



EUROPEAN COMMISSION
DG Competition

***Case M.8073 - ADVENT INTERNATIONAL / BAIN
CAPITAL / SETEFI SERVICES / INTESA SANPAOLO
CARD***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 10/08/2016

***In electronic form on the EUR-Lex website under document
number 32016M8073***



EUROPEAN COMMISSION

Brussels, 10.08.2016
C(2016) 5309 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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.8073 - ADVENT INTERNATIONAL / BAIN CAPITAL / SETEFI SERVICES / INTESA SANPAOLO CARD
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 5 July 2016, the Commission received notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 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) of the Merger Regulation joint control of Setefi Services S.p.A. (“Setefi Services”, Italy) and Intesa Sanpaolo Card d.o.o. (“ISP Card”, Croatia), by way of purchase of shares. Advent International and Bain Capital are collectively referred to as the Notifying Parties, Setefi Services and ISP

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').

Card are collectively referred to as ISP Processing and all four are collectively referred to as the Parties.

1. THE PARTIES

- (2) Advent International is a private equity investor with holdings through its funds in various sectors, including industrial, retail, media, communications, information technology, internet, healthcare and pharmaceuticals
- (3) Bain Capital is a private equity investment firm investing in information technology, healthcare, retail and consumer products, communications, financial and industrial/manufacturing.
- (4) Setefi Services and Intesa Sanpaolo Card operate primarily as the in-house card payment processing platform of the Intesa Sanpaolo Banking Group (“ISP”), with negligible sales to third parties.

2. THE OPERATION

- (5) The Transaction involves the acquisition, by funds managed by each of Advent International and Bain Capital, of joint control over ISP Processing. This will be done through the same corporate structure, Mercury UK Holdco Limited (“UK Holdco”) which has already been assessed by the Commission to be jointly controlled by Advent International and Bain Capital.³

On Joint control

- (6) On April 29, 2016, Bidco, a wholly owned subsidiary of UK Holdco (as Bidco’s guarantor), and ISP (as seller) entered into a Sale and Purchase Agreement, pursuant to which Bidco intends to acquire 100% of the share capital of ISP Processing. Advent International and Bain Capital each indirectly hold approximately 42.5% of the share capital of UK Holdco and Bidco.
- (7) Pursuant to an Investment and Shareholders’ Agreement the Notifying Parties have the right to appoint between them the majority of the members of the board of directors of UK Holdco. This board is comprised of six directors, two of which are appointed by Advent International and two of which are appointed by Bain Capital. Of the two remaining directors, one is appointed by Clessidra, an Italian private equity fund, and the other by mutual agreement between the directors appointed by Advent International, Bain Capital and Clessidra. For a decision of the board to be valid, a simple majority of directors is necessary, which must include at least one director appointed by each of Advent International and Bain Capital (excluding the executive director). The consent of each of the Notifying Parties is therefore required for all resolutions, thereby giving each Notifying Party a veto over all matters, including those relating to the strategic commercial behaviour of ISP Processing, the appointment of senior management, and the adoption of the budget and business plan.⁴ The minority shareholders will have no control rights.

³ Case COMP/M.7711 – *Advent International/Bain Capital/ICBPI*, para 8-9.

⁴ Moreover, the Notifying Parties have agreed that they will always vote together on board resolutions and, if they do not agree to vote in favour, will vote against the resolution.

Consequently, the Notifying Parties have joint control within the meaning of Article 3(1)(b) of the EU Merger Regulation.

- (8) The Transaction therefore constitutes a concentration within the meaning of Article 3(1)(b) of the EU Merger Regulation.

3. EU DIMENSION

- (9) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million⁵ (Advent International EUR [...] million, Bain Capital EUR [...] million, ISP Processing EUR [...] million). Two of them have an EU-wide turnover in excess of EUR 250 million (Advent International EUR [...] million and Bain Capital EUR [...] million). The undertakings concerned do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State.

