

EN

***Case No COMP/M.3740 -
BARCLAYS BANK /
FÖRENINGSSPARBANKEN
/ JV***

Only the English text is available and authentic.

**REGULATION (EC) No 139/2004
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 02/06/2005

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 02.06.2005

SG-Greffe(2005) D/202423

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 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 Where possible the information omitted has been replaced by ranges of figures or a general description.

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

PUBLIC VERSION

To the notifying party

Dear Sir/Madam,

**Subject: Case No COMP/M.3740 - Barclays/FöreningsSparbanken/JV
Notification of 25/04/2005 pursuant to Article 4 of Council Regulation
No 139/2004¹**

1. On 26/04/2005, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 by which the undertakings Barclays Bank plc ("Barclays", UK), belonging to the Barclays group, and FöreningsSparbanken AB ("FSB", Sweden) acquire joint control of the undertaking Mandab Holding AB ("Mandab", Sweden) by way of purchase of shares in a newly created company constituting a joint venture.
2. After examination of the notification, the Commission has concluded that the operation falls within the scope of the Merger Regulation and does not raise serious doubts as to its compatibility with the common market and the EEA agreement.

¹ OJ L 24, 29.1.2004 p. 1.

I. THE PARTIES

3. Barclays is active primarily in banking, investment banking and investment management for private and commercial customers. Through Barclaycard it is active in the acquiring and issuing of credit cards in Europe. Barclays has limited banking activities in Sweden and Norway, where it is only active in investment banking and card acquiring services.
4. FSB provides financial services to private and commercial customers mainly in Sweden. FSB is also active in the acquiring and issuing of payment cards in Sweden and in the issuing of credit cards in Norway.
5. Mandab's principal activity will be the issuing of credit cards, charge cards and store cards in Sweden and Norway with the intention of expanding to Denmark and Finland.

II. THE OPERATION

6. The proposed operation consists in the establishment by FSB of a new subsidiary company in which Barclays will purchase shares, ultimately creating a jointly controlled full function joint venture, Mandab. FSB will transfer all its existing credit, charge and store card issuing business and related activities in Sweden and Norway to Mandab². Barclays will provide the Barclaycard brand and credit card know-how.
7. Following the establishment of FSB new subsidiary, Barclays will acquire 40% of the shares in Mandab whilst FSB will retain 60%. Under the terms of the Joint Venture Agreement, both Barclays and FSB will have to agree on the strategic decisions relating to Mandab. Barclays and FSB therefore will acquire joint control over Mandab.
8. Mandab will have its own management and staff and will have access to capital and other resources in order to operate independently on a lasting basis. Mandab will initially obtain customers through the credit/charge card contracts transferred from FSB in Sweden and Norway. In Sweden, Mandab will distribute its products through FSB³ and through open market distribution channels. In Norway, Mandab will distribute its products through distribution agreements with two Norwegian banks⁴ and open market channels. Moreover, Mandab's Business Plan establishes that Mandab will increase its distribution capability by actively seeking to establish new partnerships with third parties and co-brand partners in Sweden and Norway. Therefore, the proposed transaction constitutes a full function joint venture.

III. CONCENTRATION

9. On the basis of the above, the notifying parties will therefore acquire joint control over Mandab in the sense of Article 3(1)(b) of Council Regulation 139/2004.

² FSB will retain the issuing of debit cards to customers in Sweden.

³ During the initial [*business secrets*] of the volume of Mandab's business in Sweden is expected to be realised through FSB's channels.

⁴ FSB does not have distribution assets in Norway.

IV. COMMUNITY DIMENSION

10. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion⁵. Each of Barclays and FSB has a Community-wide turnover in excess of EUR 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.

V. COMPETITIVE ASSESSMENT

11. The parties to the operation will have overlapping activities in the markets for the issuing of payment cards and for the acquiring of payment cards.

