

***Case No COMP/M.4843 -  
RBS / ABN AMRO  
ASSETS***

Only the English text is available and authentic.

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

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Article 6(1)(b) NON-OPPOSITION  
Date: 19/09/2007

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 19-9-2009

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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 Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE  
ARTICLE 6(1)(b) DECISION

**To the notifying party/ies**

Dear Sir/Madam,

**Subject: Case No COMP/M.4843 - RBS/ ABN AMRO ASSETS  
Notification of 14.08.2007 pursuant to Article 4 of Council Regulation  
No 139/2004<sup>1</sup>**

1. On 14 August 2007, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 (the "Merger Regulation") by which the undertaking Royal Bank of Scotland Plc ("RBS", UK) acquires within the meaning of Article 3(1)(b) of the Council Regulation control of parts of ABN AMRO Holding N.V. ("ABN AMRO assets", The Netherlands) by way of public bid announced on 29 May 2007.
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.

**I. THE PARTIES**

3. RBS is the holding company of one of the world's largest banking and financial services groups, listed on the London Stock Exchange and headquartered in Edinburgh. RBS operates through two principal subsidiaries, the royal Bank of Scotland and NatWest. RBS's business divisions include: Corporate Markets (comprising Global & Banking markets and UK Corporate Banking), Retail markets (comprising Retail and Wealth Management), Ulster Bank Group, Citizens Financial Group, RBS insurance and Manufacturing.

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<sup>1</sup> OJ L 24, 29.1.2004 p. 1.

4. ABN AMRO is the ultimate parent entity of an international bank, active in 53 countries. ABN AMRO is active in four principal customer segments: Personal Banking, Private Banking, Business and Commercial Clients and Corporate and Institutional Clients. ABN AMRO is predominantly active in the Netherlands.

## **II. THE OPERATION**

5. On 29/05/2007 a Consortium formed by the banks RBS, Santander and Fortis announced its intention to launch a public tender offer for the acquisition of the entire issued share capital of ABN AMRO. The offer is conditional upon the acquisition of at least 80% of ABN AMRO's share capital.
6. If the bid of the Consortium is successful, it will lead to the break-up of ABN AMRO. The present notification relates to RBS' acquisition of the following assets of ABN AMRO ("ABN AMRO assets"):
  - Business unit North America;
  - Business unit Global Clients and wholesale clients in the Netherlands (including former Dutch wholesale clients) and in Latin America (excluding Brazil);
  - Business unit Asia;
  - Business unit Europe (excluding Antonveneta).
7. RBS will also acquire the following assets, which will nevertheless be held for sale upon completion of the transaction:
  - Head office and central functions;
  - Private equity portfolio (Business unit private equity);
  - Stakes in Capitalia SpA Roma, Saudi Hollandi Bank Riyadh, and Prime Bank Pakistan.
8. The acquisition of the remaining assets of ABN AMRO has been notified separately as Case No. COMP/M.4844 - Fortis/ABN AMRO assets and Case No. COMP/M.4845 - Santander/ABN AMRO assets.
9. Pursuant to paragraph 30 of the Commission Consolidated Jurisdictional Notice under the Merger Regulation, the overall Consortium's operation is considered to give rise to three different concentrations. In particular, on 29 May 2007 the Consortium members have entered into a binding agreement to split up the assets of ABN AMRO among them within a sufficiently short time frame.

## **III. CONCENTRATION**

10. As a result of this transaction, RBS would exercise sole control over ABN AMRO assets. The proposed transaction therefore constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

#### IV. COMMUNITY DIMENSION

11. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion<sup>2</sup>. Each of RBS and ABN AMRO assets 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 pursuant to Article 1(2) of the Merger Regulation.

#### V. COMPETITIVE ASSESSMENT

##### A. RELEVANT MARKETS

###### *Relevant product markets*

12. The proposed concentration concerns the banking sector in the EEA.

###### *Banking sector*

13. According to Commission past practice it is possible to divide the banking sector in at least three broad sub-sectors: retail banking, corporate banking and financial market services<sup>3</sup>. The Commission has further analysed whether each banking product and service within the banking sub-sectors constitutes a separate market.

14. The Commission has constantly held that *retail banking* (i.e. banking services provided to households) can be further divided into a number of individual product groups. These groups include deposits and current accounts, lending, payment cards, mortgages and investment products (funds).

15. *Corporate banking* comprises a broad range of banking services offered to corporate clients. The Commission has found that within this segment, products such as deposits, lending, payment transactions, documentary credits and international payments may constitute distinct product markets. The Commission has further considered whether it could be appropriate to distinguish between services offered to SMEs and large corporate clients<sup>4</sup>.

16. The notifying party does not oppose to a division of the relevant product market between SMEs and larger corporate clients. Moreover, the notifying party considers that the market for banking services to large corporate clients could be sub-divided into the following products: loans, transaction banking (domestic cash management and international cash management), trade finance (e.g. documentary credits) and structured financing (project finance, asset finance and real estate finance).

17. In previous Commission decisions *factoring* has been defined as comprising the purchase of all kinds of receivables from businesses, thereby providing customers with added liquidity. In this respect, it includes the ongoing purchase of short-term

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<sup>2</sup> 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).

