

*Case No COMP/M.1856 -
CITIGROUP /
SCHRODERS*

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 29/03/2000

*Also available in the CELEX database
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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 29.03.2000
SG (2000) D/

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 COMP/M.1856-Citigroup/Schroders

Notification of 28.02.2000 pursuant to Article 4 of Council Regulation No 4064/89

1. On 28.02.2000 the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) NO 4064/89¹ by which the undertaking Citigroup Inc., through its subsidiary Salomon Smith Barney Holdings Inc., acquires control of parts of the undertaking Schroders plc.
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 functioning of the EEA Agreement.

I. THE PARTIES

3. Citigroup Inc. ("Citigroup") is a US based diversified holding company providing banking and financial services in particular: banking and lending services; investment advice, financial planning and extensive brokerage services; asset management products and services; and venture capital activities.
4. Schroders plc. ("Schroders") is a UK based financial company operating world-wide in investment banking and asset management.

¹ OJ L 395, 30.12.1989, p.1; corrected version OJ L 257 of 21.9.1990,p.13; as last amended by Regulation (EC) No 1310/97, OJ L 180, 9.07.1997,p.1, corrigendum in OJ L 140, 13.02.1998, p.17.

II. THE OPERATION

5. The notified operation concerns the acquisition by Citigroup, through its subsidiary Salomon Smith Barney Holding Inc. (“SSBH”), of part of Schroders’ activities, namely Schroder’s world-wide investment banking business which includes all corporate finance advice, broking and dealing in securities and other financial activities. In particular the acquired business deals with the following activities: advisory services in merger and acquisitions, and financial advice services in general; management, underwriting and distribution of equity and convertible bond issues; broking and dealing in securities and other financial activities.

III. CONCENTRATION

6. The acquisition of part of Schroder’s activities by Citigroup constitutes a concentration within the meaning of Article 3 (1)(b) of the Merger Regulation.

IV. COMMUNITY DIMENSION

7. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion² (€68,000 million for Citigroup and €873 million for Schroders’ acquired business). Each of them have a Community-wide turnover in excess of EUR 250 million (€4,000 million for Citigroup and €336 million for Schroders’ target business), but they do not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member State. The notified operation therefore has a Community dimension.

V. COMPETITIVE ASSESSMENT

The relevant product markets

8. The parties have overlapping activities in some markets for investment banking activities and to a lesser extent for commercial banking activities. However in commercial banking only Citigroup is a real provider while Schroders has very limited activities both in commercial credit and in leasing operations segments and therefore this market will not be treated further.
9. In investment banking the relevant markets are : M & A advisory services and securities underwriting. Other financial services also provided by investment banks have also to be considered, such as securities and derivative trading and foreign exchange trading.
10. M & A advisory services consist in providing corporate advice on acquisitions and disposals by trade purchases/sales, public bids, privatisation, corporate restructuring , corporate rescues and advice on demergers.

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.

11. Securities underwriting, relates to the primary market, which means the offering of new issues (shares and bonds) to the public³, and includes two segments, namely equity and debt underwriting. Both parties are active in equity underwriting only, both in Europe or world-wide. In other financial services provided by investment banks, the parties overlaps take place in securities trading, foreign exchange trading and derivatives trading.
12. However it is not necessary to further delineate these markets since, even if alternative definitions were considered there would be no creation or strengthening of dominant position in the EEA or any substantial part of that area.

The relevant geographic markets

13. M & A services have traditionally been considered as of a national dimension for a number of reasons (e.g. knowledge of local corporate law, accounting rules or regulatory regimes etc). Notwithstanding the foregoing the recent development of this activity world-wide has produced an increasing number of operations with a trans-border dimension and therefore a need for large groups providing these services. For these reasons this market could be viewed increasingly as at least a European market, except perhaps in smaller economies for transactions involving mainly local companies.
14. For securities underwriting the parties claim that the geographic scope is considered to be at least European wide if not global, except for transactions on regulated exchanges. For the other financial services above described the parties consider that for securities trading and derivatives trading the markets are at least European-wide except for transactions on regulated exchanges, traditionally treated as of a national dimension. For foreign exchange trading markets the parties claim that it has a global dimension.
15. However it is not necessary to further delineate the relevant geographic markets as in any market definition considered, effective competition will not be significantly impeded in the EEA or any substantial part of that area.

Assessment

16. For M & A services the parties have submitted league tables for the last three years which show their respective positions both at national and the EEA level. Such league tables are only an approximate indicator of market shares, since they use numbers and sizes of deals managed as a measure for classifying investment banks, whereas fee income should be used where a precise determination of markets shares is necessary. However such league tables can be used as a rough indicator which can identify potential problems.
17. In the present case league tables show that the combined market shares of both parties in any of the past three years are below 15 % either in a global or European market. At national level only in two European countries the parties' combined market shares were slightly above 15 % in 1999, namely Finland ([...] %) and Ireland ([...] %) while in those two countries no overlapping took place in 1998. This is a very fragmented market with a few number of competitors with similar market shares and a high

³ See Case IV/M.597-Swiss Bank Corporation/S.G. Warburg

number of players with much smaller ones. In addition market positions are not stable and depend mainly on the number of contracts obtained and their economic value.

18. As far as the equity underwriting market is concerned, the parties' combined market share will remain below 10 % both in international equities and in equity-linked issues, regardless of the market segment considered in each of them. As regards other financial services as above identified, the parties' combined market shares are also below 10 % both in securities trading, foreign exchange trading and derivatives trading.
19. The low market shares in all relevant markets as above shown and the special features of these markets, characterised by a high number of competitors and volatile market shares, tend to indicate that no particular competition problem will arise from this concentration.

VI. CONCLUSION

20. 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,

Romano PRODI
President