Relevant product markets

12. The parties submit that payment card issuing and payment card acquiring⁶ constitute two separate relevant product markets and that there is no need for further segmentation thereof.
13. In Case No COMP/M. 2567 *Nordbanken/Postgirot*, the Commission left open the exact market definition both for card issuing and card acquiring. However, the Commission suggested that within the payment card issuing market one could distinguish between (i) selective and general cards⁷; (ii) international payment cards and national cards⁸; and (iii) cards issued to households, SMEs and large corporate customers. The Commission, however, did not indicate whether debit cards and credit cards could also constitute two separate product markets⁹.
14. In *Nordbanken/Postgirot*, the Commission also indicated that within the payment card acquiring market, the payments made with cards carrying the Visa and EuroCard/MasterCard brands may constitute a separate relevant product market.
15. The product market definition in the present case can be left open since the transaction will not raise competition concerns in any possible subdivision of the proposed product markets.

⁵ 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).

⁶ The card acquiring market includes a set of services provided to merchants in order to enable them to accept payment cards.

⁷ *General cards* can be used at all points of sales that accept cards belonging to the system as a method of payment and to make withdrawals from automatic teller machines. *Selective cards* however can only be used with certain merchants.

⁸ *National cards* can only be used within one country whereas *international cards* may be used in several countries.

⁹ The only distinguishing feature of *credit/charge cards* vis-à-vis *debit cards* is that the former allows the cardholder to defer payments. *Store cards* are marketed via retailers to help finance specific purchases and although they may have revolving credit functionality they are typically used by consumers only to fund the original transaction.

Relevant geographic markets

16. The parties submit that the relevant geographic market for the issuing of payment cards is national in scope. They reach the same conclusion for the acquiring of payment cards. This is in line with past Commission decisions.¹⁰

Assessment

Card issuing

17. As stated above, Barclays is not active in this sector in Sweden or in Norway. FSB will transfer all its credit/charge/store cards issuing business in Sweden and Norway to Mandab and therefore there will be no overlap between the parties as regards this segment. However, since FSB will retain its activities within the issuing of debit cards, there will be some overlaps between Mandab and FSB if we consider an alternative segmentation of the card issuing market.
18. In Sweden, the parties' combined market share will be below 15% even in the narrowest product market definition (i.e. subdivision on the basis of the type of card and customer). The only segments where FSB and Mandab will exceed 15% are (i) the overall segment of general cards, where FSB's market share before the transaction is [40-50%], of which around [1-10%] will be transferred to Mandab¹¹; and, within the general cards segment, (ii) the issuing of cards to household customers. FSB currently holds [40-50%] of this segment and, after the proposed transaction, [1-10%] of this market share will be transferred to Mandab.
19. In Norway, FSB will transfer to Mandab its entire card issuing business. FSB submits that its market share does not exceed 15% in any possible market definition.
20. Overall, the proposed transaction will not significantly impede effective competition, given that it does not amount to an increase of shares of FSB on any of the possible relevant markets. Moreover, the proposed transaction will allow the entry of a new player, Barclays, in the Scandinavian card issuing market. Additionally, the parties will face competition from other significant players such as Handelsbanken, SEB and Nordea in Sweden (all with market shares exceeding 5%) and DnB NOR ([20-25%]), Nordea and SEB (with market shares above 5%) in Norway.

Card acquiring

21. Mandab will not be active in the related card acquiring market. However, its parent companies are both active in this market in Sweden. FSB's market share in the overall Swedish card acquiring market is around [20-30%]. As regards the segment for payments made with cards carrying the Visa and EuroCard/MasterCard brands, FSB's market share in this segment is [40-50%]¹². Barclays' estimates its market share to be

¹⁰ See Case No COMP/M.2567 *Nordbanken/Postgirot* at para. 37.

¹¹ The other [30-40%] correspond to debit cards issued to households. The debit cards issuing business will not be transferred to Mandab.

¹² FSB submits that all the transactions acquired by FSB's in 2004 carried these brands.

below 1% in any of the possible alternative market definitions. Other competitors are ICA ([20-25%]%) and KF ([10-20%]).

22. The proposed transaction would not reinforce the competitive position of FSB in the card acquiring market since, as mentioned above, the business to be transferred to the new joint venture is, pre-merger, solely owned and operated by FSB. Furthermore, on the basis of Barclays' very limited presence in this market, the proposed transaction will not create any concerns as regards possible coordination between Mandab's parent companies.

VI. CONCLUSION

23. 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 (EC) No 139/2004.

For the Commission

signed
Neelie KROES
Member of the Commission