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***Case No COMP/M.7711 - ADVENT INTERNATIONAL/
BAIN CAPITAL/ ICBPI***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 16/09/2015

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EUROPEAN COMMISSION

Brussels, 16.9.2015
C(2015) 6463 final

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

To the notifying parties:

Dear Sir/Madam,

**Subject: Case M.7711 - ADVENT INTERNATIONAL/ BAIN CAPITAL/ ICBPI
Commission decision pursuant to Article 6(1)(b) of Council Regulation
No 139/2004¹ and Article 57 of the Agreement on the European Economic
Area²**

- 1) On 12 August 2015, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which funds managed by Advent International Corporation ("Advent International", USA) and funds managed by Bain Capital Investors, L.L.C. ("Bain Capital", USA) acquire within the meaning of Article 3(1)(b) and 3(4) of the Merger Regulation joint control over Istituto Centrale delle Banche Popolari Italiane S.p.A. ("ICBPI", Italy) by way of purchase of shares.³

¹ OJ L 24, 29.1.2004, p. 1 ('the Merger Regulation'). With effect from 1 December 2009, the Treaty on the Functioning of the European Union ('TFEU') has introduced certain changes, such as the replacement of 'Community' by 'Union' and 'common market' by 'internal market'. The terminology of the TFEU will be used throughout this decision.

² OJ L 1, 3.1.1994, p.3 ('the EEA Agreement').

³ Publication in the Official Journal of the European Union No C 278, 22.8.2015, p. 7.

- 2) Advent International and Bain Capital are designated hereinafter as the "Notifying Parties".

1. THE PARTIES

- 3) ICBPI is a banking group active in Italy in the issuing of payment cards, merchant acquiring, terminal management, payment services, securities services and regulatory/compliance management services. ICBPI is currently owned by a number of Italian cooperative banks, with no shareholder exercising control.
- 4) Advent International is a private equity investor active in various sectors, including industrial, retail, media, communications, information technology, internet, healthcare and pharmaceuticals.
- 5) Bain Capital is a private equity investment firm that invests in companies across many industries, including information technology, healthcare, retail and consumer products, communication, financial and industrial/manufacturing.
- 6) In addition, Advent International and Bain Capital jointly control⁴ Worldpay, a company providing merchant acquiring and acquirer processing payment services, and Nets, a company providing payment, card and information services.
- 7) Finally, Advent International solely controls Oberthur, a company providing security solutions for payment, identity, telecommunications and mobile sectors on a worldwide basis.

2. THE OPERATION AND THE CONCENTRATION

- 8) On 19 June 2015, Advent International, Bain Capital and Clessidra SGR S.p.A. ("Clessidra"), entered into a Sale and Purchase Agreement, pursuant to which Advent International and Bain Capital each intend to acquire an indirect interest of approximately 36% of ICBPI. The remaining 13% of shares will be held by Clessidra and 15% of shares will be held by a number of Italian cooperative banks some of which are current shareholders of ICBPI.

Joint control

- 9) Pursuant to the Equity Term Sheet and the draft Investment and Shareholders' Agreement (the "SHA"), Advent International and Bain Capital will jointly control ICBPI while other shareholders will only have minority rights. Specifically, ICBPI will be managed by a Board of Directors comprised of 13 directors. Advent International and Bain Capital each will be entitled to appoint 4 directors.⁵ Resolutions of the Board of Directors, including all strategic matters such as the adoption of the business plan and the annual budget and the appointment and removal of the chairman, chief executive officer, chief financial officer and other senior managers will be passed by a simple majority, which must however include the

⁴ Case COMP/M.5968 - *Advent International/Bain Capital Investors/RBS Worldpay*, Case COMP/M.7241 *Advent International/Bain Capital Investors/Nets Holding*.

⁵ The remaining members of the board of directors will comprise two directors appointed by Clessidra, two directors appointed by other shareholders (i.e. the current shareholder banks), and the Chief Executive Officer.

consent of at least one director appointed by each of Advent International and Bain Capital. As a result, only Advent International and Bain Capital will have a veto right in respect of any strategic resolution. It follows that Advent International and Bain Capital will jointly control ICBPI.

