

***Case No COMP/M.2158 -  
CREDIT SUISSE  
GROUP / DONALDSON,  
LUFKIN & JENRETTE***

Only the English text is available and authentic.

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

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Article 6(1)(b) NON-OPPOSITION  
Date: 09/10/2000

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## COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 09. 10. 2000

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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. 2158–Credit Suisse Group/Donaldson, Lufkin & Jenrette**  
Notification of 08.09.2000 pursuant to Article 4 of Council Regulation No 4064/89

1. On 8 September 2000, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 by which Credit Suisse Group acquires control of the whole of Donaldson, Lufkin & Jenrette ('DLJ') by way of tender offer for the shares of DLJ. In a second stage Credit Suisse Group will purchase approximately 71% of DLJ's shares from the current controlling shareholder AXA, the French insurer and asset manager. 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 OPERATION AND THE PARTIES**

2. Credit Suisse Group, a publicly held corporation based in Switzerland, is a global financial services company and is the parent company of several wholly owned subsidiaries such as Credit Suisse, Credit Suisse First Boston and Winterthur Swiss Insurance company. Its activities encompass investment banking, private banking, asset management, (non)-life insurance and domestic banking for corporate and individual clients within Switzerland.

3. DLJ is a publicly held U.S.-based investment bank and financial services provider. DLJ's main activities are investment and merchant banking, asset management, financial advisory services, brokerage services, investment research, venture capital and securities underwriting. The focus of DLJ's activities is in the U.S.

## **II. COMMUNITY DIMENSION**

4. The Credit Suisse group and DLJ have a combined aggregate world-wide turnover in excess of €5,000 million (Credit Suisse group, €43 536 million; and DLJ, €9 799 million). Each of them has a Community-wide turnover in excess of €250 million [...], 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. It does not constitute a co-operation case under the EEA Agreement, pursuant to Article 57 of that Agreement.

## **III. CONCENTRATION**

5. Following the acquisition of the controlling shares from AXA, DLJ will be merged into a Credit Suisse Group subsidiary. As stated above, Credit Suisse group will have sole control over DLJ at the completion of the transaction. The operation therefore constitutes a concentration within the meaning of article 3(1)b of the Council Regulation 4064/89, of 21 December 1989.

## **IV. COMPETITIVE ASSESSMENT**

### **A. Relevant product market(s)**

6. The Commission has consistently segmented the banking sector into the following areas: retail banking, corporate banking, money markets, investment banking and other financial services.<sup>1</sup> As already concluded in MeritaNordbanken/Unidanmark<sup>2</sup>, and confirmed by market investigation, it cannot be excluded that a further subdivision of these markets is relevant for the assessment of market conditions. The parties have not opposed to this approach.
7. Credit Suisse Group does not have retail banking operations outside Switzerland and DLJ has very limited corporate banking activities. The operation leads to overlaps in firstly investment banking activities, in particular Merger & Acquisition advice (**M&A**), initial public offerings (**IPO's**) advice and **equity and debt underwriting**. Secondly the operation will give rise to an affected market for **securities trading** (equity and debt securities in the secondary market), as part of the money markets. These segments have been described by the Commission in Case No IV/M-597 Swiss Bank Corporation/S.G.Warburg, leaving open the question, whether these product segments are product markets in the strict sense.
8. For the purpose of the present case it is, however, not necessary to define conclusively the relevant product markets because, even on the narrowest market definition, the concentration 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.

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<sup>1</sup> Case IV/M.1172 – Fortis AG/Generale Bank and Case No IV/M.1910 – MeritaNordbanken/Unidanmark

<sup>2</sup> Case IV/M.1910 – MeritaNordbanken/Unidanmark

## **B. Relevant geographic markets**

9. The notifying party considers the relevant geographic scope of the segments where the operation will create overlaps to be European, if not global since major players are competing for major issues all over the world. Such had indeed been concluded in previous Commission decisions for IPO's and equity and debt underwriting<sup>3</sup>.
10. However, with regard to M&A advice and securities trading (equity- and debt securities in the secondary market), the Commission has generally taken the view that the services are required and supplied at national level, although many of these transactions are cross-border.
11. For the purpose of the present case it is not necessary to provide a definitive delimitation on the relevant geographic market since, on the basis of the assessment set out below, a dominant position would not be created or reinforced even on the narrowest geographic market definition.

## **C. Assessment**

12. Market shares in this industry are difficult to determine. As an alternative, investment bankers tend to rely on "league tables" that are designed to give an indication of relative market position and performance. Such league tables allocate proceeds to the lead manager or divide proceeds equally among co-managers. The Commission has previously considered this practice to adequately reflect the market power of parties.<sup>4</sup>
13. On the basis of league tables, the combined shares of the parties for equity underwriting ([5% - 10%] on EU basis and [5% - 10%] on a global basis) and IPO advice ([5% - 10%] on EU basis) do not raise competition concerns. Market investigation has indicated that the new entity would become the leader in high-yield bonds although its combined market share would remain below [5% - 10%] when a separate market with EU scope were to be defined.
14. Concerning **securities trading** in Greece, Credit Suisse Group would slightly reinforce (+[0% - 5%]) its leading position. However, with [20% - 30%] combined market share and strong competition from more than 25 internationally active players, the operation does not raise competitive concerns. Furthermore, the investigation did not show significant barriers to entry that could prevent any international bank from trading securities in Greece.
15. In **M&A advice**, and based on 1999 figures, the operation would lead to affected markets in Italy (combined [40% - 50%]), Ireland (combined [20% - 30%]) and Belgium (combined [20% - 30%]). However, when calculated over a period of three years, only Italy would be an affected market with a [10% - 20%] combined market share. Moreover, in both Italy and Ireland, a single deal accounted for more than two-thirds of the value attributed to DLJ in 1999. In Belgium, the market share addition represented by DLJ is minimal ([0% - 5%]). These figures show that the provision of Mergers & Acquisition advice is volatile, changing significantly from year to year. The limited

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<sup>3</sup> Case IV/M.597 – Swiss Bank Corporation/S.G. Warburg.

<sup>4</sup> Case IV/M.642 - Chase Manhattan/Chemical Banking, , para. 13.

number of large acquisitions and privatisation that international investment banks compete for in these markets imply highly concentrated but also highly volatile market positions.

16. Market investigation has confirmed that markets for M&A advisory services as well as underwriting services are competitive.<sup>5</sup> Both services are generally provided on a project-by-project basis, and consequently, for a new project, a customer can switch supplier at no cost and is not in any way bound by his choice in previous projects. In addition, customers for M&A advisory services frequently use more than one advisor or even no advisor at all. In the underwriting business, using more than one investment bank is customary, and often preferred by the investment banks themselves, in order to spread the risks related to the issue of new securities.

## V. CONCLUSION

17. For the foregoing reasons, the proposed concentration does not raise serious doubts as to its compatibility with the common market and with the functioning of the EEA Agreement.

For the Commission,

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<sup>5</sup> Other important competitors active in the affected markets, are UBS Warburg, Merrill Lynch, Morgan Stanley Dean Witter, J.P. Morgan, Deutsche Morgan Grenfell, Dresdner Kleinwort Benson, Salomon Smith Barney, Goldman Sachs, Lehman Brothers.