- (10) The notified operation therefore has an EU dimension pursuant to Article 1(2) of the Merger Regulation

4. RELEVANT MARKETS

4.1. The Parties' business activities

- (11) ISP Processing is active only in payment card processing services (i.e., technical services for processing payment card transactions, both on the issuing and acquiring side) – which it provides on an almost exclusively captive basis to ISP primarily in Italy, as well as in other countries where ISP operates (Croatia, Hungary, Slovakia, Slovenia and Romania). ISP Processing sales to third parties are negligible.⁶

- (12) The Notifying Parties jointly control Istituto Centrale Delle Banche Popolari Italiane (“ICBPI”, Italy) which is active through its CartaSi business in card issuing and merchant acquiring only in Italy and San Marino. ICBPI does not offer payment card processing services, but instead obtains these services from third parties (principally from [...]).

- (13) The Notifying Parties also jointly control Nets A/S (“Nets”, Denmark) which provides payment, card, and information services primarily in the Nordic and Baltic countries. Nets has only negligible sales outside these countries and does not offer card processing services (issuer processing or acquirer processing) in any of the countries in which ISP Processing is active.

- (14) Finally, Advent International solely controls Oberthur Technologies (“Oberthur”, France, which supplies payment cards (generally in conjunction with card personalisation services) and trusted service manager services.

- (15) Both the Notifying Parties and ISP Processing are active in the provision of card processing services, and the Notifying Parties are also active in card issuing and

⁵ Turnover calculated in accordance with Article 5 of the Merger Regulation and the Commission Consolidated Jurisdictional Notice (OJ C95, 16.4.2008, p. 1).

⁶ Amounting to less than [0-5] % of the transactions processed by ISP Processing.

merchant acquiring, which are downstream of the provision of card processing services

4.2. Relevant Product Market

4.2.1. Card issuing

- (16) The Commission has previously identified a separate product market for card issuing, distinct from merchant acquiring and card processing.⁷
- (17) The Commission has further considered whether card issuing could be further segmented along the following lines: (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.⁸ The Notifying Parties provided market share data for all of the above segmentations, submitting that the exact scope of the market can be left open.
- (18) For the present case, the exact product market definitions for merchant acquiring can in any event be left open as the Transaction raises no competition issues under any scenario.

4.2.2. Merchant acquiring

- (19) The Commission has previously considered that the market for merchant acquiring consists of the activity of contracting merchants for payment card acceptance and the provision of the respective services.⁹
- (20) The Commission has also considered the possible sub-segments: (i) by payment card schemes (domestic/international), (ii) by payment card brands (e.g. Visa, Visa Electron, MasterCard, Maestro), (iii) by the type of payment card (credit/debit) and (iv) by platform, distinguishing physical point of sale ("POS") terminals and web-enabled interfaces (e-commerce).¹⁰ The Notifying Parties provided market share data for all of the above segmentations, submitting that the exact scope of the market can be left open.

⁷ See Case COMP/M.5241 – *American Express/Fortis/Alpha Card*, Commission decision dated October 3, 2008 (“Alpha Card”), paragraph 24; Case COMP/M.5384 – *BNP Paribas/Fortis*, Commission decision dated December 3, 2008 (“Fortis”), paragraph 14; Case COMP/M.6164 – *Barclays Bank/ Egg credit card assets*, Commission decision dated April 18, 2011 (“Egg”), paragraph 9; Case COMP/M.7078 – *Santander Consumer Finance, El Corte Ingles, Financiera El Corte Inglés*, Commission decision dated January 29, 2014 (“Financiera El Corte Inglés”), paragraph 23; Case COMP/M.7711 – *Advent International/Bain Capital/ICBPI*, Commission decision dated September 16, 2015 (“ICBPI”), paragraph 20.

⁸ See Alpha Card, paragraphs 24-27; Fortis, paragraphs 16-40; Egg, paragraphs 9-12; Financiera El Corte Inglés, paragraphs 22-33; ICBPI, paragraph 20.

⁹ See Case M.3740 – *Barclays Bank/Föreningsparbanken/JV*, Commission decision dated June 2, 2005, paragraph 11; Case COMP/M.4844 – *Fortis/ABN AMRO Assets*, Commission decision dated October 3, 2007, paragraph 42; Alpha Card, paragraph 23; Nets, paragraph 21; ICBPI, paragraph 14.

