

***Case No COMP/M.1714 -
FÖRENINGSSPARBAN
KEN / FI-HOLDING /
FIH***

Only the English text is available and authentic.

**REGULATION (EEC) No 4064/89
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 21/10/1999

*Also available in the CELEX database
Document No 399M1714*



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, **21.10.1999**

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EEC) No 4064/89 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying party

Dear Sirs,

Subject: Case No IV/M. 1714 - FÖRENINGSSPARBANKEN / FI-HOLDING / FIH
Notification of 22.09.99 pursuant to Article 4 of Council Regulation No 4064/89

1. On 22/09/1999, the Commission received a notification of a proposed concentration, whereby the Swedish undertaking FöreningsSparbanken will acquire the Danish undertaking Finansieringsinstituttet for Industri og Håndværk A/S (FIH).

I. THE PARTIES

2. FöreningsSparbanken is one of the largest banking groups in Sweden and it provides a wide range of financial services primarily in Sweden. These universal banking services include retail banking, Internet banking, services regarding capital markets, larger customers operations etc.
3. FIH's two main business area are corporate and investment banking in Denmark, with corporate banking being the most important accounting for an estimated more than 95 % of FIH's activities. Corporate banking includes all types of services related to lending to industry.

II. THE OPERATION

4. The transaction consists of a public tender by FI-Holding to purchase all shares in FIH. FI-Holding is a wholly owned Danish subsidiary of FöreningsSparbanken and has been established with the sole purpose of being used as a vehicle to submit the public bid.

III. CONCENTRATION

5. The concentration consists of the acquisition by FöreningsSparbanken of control of FIH, by way of a public bid. Therefore, the transaction is a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

IV. COMMUNITY DIMENSION

6. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million¹ (FöreningsSparbanken: EUR 5 982 million; FIH: EUR 401,1 million). Each of the parties have a Community-wide turnover in excess of EUR 250 million² (FöreningsSparbanken: EUR 5 875 million; FIH: EUR 401,1 million). In addition, they do not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member State. The operation therefore has a Community dimension, but it does not constitute a co-operation case under the EEA Agreement, pursuant to Article 57 of that Agreement.

V. RELEVANT MARKETS

Relevant product markets

7. The operation involves banking services, in particular corporate and investment banking services. According to the parties there are no affected markets for the purpose of this transaction. The only overlap would be found in the area of financial services, since FöreningsSparbanken is the only party to offer life insurance and pensions savings. Financial services include banking services and other services.
8. According to the Commission's practice³, banking and financial services may be divided into three main categories that can constitute separate markets: 1) retail banking, 2) wholesale banking⁴, and 3) activities related to financial markets. In particular the distinction between retail and corporate banking is relevant for the purpose of assessing market conditions.
9. By *retail banking* is meant banking services to households which consist, for example, of deposits, lending, credit cards and mutual funds and other forms of asset management.
10. By *wholesale or corporate banking* is meant banking services to corporate clients which consists, for example, of deposits, lending, international payments, letters of credit and advice concerning mergers and acquisitions.
11. With regard to *activities related to financial markets*, the following activities may constitute distinct services markets: trading in equities, bonds, and derivatives, foreign exchange and money markets.
12. For the purpose of the present case, it is not necessary to define the relevant product/service markets, since the operation would not lead to the creation or strengthening of a dominant position under any possible market definition.

¹ Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Notice on the calculation of turnover (OJ C66, 2.3.1998, p25). To the extent that figures include turnover for the period before 1.1.1999, they are calculated on the basis of average ECU exchange rates and translated into EUR on a one-for-one basis.

² Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Notice on the calculation of turnover (OJ C66, 2.3.1998, p25). To the extent that figures include turnover for the period before 1.1.1999, they are calculated on the basis of average ECU exchange rates and translated into EUR on a one-for-one basis.

³ Case No. M.1029 – Merita/Nordbanken

⁴ Case No. IV/M.1340 – BNP / DRESDNER BANK – AUSTRIAN JV.

Relevant geographic markets

13. According to the parties the geographical delineation of the three main markets may vary. The parties submit that for the purpose of the assessment of the present case, these markets are national.
14. The Commission has stated in previous cases, that with regard to the *retail banking* the relevant geographic market is to be considered national in scope due to the competitive conditions, which in individual Member States are still different due to the importance of local presence (network of branches). On the other hand, an increasing trend points towards internationalisation and the present situation may change in the longer term with the introduction of the single currency and new technologies, e.g. internet and telephone banking.
15. According to the Commissions practice, certain service segments with regard to *wholesale/corporate banking* will continue to be required and supplied at a national level. However, some segments of corporate banking seem to have a more international dimension. In earlier decisions the Commission has found that the relevant geographic market appears to be national for small and medium-sized corporate clients and international for large corporate clients⁵.
16. With regard to *activities related to financial markets*, the Commission has found financial services to be international in earlier decisions⁶ in respect to activities such as equity and debt issues, and international as regards money markets etc.
17. However, for the purpose of this case, it is not necessary to define the relevant geographic scope, because even under the narrowest market definition, the concentration does not create or strengthen a dominant position.

VI. COMPETITIVE ASSESSMENT

18. FöreningsSparbanken has activities within all three main services areas whereas FIH only operates within certain segments on the market for wholesale banking services for undertakings and the market concerning activities related to financial markets. Consequently, the transaction would only lead to an overlap in the last two markets.

Wholesale/corporate banking

19. Almost all of FIH's activities have as their basis a relationship to Danish customers. The activities appear to a very large extent confined to Denmark, and FIH acquires all of its turnover there. It is basically only if its activities involve financing of foreign subsidiaries or other activities abroad of Danish undertakings that the activities involve a cross border element. On the market for wholesale banking FöreningsSparbanken has so far not carried out any direct activities in Denmark and therefore has no turnover in Denmark. Approximately 97 % of FöreningsSparbankens business activities are carried out in Sweden. Consequently, if the geographic scope of the market is delineated as national, there would only be an insignificant overlap between the parties' activities in this market.

⁵ Case No. M.1029 – Merita/Nordbanken

⁶ Case No. M.1029 – Merita/Nordbanken.

20. FöreningsSparbanken has a market share of 25 - 30 % of the wholesale banking market in Sweden and its position here will not be reinforced by the merger due to the lack of geographic overlap. FIH's market share on the Danish market for corporate banking has been estimated to be around 7 % and less than 2 % on the Danish market for investment banking services. Therefore, if the geographic market was wider than national, then the parties' combined market share would become even smaller. In conclusion, the concentration does not create or strengthen a dominant position under any alternative market definition.

Activities related to financial markets

21. As mentioned above, there is no significant geographic overlap between the parties' activities, if the market is defined as national in scope. FöreningsSparbanken only has a market share of 3-4 % in this market segment in Sweden, so if the geographic scope of the market is defined wider than national, the parties combined market share will be insignificant and does not give raise to any competition concerns.

VII. CONCLUSION

22. 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,