Full-function character

- 10) Following the Transaction, ICBPI will continue to be active on each of the markets in which it currently operates, and it will continue to be economically autonomous from its parents from an operational perspective. In particular, ICBPI will have its own dedicated management (including an executive board) and access to sufficient resources. In addition, ICBPI will be independent of the Notifying Parties for any sales or purchases. Finally, ICBPI will conduct its business on a lasting basis.
- 11) The Transaction therefore constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

3. UNION DIMENSION

- 12) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million (Advent International: EUR [...], Bain Capital: EUR [...], ICBPI: EUR 664 million). Each of them has an EU-wide turnover in excess of EUR 250 million (Advent International: EUR [...], Bain Capital: EUR [...], ICBPI: EUR 662 million), but they do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State.
- 13) The notified operation therefore has an EU dimension pursuant to Article 1(2) of the Merger Regulation.

4. ASSESSMENT

4.1. Product market definition

4.1.1. Merchant acquiring services

- 14) In previous decisions, the Commission has defined a separate market for merchant acquiring services that is distinct from payment card processing.⁶ In addition, the Commission has envisaged a possible further segmentation, based on: (i) payment card schemes (domestic/international), (ii) payment card brands (Visa, Visa Electron, MasterCard, Maestro etc.), (iii) the type of payment card (credit/debit) and (iv) services for payments through physical POS terminals and web-enabled interfaces (eCommerce).⁷
- 15) The Notifying Parties submit that the above mentioned sub-segmentation of the product market for merchant acquiring is not appropriate, because (i) merchants generally want to be able to accept as broad range of payment cards as possible and (ii) merchant acquirers generally offer services for all payment cards and in all cases the fundamental service offered by the merchant acquirer is the same.

⁶ Case COMP/M.7241 – *Advent International/Bain Capital Investors/Nets Holding* paragraph 21, Case COMP/M.5241 – *AmericanExpress/Fortis/Alpha Card*, paragraph 23.

⁷ Case COMP/M.7241 – *Advent International/Bain Capital Investors/Nets Holding*, paragraph 21.

- 16) In any event, for the purpose of this Decision, the exact product market definition for merchant acquiring services can be left open, as the Transaction does not give rise to serious doubts as regards its compatibility with the internal market irrespective of the precise market definition.

4.1.2. *Manufacturing and supply of smart payment cards*

- 17) In a previous decision, the Commission considered that manufacturing and supply of smart payment cards to financial institutions constitute a separate market distinct from the overall market for secure plastic cards.⁸
- 18) The Notifying Parties do not contest the previous assessment of the Commission.
- 19) In any event, for the purpose of this Decision, the exact product market definition for manufacturing and supply of smart payment cards can be left open as the Transaction does not give rise to serious doubts as regards its compatibility with the internal market irrespective of the precise market definition.

4.1.3. *Card issuing*

- 20) The Commission has previously found a separate product market for card issuing that is distinct from merchant acquiring and card processing.⁹ In addition, the Commission considered a potential sub-segmentation of the market between: (i) debit vs. credit/charge card issuing, (ii) universal/hybrid store credit cards vs. special purpose credit card issuing, and (iii) personal vs. corporate card issuing.¹⁰
- 21) The Notifying Parties do not contest the previous assessment of the Commission.
- 22) In any event, for the purpose of this Decision, the exact product market definition for card issuing can be left open as the Transaction does not give rise to serious doubts as regards its compatibility with the internal market irrespective of the precise market definition.

4.2. **Geographic markets**

4.2.1. *Merchant acquiring services*

- 23) In previous decisions, the Commission found that the geographic market for merchant acquiring, including all possible segmentations, with the exception of web-enabled transactions, may be national in scope or is, at most, not wider than the EEA. In respect of web-enabled transactions (merchant acquiring for online merchants), the Commission has considered that this may be EEA-wide but has ultimately left the exact market definition open.¹¹

⁸ Case COMP/M.3998 – *Axalto/GemPlus*, paragraph 24.

⁹ Case COMP/M.6164 – *Barclays Bank/Egg credit card assets*, paragraph 9.

¹⁰ Case COMP/M.7078 – *Santander Consumer Finance, El Corte Ingles, Financiera El Corte Ingles*, paragraphs 22 – 23; Case COMP/M.5384 – *BNP Paribas /Fortis*, paragraphs 14 and 16-40; Case No COMP/M.6164 – *Barclays Bank/ Egg credit card assets*, paragraphs 9 – 12.

