Case IV/M. 642 - Chase Manhattan/Chemical Banking, , para. 13.