¹⁰ See *BCC*, paragraphs 19-23; *AIB/FDC*, paragraph 13; *WorldPay*, paragraph 12; Case COMP M.6956 – *Telefonica/Caixa Bank/Banco Santander/JV*, Commission decision dated August 14, 2013 (“Telefonica/Caixa Bank/Banco Santander”), paragraph 46; Case COMP/M.6967 – *BNP Paribas Fortis/Belgacom/Belgian Mobile Wallet*, Commission decision dated October 11, 2013 (“Belgian Mobile Wallet”), paragraph 106; *Nets*, paragraph 21; *ICBPI*, paragraph 14.

- (21) For the present case, the exact product market definitions for merchant acquiring can in any event be left open as the Transaction raises no competition issues under any scenario.

4.2.3. *Payment card processing*

- (22) The Commission has previously considered that the market for payment card processing may be further subdivided into acquiring processing and issuing processing.¹¹
- (23) Acquiring processing is the merchant oriented side of processing a transaction. It includes network routing of payments towards the corresponding issuing entity and the POS authorisation.
- (24) Issuing processing is the issuer oriented side of processing a card transaction. It includes the financial and technical requests for payment authorization from the issuing entity, maintenance of local and international blocking lists, verification of card limits, management of card accounts, generation of cardholder statements and invoicing.
- (25) In the past, the Commission has identified a further sub-segmentation in acquiring processing based on (i) the payment card scheme (national/international) and (ii) the platform, distinguishing between physical POS terminals and through web-enabled interfaces (e-commerce).¹²
- (26) The Notifying Parties provided market share data for all of the above segmentations, submitting that a sub-segmentation of the acquiring processing market is not necessary in the present case.
- (27) For the present case, the exact product market definitions for payment card processing can in any event be left open as the Transaction raises no competition issues under any scenario.

4.3. Relevant geographic markets

4.3.1. *Card issuing*

- (28) The Commission has previously found that card issuing (and any segment therein) is national in scope.¹³ The Notifying Parties submit that the exact scope of the geographic market for card issuing can ultimately be left open in this instance, as the Transaction does not give rise to concerns.

¹¹ See Case COMP/M.4316 – *Atos Origin/Banksys/BCC*, Commission decision dated September 29, 2006 (“BCC”), paragraph 17; Case COMP/M.4814 – *AIB/FDC/JV*, Commission decision dated January 11, 2008 (“AIB/FDC”), paragraph 15; Case COMP/M.5968 – *Advent/Bain Capital/RBS WorldPay*, Commission decision dated October 14, 2010 (“WorldPay”), paragraph 12; Case COMP/M.7241 – *Advent International/Bain Capital/Nets Holding*, Commission decision dated July 8, 2014 (“Nets”), paragraph 33.

¹² COMP/M.7241 – *Advent International / Bain Capital Investors / Nets Holding*, para 36.

¹³ See *Financiera El Corte Inglés*, paragraphs 49-51; *Alpha Card*, paragraphs 26-27; *Fortis*, paragraph 73; *Egg*, paragraph 17; *ICBPI*, paragraph 31.

- (29) For the present case, the exact geographic market definitions for merchant acquiring can in any event be left open as the Transaction raises no competition issues under any scenario.

4.3.2. *Merchant acquiring*

- (30) In recent decisions,¹⁴ the Commission confirmed its previous finding that the geographic market for merchant acquiring through physical terminals is most likely national in scope, while for web-enabled transactions the market is at least EEA wide.
- (31) The Notifying Parties consider that the precise definition of the relevant geographic market may be left open because ICBPI supplies card issuing and merchant acquiring services only in Italy and San Marino, and even on the narrowest basis (*i.e.*, in Italy), the Transaction will not give rise to concerns.
- (32) For the present case, the exact geographic market definitions for merchant acquiring can in any event be left open as the Transaction raises no competition issues under any scenario.

