

***Case No IV/M.069 -
KYOWA / SAITAMA
BANKS***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 07.03.1991

*Also available in the CELEX database
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VERSION FOR THE PUBLIC

MERGER PROCEDURE - ARTICLE 6(1)b DECISION

Registered with advice of delivery

1. Notifying party
2. Notifying party

Dear Sir,

Subject: Case n° IV/M069 - KYOWA/SAITAMA BANKS
Notification of 6 February 1991 pursuant to Article 4 of
Council Regulation n° 4064/89

1. The notification referred to above concerns the proposed merger between The Kyowa Bank Limited (Kyowa) and The Saitama Bank Limited (Saitama). The notified operation is a merger in accordance with the statutory provisions contained in the Commercial Code of Japan.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation n° 4064/89 and does not raise serious doubts as to its compatibility with the common market.

CONCENTRATION

3. The notified operation is a concentration within the meaning of Article 3(1)a of the Regulation. The parties have entered into an agreement which provides for the following process: Kyowa will absorb Saitama assuming all the assets, rights, obligations and liabilities of Saitama which will be dissolved. The shareholders of Saitama will be issued with shares in Kyowa on

a one-for-one basis. The name of the bank will be changed to, in English, "The Kyowa Saitama Bank, Limited". It is the parties' present intention that the merger will take effect on the 1 April 1991.

COMMUNITY DIMENSION

4. The operation has a Community dimension. One tenth of the total assets of both parties amounts to ECU 20,876 million and the amount of these assets attributable to the Community under the method of calculation set out in Article 5(3) of the Regulation is as follows: Kyowa - ECU [deleted]; Saitama - ECU [deleted]. The amount of these assets attributable to any particular Member State does not exceed two thirds in respect of either bank.

COMPATIBILITY WITH THE COMMON MARKET

5. Kyowa and Saitama both enjoy a strong position in Japan, where they are ranked seventeenth and twentieth respectively by equity in the survey published by "The Banker" (January 1991). Both banks concentrate on retail customer and small business lending in metropolitan Tokyo, and consequently the great majority of their business is done outside the Community. A worldwide ranking by shareholders' equity of the top 500 banks in a Euromoney Survey in June 1990 placed Kyowa and Saitama in seventy-third and seventy-seventh position respectively. Both banks see the main aim of their international business being to support and assist their domestic customer base. Within the Community, Kyowa has two wholly-owned subsidiaries based in the United Kingdom and the Netherlands respectively, a branch office in London and representative offices in Amsterdam and Frankfurt. Saitama has a wholly-owned subsidiary in the United Kingdom and another in Belgium and a representative office in Frankfurt. Both banks carry out over half of their Community business in the United Kingdom. The banks do not have a retail banking network within the Community and almost all their Community activity can be regarded as wholesale banking i.e. lending to and borrowing from other banks, loans to large, generally corporate, customers and other financial services.
6. The volume of business carried out by the banks within the Community is small in comparison to the total amount of such business in the Community and consequently the concentration is unlikely to have any effect on competition. The parties have supplied the Commission with information on their main fields of activity in the Community wholesale banking sector. The following categories of business provide an indication of the banks' position within the Community:

- syndicated facilities signed in the Community (including syndicated credits, Euronote facilities, commercial paper issues, private placements, international bond issues and warrant issues). These constitute a large part of the business of the banks in the Community. Kyowa accounted for [deleted]% of the total syndicated facilities signed in the financial year April 1989 to March 1990 which amounted to US \$ 188.655 million.⁽¹⁾ Saitama accounted for [deleted]% of the total, giving a combined share of [deleted]%.

⁽¹⁾ Source: International Insider, Eurostudy Quarterly

- Eurobond underwriting: out of 1526 issues with a value of US \$ 209,085 million during the year 1989⁽²⁾, Kyowa participated in [deleted]% of the issues but had a share of only [deleted]% by value. Saitama participated in [deleted]% of the issues and had a share of [deleted]% by value.
 - Interbank loans as in balance sheet: this item in the balance sheet of banks in the United Kingdom as at 31 March 1990 amounted to £ 609,671 million⁽³⁾ of which Kyowa accounted for only [deleted]%. The corresponding figure for Saitama is [deleted]%. In the Netherlands and Belgium the parties' respective shares were again less than [deleted]%.
 - Loans to customers as in balance sheet: this item totalled £ 510,413 million⁽⁴⁾ as at 31 March 1990 for banks in the United Kingdom and Kyowa's share amounted to [deleted]%. The corresponding figure for Saitama was [deleted]%. The shares in the Netherlands and Belgium were both less than [deleted]%.
7. A further indication of the parties' relative position is provided by their share of total assets as recorded in the balance sheets of banks in a particular Member State. In the United Kingdom where both banks carry out over half of their Community business, Kyowa accounted for only [deleted]% of balance sheet assets and Saitama accounted for [deleted]% (as at 31 March 1990) making a combined share of less than [deleted]%. The corresponding figures for the Netherlands and Belgium are even lower. In view of this position it is not necessary for the purposes of this case, to adopt a precise definition of the relevant service market since the figures, including those above relating to narrowly defined fields of activity, make it clear that the merged bank will not hold a dominant position in any of the Member States in which it will operate or in the Community as a whole. For that reason the question of geographic market definition can also be left open.

Given the merged banks' extremely low shares in the Community's financial markets, the concentration will not create or strengthen a dominant position as a result of which effective competition would be significantly impeded in the common market or in a substantial part of it.

8. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market. This decision is adopted in application of Article 6, paragraph 1(b) of Council Regulation n° 4064/89.

For the Commission,

**TEXTE RECONSTITUÉ ÉLECTRONIQUEMENT / ELECTRONICALLY RE-CREATED
TEXT / ELEKTRONISCH NACHGEBILDETER TEXT**

(2) Source: IFR, issue 808, 6 January 1990

(3) Source: Bank of England, Quarterly Bulletin

(4) Source: Bank of England, Quarterly Bulletin