¹¹ Case COMP/M.7241 – *Advent International/Bain Capital Investors/Nets Holding*, paragraph 30.

- 24) The Notifying Parties submit that any hypothetical market for the provision of merchant acquiring for online merchants would be at least EEA-wide, if not worldwide.
- 25) In any event, for the purpose of this Decision, the exact geographic market definition for merchant acquiring services can be left open as the Transaction does not give rise to serious doubts as regards its compatibility with the internal market irrespective of the precise market definition.

4.2.2. *Manufacturing and supply of smart payment cards*

- 26) In previous decisions, the Commission considered that the manufacturing and supply of smart payment cards is national in scope due to a general distinction between countries that have adopted standards providing for the use of chips (together with other security features) and those that have not.¹²
- 27) The Notifying Parties submit that the supply of smart payment cards has evolved since the Commission's previous assessment almost 10 years ago, as the growing trend towards technological harmonisation is gradually moving the sector towards an EEA-wide or even global market. In particular, there have been significant advancements in smart card technology, and greater use of EEA-wide standards. Indeed, payment cards in all Member States now incorporate worldwide standardised EMV chips¹³ and increasingly are using standardised contactless technology.
- 28) In any event, for the purpose of this Decision, the exact geographic market definition for manufacturing and supply of smart payment cards can be left open as the Transaction does not give rise to serious doubts as regards its compatibility with the internal market irrespective of the precise market definition.

4.2.3. *Card issuing*

- 29) In previous decisions, the Commission considered that the market for card issuing (and any segment therein) is national in scope.¹⁴
- 30) The Notifying Parties do not contest the previous assessment of the Commission.
- 31) In the light of the above, the Commission considers it appropriate to assess the market for card issuing at the national level.

¹² Case COMP/M.3998 – *Axalto/GemPlus*, paragraph 34.

¹³ In Italy, the EMV standard has been adopted and, while Italian implementation (as certified by the Association of Italian Banks) differs slightly, it nonetheless complies with the international EMV standard adopted by Visa and MasterCard.

¹⁴ Case COMP/M.7078 – *Santander Consumer Finance/El Corte Ingles/Financiera El Corte Inglés*, paragraphs 49-51; Case COMP/M.5384 – *BNP Paribas/Fortis*, paragraph 73; Case COMP/M.6164 – *Barclays Bank/ Egg credit card assets*, paragraph 17.

4.3. Competition assessment

4.3.1. Horizontal effects

4.3.1.1. Merchant acquiring services

- 32) The Transaction gives rise to a horizontally affected market in relation to the provision of merchant acquiring services in Italy. No affected markets arise at the EEA level under any possible product market sub-segmentation.
- 33) In the EU, ICBPI is active only in Italy (outside the EU, ICBPI is also active in San Marino). It has a customer base largely comprised of local brick-and-mortar merchants that do not have any significant global online presence.
- 34) According to the Notifying Parties, [...] is active almost exclusively in the UK and does not target merchants located outside the UK and Ireland.¹⁵ As a result, [...] generates revenues outside the UK and Ireland only where a UK or Irish merchant has specifically requested Worldpay to provide a uniform solution across the merchant's retail platform and online presence, or in a specific territory. Furthermore, Worldpay has no physical presence or POS terminals in Italy and generates revenues from a small number of primarily UK and Irish customers.¹⁶
- 35) Similarly, Nets is active mainly in the Nordic region and does not target merchants located in Italy. Consequently, Nets has only negligible sales of merchant acquiring services to merchants in Italy, generating net revenue of only around €[...] in 2014 from only [description of customers]. Nets has no physical presence or POS terminals in Italy, and has no plans to expand into Italy.
- 36) Given that Worldpay and Nets' market shares in Italy are always [0-5]% the increment brought about by the Transaction is negligible in all affected markets.

¹⁵ Until now many merchant (payment card) acquirers have been primarily serving customers in the Member States where they set up subsidiaries. It is unprofitable for acquirers to serve customers in other Member States since they (and indirectly retailers) would have to pay the (higher) interchange fee of the Member State of the retailer. This situation is likely to change for all merchant acquirers after the entry into force of Regulation (EU) 2015/751 on interchange fees for card-based payment transactions (the "Regulation") as all interchange fees for consumer card payments will be capped as of December 2015. As a result of the Regulation, all merchant acquirers established outside of Italy will have an equal opportunity to target merchants located in Italy. There is, however, no indication that the Transaction could remove a significant potential competitor in Italy.