4.3.3. *Payment card processing*

- (33) The Notifying Parties note that the Commission has previously left open the question whether the provision of payment card processing services is national or EEA-wide in scope, although it has previously assessed these services on the basis of national markets, with the exception of acquirer processing for web-enabled transactions which the Commission has previously indicated may be EEA-wide.¹⁵
- (34) The Notifying Parties argue that payment card processing is at least EEA-wide, since processing services can be provided from data centres located in a Member States other than the one in which the customer is located; processing is primarily an IT service provided over an Internet connection from a data centre that may be located anywhere, so it is not essential to have a local presence or local service staff; processing services are largely standardised across Member States, since processing requirements are identical across Member States, with no notable differences between international schemes (such as Visa, or MasterCard/Maestro) and domestic debit schemes.
- (35) Moreover, there is an ever increasing emergence of pan-European processing providers that provide services to customers across borders. For example, Equens Worldline, Nets, TSYS, First Data, SIX and SIA are all active across multiple Member States. Similarly, major issuers and acquirers (*e.g.*, WorldPay, Barclaycard, Crédit Agricole, Lloyds Bank, RBS, Crédit Mutuel, Swedbank) provide their own processing services centrally in-house, irrespective of the country in which the card payment occurs. Finally the Payment Services Directive contains “passporting” provisions that enable processors to provide services on a

¹⁴ COMP/M.7241 – *Advent International / Bain Capital Investors / Nets Holding* (para 23 et seq for merchant acquiring and para 37 for acquiring processing), COMP/M.7873 – *Worldline/Equens/Paysquare*.

¹⁵ See *BCC*, paragraphs 26-27; *AIB/FDC*, paragraph 20; *WorldPay*, paragraph 12; *Nets*, paragraphs 37-41.

pan-EU basis once they are authorised in one Member State. Regulatory requirements therefore are aimed to facilitate rather than hinder cross-border provision of services. This last development has led to a wave of consolidation which currently characterises the European processing sector, in many cases driven by a desire to expand cross-border in order to permit suppliers to offer substantially the same processing services across more countries from fewer data centres.

- (36) In any event, the exact geographic market definition can still be left open for the purpose of the present case since no competition concerns arise as a result of the proposed transaction under any plausible product and geographic market definition.

5. COMPETITIVE ASSESSMENT

- (37) To date, ISP Processing can be considered as an in-house supplier and provides services almost exclusively to ISP in the countries where the bank operates. After the transaction, ISP Processing will become a stand-alone, non-captive supplier of processing services to ISP.

- (38) This structural change will give rise to a horizontal overlap in the provision of processing services, and to two vertical overlaps between processing services upstream (ISP Processing) on the one hand, and card issuing and merchant acquiring downstream (ICBPI). No horizontally, vertically or neighbouring affected markets result in relation to Oberthur, regarding its card manufacturing activities.

5.1. Non-Coordinated Horizontal Effects

- (39) Regarding the horizontal relationship in processing services, no overlap would arise at national level, as ISP Processing is active in Italy, Croatia, Hungary, Slovakia, Slovenia and Romania; while Nets operates in the Nordic and Baltic countries.

- (40) At EEA-wide level, no affected market would arise, with combined market shares post-transaction for issuing processing around [10-20]% ([10-20]% for Nets and [0-5]% for ISP Processing) and for acquiring processing around [10-20]% ([10-20]% for Nets and [0-5]% for ISP Processing).¹⁶ The Notifying Parties submit that they would also account for less than 20% combined EEA-wide under any possible further sub-segmentation (*i.e.*, for acquirer processing, by card scheme or by transaction type).

- (41) Therefore, the Transaction is unlikely to give rise to non-coordinated horizontal effects.

5.2. Non-Coordinated Vertical Effects

- (42) Concerning the vertical relationship between issuing processing and card issuing, the Transaction would give rise to an affected market only in Italy. Upstream, the market share of ISP Processing for issuing processing in Italy would be below [10-20]% both in volume and in value. Downstream, the market shares of ICBPI in the

¹⁶ These estimates are based on transaction volume. The Notifying Parties estimate that combined shares also would be less than 20% by value, although they are unable to provide specific estimates by value because reliable data are not available.

overall card issuing market would also be around [10-20]%, but as high as [30-40]% (volume) and [60-70]% (value) for credit/charge cards and to [40-50]% (volume) and [60-70] % (value) for universal¹⁷ credit/charge cards.

