

*Case No IV/M.642 -  
Chase Manhattan /  
Chemical Banking  
Corporation*

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: 26/10/1995

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 26.10.1995

PUBLIC VERSION

MERGER PROCEDURE  
ARTICLE 6(1)(b) DECISION

To the notifying parties

Subject : Case No IV/M.642 - CHASE MANHATTAN/CHEMICAL BANKING  
Notification of **26.09.95** pursuant to Article 4 of Council Regulation No 4064/89

1. The above mentioned notification concerns the merger of Chemical Banking Corporation (Chemical) and The Chase Manhattan Corporation (Chase).
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. Chemical and Chase are two New York-based financial institutions with an extensive range of products covering all types of banking and financial services business. The dominant proportion of each bank's activities is located in the USA, where they rank fourth and sixth largest banking companies. The merger will create the country's largest banking group.

## **II THE OPERATION**

4. On 28 August 1995, the Boards of Directors of the parties announced a definitive Merger Agreement and recommended to their respective shareholders its approval. Chase will merge with and into Chemical so that Chemical is the surviving corporation and Chase will cease to exist. Chemical will thereupon adopt the Chase name and logo. The merger is subject, inter alia, to the approval by the shareholders. It is anticipated that the shareholders meeting will be held in December 1995, and that the merger will be consummated as soon as possible but in any event before the end of the first quarter 1996.

## **III CONCENTRATION**

5. After completion of the transaction, the merger between two previously independent undertakings, Chemical and Chase, constitutes a concentration according to Article 3(1)(a) of the Merger Regulation.

## **IV COMMUNITY DIMENSION**

6. The combined aggregate worldwide turnover of Chemical and Chase, 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 Chemical amounts to 14,411 million ECU, and of Chase amounts to 9,857 million ECU). Both Chemical and Chase 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. The merged entity has no presence in retail banking in EEA. Main areas of activity in Europe comprise investment and commercial banking and financial trading and broking.
8. Investment and commercial bank activities may be grouped in different ways. 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 previous cases all these segments. (Case No IV/M.596-Mitsubishi Bank/Bank of Tokyo, Case No IV/M.597-Swiss Bank Corporation/S.G.Warburg, Case No IV/M.611-Dresdner Bank/Kleinwot Benson and other cases).
9. Trading and broking activities comprise trading in equities and bonds, financial instruments/derivatives trading and foreign exchange and money market trading. 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<sup>(1)</sup> and, to a certain extent, investment banking<sup>(1)</sup> 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."<sup>(1)</sup> 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. 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. The Commission considers that "league tables" adequately reflect the market power of the parties.
14. The amounts of assets and core capital, as defined by the Bank for International Settlements provide an accurate indication of the size of financial institutions for comparative purposes. According to a survey published by "The Banker" in July 1995 Chemical ranked 41st and 27th respectively; Chase ranked 63rd and 37th respectively. The merged bank would rank 18th and 7th on these bases. However, the dominant proportion of each bank's activities is located in the USA. Five European countries (United Kingdom, Germany, Spain, France and Italy) account for [...]<sup>(1)</sup> of the merged bank's total loans and advances to EC-based clients.
15. Although both banks are large with a global span of operations, their scale of operations in Europe is very much smaller than other international, regional and national universal and clearing banks operating within Europe with a strong domestic franchise in their home European markets and strong and well established client relationships
16. The merged bank would have only a [...]<sup>(1)</sup> in mergers and acquisitions, a share of less than [...] <sup>(1)</sup>in primary debt issuance and [...]<sup>(1)</sup> in primary equity issuance. Lending to corporate customer will not exceed [...]<sup>(1)</sup> in any member State.

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(1) IV/M.391 - BAI/Banca Popolare di Lecco

(2) IV/M.319 - BHF/CCF/Charterhouse.

(3) IV/M.319 - BHF/CCF/Charterhouse

(4) Deleted - Business secret : between 60 % and 90 %

(5) Deleted - Business secret : a limited position

17. The new entity has a limited or [...] <sup>(1)</sup> on money market trading, fixed income trading and institutional fund management. It has no presence at all in secondary equity trading.
18. On financial instruments/derivatives trading (interest rate swaps) the new entity will be one among many other players in a highly fragmented and global segment. The parties' combined share in this segment may be estimated at [...]<sup>(1)</sup>. Both banks have significant activities in global foreign exchange dealings (including options) in the UK. Their combined share in this segments represents [...]<sup>(10)</sup> according to a Bank of England survey. However they compete with other very strong players. Both Chemical and Chase are engaged in currency clearing in a number of Member States. In Germany both parties clear daily amounts representing [...]<sup>(10)</sup> share of the total DM clearing. Deutsche Bank, Dresdner Bank and Commerzbank have still larger shares and regional banks have also substantial shares. Their combined segment share does not exceed 3% in any other Member State
19. In view of this, the operation does not raise serious doubts about its compatibility with the common market.

## VI CONCLUSION

20. 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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21. 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,

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(6) Deleted - Business secret : less than 1 %  
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 (10) Deleted - Business secret : between 5 % and 15 %