¹⁶ Worldpay is active on the Italian market for the provision of merchant acquiring services via its eCommerce business, which is a multi-scheme, multi-currency and multi-payment processing operation that provides online merchants with a pan-European or global service. Customers generally have global or internet-focused activities, and generally contract with Worldpay centrally in the UK.

* Should read Wordpay UK

Table 1 – Market shares of the Parties in merchant acquiring and its sub-segments in Italy:

Sub-segment	ICBPI	Nets and Worldpay combined	Combined
Merchant acquiring overall	[30-40]%	[0-5]%	[30-40]
Domestic payment card schemes	[0-5]%	[0-5]%	[0-5]%
International payment card schemes	[50-60]%	[0-5]%	[50-60]%
Merchant acquiring (point of sale "POS")	[30-40]%	[0-5]%	[30-40]%
Merchant acquiring (web-enabled)	[10-20]%	[0-5]%	[10-20]%
Merchant acquiring, depending on the payment card brand (Visa, MasterCard etc.)	[5-10]%-[60-70]% ¹⁷	[0-5]%	[5-10]%-[60-70]%
Merchant acquiring – debit cards	[10-20]%-[20-30]%	[0-5]%	[10-20]%-[20-30]%
Merchant acquiring – credit cards	[50-60]%-[50-60]%	[0-5]%	[50-60]%-[50-60]%

Source: Form CO.

37) As shown in the table below, at the EEA-wide level, no affected markets arise in relation to merchant acquiring or any of its sub-segments as the combined market shares are always below 15%.

Table 2 - Market shares of the Parties in merchant acquiring and its sub-segments in the EEA¹⁸:

Sub-segment	ICBPI	Worldpay	Nets	Combined
Merchant acquiring overall	[0-5]%	[5-10]%	[0-5]%	[10-20]%
Merchant acquiring (point of sale "POS")	[0-5]%	[5-10]%	[0-5]%	[10-20]%
Merchant acquiring (web-enabled)	[0-5]%	[5-10]%	[0-5]%	[5-10]%

Source: Form CO.

38) In Italy, ICBPI mainly competes with merchant acquirers such as Setefi (market share ranging between [5-10]%-[20-30]%, depending on the exact product market definition), UniCredit (market share ranging between [0-5]%-[20-30]%, depending on the exact product market definition), Banca Sella (market share ranging between [0-

¹⁷ ICBPI accounts for only [0-5]% for PagoBancomat branded (domestic) acquiring.

¹⁸ The Notifying Parties were unable to provide estimates for EEA-wide domestic/international merchant acquiring, as some Member States operate domestic debit schemes while others operate international debit schemes, and the data do not distinguish between these schemes.

5%-[5-10]%, depending on the exact product market definition), and BNL (market share ranging between [0-5%]-[5-10]%, depending on the exact product market definition).¹⁹

- 39) In view of the small increment and strong competitive landscape, the Transaction does not give rise to serious doubts in relation to merchant acquiring (and its sub-segments) in Italy or in the EEA.

4.3.2. Vertical links

4.3.2.1. Manufacturing and supply of smart payment cards (upstream) and card issuing (downstream)

- 40) The Transaction gives rise to a vertically affected market between the manufacturing and supply of smart payment cards (upstream) by Oberthur (portfolio company of Advent International) and the card issuing (downstream) by ICBPI.
- 41) Upstream, Oberthur has a market share on the market for manufacturing and supply of payment cards of [20-30]% (based on volume)²⁰ and [20-30]% (based on value)²¹ at the EEA level, and of [30-40]% (based on volume) and [30-40]% (based on value) in Italy. Oberthur competes with various smart card suppliers, such as GemAlto ([30-40]% market share at the EEA level and [30-40]% in Italy), G&D ([10-20]% market share at the EEA level and [10-20]% in Italy), Morpho ([5-10]% market share at the EEA level) and Incard ([10-20]% market share in Italy).²²
- 42) ICBPI has a market share of [10-20]% (based on volume)²³ on the overall market for card issuing in Italy. As regards narrower plausible markets for card issuing, the market shares of ICBPI (based on volume) are ranging between [30-40]% and [40-50]% in Italy.²⁴ However, for the purpose of the assessment of the customer foreclosure strategy, it is more appropriate to take into consideration the overall market for card issuing as (i) the suppliers of smart payment cards generally manufacture all types of cards and there is one overall (upstream) market for the supply of smart payment cards, (ii) the manufacturing of smart payment cards does not differ according to different card segments,²⁵ as those segments are based on differences in customer group, rather than differences in the physical nature of the

¹⁹ The market shares for 2013.