- (43) Concerning the vertical relationship between acquiring processing and merchant acquiring, the Transaction would give rise to an affected market only in Italy. Upstream, the market shares of ISP Processing for acquiring processing in Italy would be below [20-30]% both in volume and value. Downstream, the market share of ICBPI in the overall merchant acquiring market is [20-30]% in value, reaching [30-40]% for POS merchants and to [50-60]% for merchants accepting international payment cards.¹⁸

5.2.1. *Input foreclosure*

- (44) For both vertical relationships, a possible input foreclosure strategy would require ISP Processing to stop providing issuing and acquiring processing services to ISP (its only customer). The Notifying Parties argue that they have neither the incentive, nor the ability to engage in such an activity. Regarding the incentive, such strategy would require ISP Processing to lose their unique customer, putting at risk its economic survival. As for the ability, ISP could easily resort to alternative suppliers, in particular SIA and Equens Worldline, which have significant market shares of [50-60]% - [60-70]% and [30-40]% - [40-50]% respectively on the Italian market and are not capacity constrained.
- (45) The market investigation has confirmed the arguments of the Notifying Parties. In particular, it should be noted that ISP as a seller of ISP Processing is fully aware of the details of the Transaction and must have considered that its commercial interests are not at risk when agreeing to it.
- (46) In light of the above, no input foreclosure is likely to arise as a result of the Transaction.

5.2.2. *Customer foreclosure*

- (47) Turning to a potential customer foreclosure in card issuing or merchant acquiring, the Notifying Parties might adopt a post-transaction strategy aimed at favouring ISP Processing as supplier of issuing processing services to the downstream card issuing business and merchant acquiring business, by switching ICBPI's contracts for payments' processing from its current suppliers of such services ([...]), to ISP Processing, and thereby undermine these rival suppliers.
- (48) The Notifying Parties argue that they have neither the ability, not the incentive to engage in such a conduct.
- (49) First, they argue that ISP Processing is a customised in-house system dedicated to serving ISP only and is not designed to process a large volume of transactions from multiple bank customers. Also it does not have its own data centre, but instead operates a processing platform on mainframes belonging to, sited at, and hosted by,

¹⁷ ICBPI does not issue specific credit / charge cards.

¹⁸ As opposed to cards which are accepted only within Italy, a segment in which ICBPI is virtually not active.

ISP. A redesign of the whole system, allowing an eventual migration of ICBPI's demand to ISP Processing would be extremely onerous and could take around five years. Consequently, even a partial migration of ICBPI's card processing business from [...] seems highly unlikely.

- (50) Moreover, the Notifying Parties submit that ICBPI does not represent a substantial part of the overall demand in Italy for processing services ([10-20]% for card issuing and [20-30]% for merchant acquiring). Therefore, they argue that even if ICBPI would theoretically switch all of its processing to ISP Processing there would remain a sufficiently large customer base available to its other providers of processing services ([...]).
- (51) The Notifying Parties note that both [...] are international payments processing service providers present across the EEA. In an EEA-wide market ICBPI's market shares in card issuing and merchant acquiring are below [0-5]%, which leads to the conclusion that [...] would be able to continue to operate as card processors in the EEA effectively, even if ICBPI were to migrate the entirety of its card processing business to ISP Processing.
- (52) The market investigation carried out by the Commission indicated that no customer foreclosure is likely to occur for card issuing or merchant acquiring. Indeed, the investigation confirmed that the market share of ICBPI in either card issuing or merchant acquiring is not sufficiently large to make a potential foreclosure strategy successful. The fact that ICBPI's market shares are higher in some plausible narrower markets within card issuing and merchant acquiring does not make the foreclosure strategy more likely. This is because processing services are largely homogenous between e.g. debit and credit cards and competing providers can offer their processing services to all merchant acquirers, largely irrespective of their specialisation.
- (53) Importantly, the market investigation did not evidence any concerns from market participants as regards a possible customer foreclosure strategy.
- (54) Therefore, no customer foreclosure is likely to arise as a result of the Transaction.

5.2.3. *Conclusion*

- (55) In light of the above, the transaction is unlikely to give rise to serious doubts as to the compatibility of the Transaction with the internal market.

6. CONCLUSION

- (56) 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)

Violeta BULC

Member of the Commission