

***Case No IV/M.596 -
Mitsubishi Bank / Bank
of Tokyo***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 17/07/1995

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 17.07.1995

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying parties

Dear Sirs,

Subject : Case No IV/M.596 - Mitsubishi Bank/Bank of Tokyo

Notification of **14 June 1995** pursuant to Article 4 of Council Regulation No 4064/89

1. On 14 June 1995 the Mitsubishi Bank Limited and the Bank of Tokyo Limited notified to the Commission an agreement, according to which both undertakings will enter into a full merger.

I. THE PARTIES AND THE OPERATION

2. The Mitsubishi Bank Limited is a Japanese universal banking institution whose scope of activities includes retail banking, corporate banking, investment banking and asset management services. Although it is mainly active in its domestic market, Japan, the Mitsubishi Bank also operates abroad with branches or subsidiaries in 27 countries in the Americas, Europe and the Asian-Pacific region.
3. The Bank of Tokyo Limited is also a Japanese credit institution whose activities include inter alia commercial banking, investment banking and lease finance. The Bank of Tokyo has extensive international operations, in particular in North America, but is also active in the Pacific region, Europe, Africa, the Middle East and Latin America.
4. The operation will be a full merger on an equal basis by which the two banks will be replaced by "The Bank of Tokyo-Mitsubishi Ltd."

II. CONCENTRATION

5. The merger between two previously independent undertakings, the Bank of Tokyo Ltd. and the Mitsubishi Bank Ltd., constitutes a concentration in the sense of Article 3(1)(a) of the Merger Regulation.

III. COMMUNITY DIMENSION

6. The combined aggregate worldwide turnover of the undertakings concerned, calculated in accordance with Article 5(3)(a) of the Merger Regulation, exceeded 5,000 Million ECU in the last financial year (one tenth of total assets of the Bank of Tokyo amounts to 22,493 Million ECU and of the Mitsubishi Bank amounts to 40,040 Million ECU). Both the Bank of Tokyo and the Mitsubishi Bank have a Community-wide turnover in excess of 250 Million ECU but do not achieve more than two-thirds of their aggregate Community-wide turnover in one and the same Member State. The operation therefore has a Community dimension.

IV. COMPATIBILITY

7. There are seven EU countries in which both the Bank of Tokyo and the Mitsubishi Bank have established branches or subsidiaries, namely in Belgium, France, Germany, Italy, the Netherlands, Spain and the UK.

The main activity carried out by the two banks in the above-mentioned countries is related to corporate (wholesale) banking. In addition to this main activity both banks also carry out within the EU activities related to money markets operations, foreign exchange trading and derivatives trading.

8. Corporate (or wholesale) banking deals with different kinds of loans and advances provided to corporate entities including those made in connection with international exports. This activity is predominantly national in scope since it usually requires a close relationship between a bank and its clients in order to best tailor the funding to the particular needs of the clients. However, in the present case in no country within the EU will the combined lending activity of both banks exceed a ⁽¹⁾[...] market share.
9. The money market is a market for short-term (less than one year) loans. In fact, it constitutes a web of several interlinked markets in different financial instruments which can be used inter alia by banks to finance temporary reserve shortages, by governments to bridge the gap between tax receipts and expenditures and by securities brokers and dealers to finance their inventories of securities.

A supplier of funds to the money markets can be virtually anyone with a temporary excess of funds. Loans made on the money markets may be either call or time loans. A "call loan" is a loan made on a demand basis, which means it is payable at any time either the borrower or the lender wants to terminate it. When only the lender can terminate the loan at will these loans are designated as "call money". Time loans are those which are made for a definite period of time.

⁽¹⁾[...] Deleted business secrets: less than 5%.

At least with regard to call loans and call money the money markets can be considered as global markets, since they usually consist of an international network of operators doing business by telephone, telex or screen based communications.

European money market operations of both banks mainly comprises call loans and call money. It is very difficult to present accurate market shares for these markets but the parties estimate that based on call loans and call money statistics in the three major stock exchanges in the world (New York, London and Tokyo) the Bank of Tokyo and the Mitsubishi Bank have a combined market share of about ⁽¹⁾[...].

10. Foreign exchange deals comprise agreements between two parties to exchange one currency for another at an agreed rate and on an agreed date. There are two broad categories of foreign transactions - outright transactions and swap transactions. Outright foreign exchange transactions include spot transactions and forward transactions.

The greatest volume of foreign exchange transactions are spot transactions. By convention the value date is two business days after the deal is done. A forward exchange contract is a deal which specifies the amount of one currency which is to be exchanged for another at a future date, the exchange rate being set when the deal is made. The majority of forward foreign exchange transactions have a duration of one year or less.

A foreign exchange swap transaction is the simultaneous purchase and sale of the same amount of a given currency for two different dates against the sale and purchase of another.

The geographic scope of the foreign exchange markets is global and exact figures concerning the size of the market are difficult to obtain. However, based on information provided for the five main financial centres worldwide (Tokyo, New York, London, HongKong and Singapore), the parties estimate that their combined market share for all types of foreign exchange transactions does not exceed ⁽¹⁾[...].

11. Both parties are also active in derivatives trading in particular in two kinds of derivatives contracts, namely interest rate swaps and currency swaps.

An interest swap is a transaction in which two counterparties exchange interest payment streams of differing character based on an underlying notional principal amount.

A currency swap is a transaction between two or more parties to exchange interest obligations (payments of interest on borrowings) or interest receipts (investment income) between two different currencies.

The geographic scope of these activities is also global and the parties estimate that their combined market share would not exceed ⁽¹⁾[...] worldwide.

⁽²⁾[...] Deleted business secrets: less than 10%.

⁽³⁾[...] Deleted business secrets: less than 10%.

⁽⁴⁾[...] Deleted business secrets: less than 15%.

V. CONCLUSION

12. Prior to the merger the Mitsubishi Bank was ranked 6th in the world both in terms of assets and capital while Bank of Tokyo was ranked 18th in terms of capital and 21st by assets. The merger of these two undertakings will produce the largest bank in the world by either measure (capital and assets). However, the great majority of the business of both banks is done outside the Community and thus the primary effects of the merger will be outside the Community.
13. Based on the above findings, the Commission has come to the conclusion that the proposed concentration does not raise serious doubts as to its compatibility with the Common Market.

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 functioning of the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation No 4064/89.

For the Commission,

Please note that third parties showing a sufficient interest can obtain a copy of this decision. You are therefore invited to inform the Commission, within 7 days following notification of this decision, whether you consider that this decision contains business secrets which you wish to have deleted before distribution to third parties. You should give reasons for any such request which the Commission will evaluate before distributing copies of the decision to third parties. If the Commission does not receive a reasoned request within the stipulated period, it will consider that you agree to the distribution of the full text of the decision. Your request should be sent by registered letter or telefax to:

Commission of the European Communities
Directorate General for Competition (DG IV)
Merger Task Force
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