²⁰ Volume based market shares correspond to the number of cards supplied by the manufacturer.

²¹ Value based market shares correspond to the value of the smart payment cards supplied by the manufacturer.

²² Market shares of the competitors are based on volume.

²³ The market shares are based on volume – number of supplied and issued cards better reflects relationship between the upstream market for the supply of smart payment cards (on the one hand) and the downstream market for the card issuance (on the other hand) and is therefore more appropriate for the assessment of the vertical foreclosure strategies in the present case; as regards the card issuing, value data are based on the value of transactions carried out by cardholders using the cards, something that is not relevant to ICBPI's importance as a customer of smart payment cards.

²⁴ ICBPI does not issue debit cards and special purpose cards.

²⁵ That is debit vs. credit/charge cards, universal/hybrid store credit cards vs. special purpose credit cards, and personal vs. corporate cards.

card used, (iii) card issuing companies purchase and issue, with some exceptions, all types of smart payment cards.

- 43) Based on value²⁶, the main card issuers in Italy include ICBPI ([20-30]%), Intesa Sanpaolo ([10-20]%), UniCredit ([10-20]%) and Poste Italiane ([5-10]%).

Input foreclosure

- 44) Oberthur on the upstream market faces competition from other significant suppliers such as GemAlto, G&D and Morpho who could all supply ICBPI's competitors on the downstream market; therefore, any attempt of Oberthur to engage in an input foreclosure strategy would be unprofitable. In addition, according to the Notifying Parties, the customers purchasing smart payment cards are powerful customers (banks that perform card issuing services in-house, or third-party card issuers that provide card issuing to banks on an outsourced basis), able to easily switch suppliers and typically engage in multi-sourcing. In addition, there are no exclusive or long-term supply contracts, as a result of which switching to alternative new suppliers is easy, in all cases possible within two or three months.²⁷
- 45) As a result, it is unlikely that the merged entity would have the ability or the incentive to engage into an input foreclosure strategy.

Customer foreclosure

- 46) The Notifying Parties submit that ICBPI currently purchases around [...] % of its smart payment card requirements from [supplier of smart payment cards] and only [...] % from Oberthur.²⁸
- 47) In addition, ICBPI' market position on the downstream market is limited and as such it is not an important customer of smart payment cards in Italy. Moreover, upstream suppliers compete on a wider market for card manufacturing, including other types of cards and thus have other outlets for their cards than issuers of smart payment cards. Therefore, even if the merged entity would internalize all current demand of ICBPI's cards in Italy, this is unlikely to have any significant impact on Oberthur's competitors upstream who could easily find other customers. In addition, given the tendency towards technological harmonisation on the upstream market, the sector is gradually moving towards an EEA-wide or even global scope and therefore Italy represents only a small outlet for the EEA suppliers (manufactures) of smart payments cards.
- 48) As a result, is unlikely that the merged entity would have the ability or the incentive to engage into a customer foreclosure strategy.

²⁶ Value based market share is based on point of sale (POS) and cash advance billed transaction value (excluding domestic debit ATM cash withdrawals). The Notifying Parties were not able to provide market shares of ICBPI's competitors (card issuers) based on volume.

²⁷ This is in the line with the assessment in a previous decision of the Commission. See case COMP/M.3998 – *Axalto/GemPlus*, paragraph 43.

²⁸ [details of supply arrangements].

Conclusion

- 49) In light of the above, the Commission concludes that the Transaction does not give rise to serious doubts as to its compatibility with the internal market in relation to the horizontal link regarding the provision of merchant acquiring services in Italy and vertical link between the manufacturing and supply of smart payment cards (upstream) and card issuing (downstream).

5. CONCLUSION

- 50) For the above reasons, the European Commission has decided not to oppose the notified operation and to declare it compatible with the internal market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of the Merger Regulation and Article 57 of the EEA Agreement.

For the Commission
(Signed)
Margrethe VESTAGER
Member of the Commission