<sup>3</sup> Case No COMP/M. 3547 Banco Santander/Abbey National.

<sup>4</sup> Case No COMP/M. 3894 Unicredito/HVB.

trade accounts receivable by a factoring company as well as the individual well-directed purchase of a customer's receivables for particular refinancing purposes.<sup>5</sup>

18. *Financial market services* comprise services such as trading in securities and derivatives, foreign exchange and money market instruments.
19. The Commission has additionally analysed in previous decisions the markets for *investment banking* (e.g. M&A advice, IPOs)<sup>6</sup> identifying certain sub-segments within each categories.
20. For the purpose of the present decision it is, however, not necessary to conclude on the relevant product market definitions in the banking sector since no competition concerns arise in any of the possible alternative definitions.

### ***Relevant geographic markets***

21. In its previous decisions, the Commission has considered that with regard to *retail banking* services the relevant geographic market is national in scope due to the different competitive conditions within individual Member States.
22. With regard to *corporate banking* services, the Commission has considered the markets to be national in scope (especially for SMEs) but with a tendency to have a more international dimension for products offered to large corporate clients. *Factoring* has been considered national in scope.
23. As regards *financial market services* and *investment banking*, the Commission has considered that most of these segments are international in scope, but some of them have been analysed from a national perspective<sup>7</sup>.
24. In the present case, the exact geographic definition of the above markets can be left open since the present transaction does not raise any significant competition concerns irrespective of the geographic market definition.

## **B. COMPETITIVE ASSESSMENT**

25. According to RBS, the proposed transaction will not lead to any overlaps in *retail banking* and *insurance* segments between RBS and ABN AMRO assets' activities in the EEA. The parties' activities however overlap in *corporate banking*, *factoring*, *financial market services* and *investment banking*, although to a very limited extent.
26. According to RBS, the parties' combined market shares relating to *corporate banking* would be below 15% at EEA and national level except in the UK. In the UK, the parties' combined market share would be above 15% in both, banking for SMEs and banking for large corporate companies. In particular, in *SMEs banking* the parties' combined market share will be [30-40]% (RBS [30-40]% and ABN AMRO assets [0-5]%) in the overall market and each of the current accounts, deposits and loans markets. In *corporate banking for large corporate companies*, the parties will have a combined market share of at most [20-30]% (RBS [20-30]% and ABN AMRO assets [0-5]%) in the overall market and slightly lower market

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<sup>5</sup> See Case No COMP/M. 3894 Unicredito/HVB.

<sup>6</sup> See Case No COMP/M. 3894 Unicredito/HVB.

<sup>7</sup> See Case No COMP/M. 3894 Unicredito/HVB and Case No COMP/M.4155 BNP Paribas/BNL.

shares in current accounts ([20-30]%), deposits ([20-30]%), loans ([10-20]%)<sup>8</sup> domestic payments ([20-30]%) and documentary credits ([20-30]%). In the product sub-segments proposed by the notifying party (see above paragraph 16), the parties' combined market share would additionally exceed 15% in domestic cash management (RBS [20-30]% and ABN AMRO assets [0-5]%) and trade finance (RBS [20-30]% and ABN AMRO assets [0-5]%).

27. In view of the modest accretion of the combined market shares and the presence of strong competitors in these UK corporate banking segments (including Barclays, HSBC and Lloyds) the proposed concentration will not significantly change the conditions of competition on these markets and therefore does not raise serious doubts as to the compatibility with the common market.
28. Similarly, with respect to *factoring* services, the parties' activities overlap only in the UK. RBS estimates that the parties' combined market share will be at most [20-30]% (RBS [10-20]% and ABN AMRO assets [0-5]%). As regards *financial market services*, RBS estimates that the combined market share of the parties at EEA level will be below 15% in any product market definition. Should the market be defined as national in scope, the parties' combined market share would exceed 15% only in the UK and for the following segments (i) interest rate risk management (RBS [30-40]% and ABN AMRO assets [0-5]%), (ii) foreign exchange (RBS [20-30]% and ABN AMRO assets [0-5]%), and (iii) trading in securities (RBS [10-20]% and ABN AMRO assets [0-5]%).
29. In view of the limited increment in market share and the presence of other large competitors in these markets (including for example Barclays, Lloyds, HSBC and HBOS in factoring and Barclays, Goldman Sachs, JP Morgan and Citigroup in financial market services) the proposed concentration will not give rise to any negative effect on competition in these markets.
30. Finally, with regards to *investment banking* and the sub-segments thereof, the parties' combined market shares, according to RBS' estimates, are below 15% at EEA-level. Should the investment banking products be considered national in scope, the only affected product segment would be debt capital markets in the Netherlands where the parties' combined market share will be [20-30]% (RBS [0-5]% and ABN AMRO assets [10-20]%) In Sweden, the parties' combined market share also exceeds, yet slightly, 15% (RBS [0-5]% and ABN AMRO [10-20]%). Considering the limited overlap and the presence of large international banks as competitors (e.g. Barclays, UBS, Société Générale, Merrill Lynch or Deutsche Bank), the proposed operation does not raise serious doubts as to the compatibility with the common market.

## VI. CONCLUSION

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<sup>8</sup> Using syndicated loans as a proxy as proposed by the notifying party.

31. 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