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***Case No IV/M.611 -
DRESDNER BANK /
KLEINWORT
BENSON***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 28/07/1995

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 28.07.1995

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

Registered with advice of delivery

To the notifying parties

Dear Sirs,

Subject : Case No IV/M.611 - DRESDNER BANK/KLEINWORT BENSON

Notification of **29.06.95** pursuant to Article 4 of Council Regulation No 4064/89

1. The above mentioned notification concerns the announced recommended cash offer made by Dresdner Bank AG (Dresdner) on 26 June 1995 to buy the share capital, issued and to be issued, of Kleinwort Benson Group plc (Kleinwort).
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of application of Council Regulation 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. Dresdner is a universal bank with an extensive range of products and services covering all types of banking business. Most of Dresdner's turnover is achieved in Germany. Outside Germany, Dresdner's activities are concentrated on the investment and commercial banking sectors. Kleinwort is an investment bank headquartered in the City of London mainly active in the United Kingdom.

II THE OPERATION

4. On 26 June 1995, the Board of Managing Directors of Dresdner and the Board of Kleinwort announced the terms of a recommended final cash offer to acquire the whole of the share capital, issued and to be issued, of Kleinwort. The directors of Kleinwort have unanimously recommended all shareholders to accept the offer.

III CONCENTRATION

5. After completion of the transaction, Dresdner will acquire control of Kleinwort. Thus, the operation constitutes a concentration according to Article 3(1)(b) of the Merger Regulation.

IV COMMUNITY DIMENSION

6. The combined aggregate worldwide turnover of Dresdner and Kleinwort, 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 Dresdner amounts to 20,791 million ECU, and of Kleinwort amounts to 1,174 million ECU). Both Dresdner and Kleinwort have 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.

V COMPATIBILITY WITH THE COMMON MARKET

Relevant product market

7. Overlap only exists on the following business areas: investment banking, trading and broking and asset management.
8. The investment bank activities may be grouped in different ways. The exact grouping can be left open since some of them stand independently and are carried out by undertakings not receiving the name of investment banks. For the purpose of analysis of this case investment bank activities comprise merger and acquisitions and privatisation advice, handling new issues of company equity and handling new issues of debt securities. The Commission has described in Case No IV/M-597 Swiss Bank Corporation/S.G.Warburg all these segments.
9. Trading and broking activities comprise trading in equities, bonds, financial instruments/derivatives trading and foreign exchange and money market. Asset management involves the marketing of unit trust and provision of portfolio management services.
10. For the purpose of the present case it is not necessary to provide a definitive delimitation on the relevant product market since, on the basis of the assessment set out below, a dominant position would not be created or reinforced even on the narrowest product market definition.

Relevant geographic market

11. It is considered that certain services such as retail banking⁽¹⁾ and, to a certain extent, investment banking⁽¹⁾ are limited to national or regional boundaries. These limitations are due to local language preferences and business cultures and, for retail banking, the fact that generally individual customers make use of a local branch of a bank.
12. More generally, financial markets, are in principle international in scope and the Commission has already concluded that "money markets trading, foreign exchange trading and derivative trading [are] activities whose geographic scope is international."⁽¹⁾ Nevertheless services are often provided through national outlets to local clients. For the purposes of the present case, however, it is not necessary to provide a definitive conclusion 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.

Assessment

13. There is little product overlap between Dresdner and Kleinwort and their activities are geographically complementary. The new entity will rank No 15 and No 9 on the list of the top European banks classified by Tier 1 Capital and total assets respectively.
14. Market shares in the relevant economic sector are difficult to assess. As an alternative, participants in the investment banking and other financial services tend in some areas to rely on "league tables" designed to give an indication of relative market position and performance in what is a fragmented and volatile business sector. Given special circumstances of the case the Commission considers that "league tables" adequately reflect the market power of the parties.

Investment banking activities

15. In the past three years, Kleinwort's average share on M&A advice to cross-border and domestic deals in which the target was UK based was 8.6%. Kleinwort's activities in Germany were very limited. Dresdner is a marginal player on the provision of M&A advice services. Kleinwort ranks 13 in the list of European privatisation assignments undertaken in 1994. Dresdner does not feature on this table.
16. The new entity will rank No 9 in European equity group manager league table to December 31, 1994. Kleinwort has not been involved at the lead manager level in the issue of German equity securities on that year. On the handling of new issues of debt securities, Dresdner is involved primarily in the issue of DM denominated debt securities whereas Kleinwort is involved in the issue of Sterling denominated debt securities. In the global Eurobond issues of any currency the position of the new entity significantly changes from year to year but, in 1994, was not among the 15 biggest world players.

Trading and broking and asset management activities.

(1) IV/M.391 - BAI/Banca Popolare di Lecco
 (2) IV/M.319 - BHF/CCF/Charterhouse.
 (3) IV/M.319 - BHF/CCF/Charterhouse

17. Trading activities of Dresdner on the German stock exchange amounted to (*) of the volume in 1994. Kleinwort estimates its share of agency dealing on equity securities on the London Stock Exchange to be (*) in the same year. On financial instruments/derivatives trading the new entity will be one among many other players in a highly fragmented market. On foreign Exchange and money market, added market shares on a global basis are lower than (*). An indication of the position of the new entity in the segment of asset management activities is given by the international league table of the top institutional investors outside United States, it will rank No 18 in the above mentioned table.
18. In view of this, the operation does not raise serious doubts about its compatibility with the common market.

VI CONCLUSION

19. It follows from the above that the proposed concentration would not create or strengthen a dominant position as a result of which competition would be significantly impeded in the common market or in a substantial part of it.

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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 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,

(*) business secret