



EUROPEAN COMMISSION
DG Competition

***Case M.10378 - VUB / SLOVENSKA SPORITELNA
/TATRA BANKA / 365.BANK / CSOB / JV***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 26/04/2022

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EUROPEAN COMMISSION

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PUBLIC VERSION

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 Where possible the information omitted has been replaced by ranges of figures or a general description.

Všeobecná úverová banka, a.s.
Mlynské nivy 1
829 90 Bratislava
Slovakia

Slovenská sporiteľňa, a.s.
Tomášikova 48
832 37 Bratislava
Slovakia

Tatra banka, a.s.
Hodžovo námestie 3
811 06 Bratislava
Slovakia

365.bank, a.s.
Dvořákovo nábrežie 4
811 02 Bratislava
Slovakia

Československá obchodná banka, a.s.
Žižkova 11
811 02 Bratislava
Slovakia

**Subject: Case M.10378 – VUB / Slovenska Sporitelna / Tatra Banka / 365. bank, a. s. / CSOB / JV
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**

Dear Sir or Madam,

- (1) On 17 March 2022, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which Všeobecná úverová banka, a.s. (“**VUB**”, Slovakia), Slovenská sporiteľňa, a.s. (“**Slovenska Sporitelna**”, Slovakia), Tatra banka, a.s. (“**Tatra Banka**”, Slovakia), 365.bank, a.s. (“**365.bank**”, Slovakia) and Československá obchodná banka, a.s. (“**CSOB**”, Slovakia) propose to acquire within the meaning of Article 3(1)(b) and 3(4) of the Merger Regulation joint control of a newly created joint venture, Monologi s.r.o* (the “**JV**”) (the “**Transaction**”).³ VUB, Slovenska Sporitelna, Tatra Banka, 365.bank and CSOB are designated hereinafter as the “**Notifying Parties**”.

1. THE PARTIES

- (2) **VUB** is a commercial bank in Slovakia active in retail and corporate banking and is part of Italian banking group Intesa Sanpaolo S.p.A. (Italy).
- (3) **Slovenska Sporitelna** is a commercial bank in Slovakia active in retail and corporate banking and is part of Austrian banking group Erste Group Bank AG (Austria).
- (4) **Tatra Banka** is a commercial bank in Slovakia active in retail and corporate banking and is part of Austrian banking group Raiffeisen Bank International AG (Austria).
- (5) **365.bank** is a commercial bank in Slovakia active in retail and corporate banking and is controlled by J&T FINANCE GROUP SE (Czechia).
- (6) **CSOB** is a commercial bank in Slovakia active in retail and corporate banking and is part of Belgian banking group KBC Group N.V. (Belgium).

2. THE CONCENTRATION

- (7) On 21 July 2021, the Notifying Parties agreed a term sheet with the intent to establish the JV as a limited liability company under Slovak law and setting out the corporate governance structure and the terms of the JV.

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”).

* Should read: [Monilogi, s r.o.]

³ Publication in the Official Journal of the European Union No C 134, 25.3.2022, p. 29–30.

- (8) The JV will provide cash handling, cash in transit and cash management services to its parent companies, as well as to external customers.
- (9) The governing bodies relevant for taking strategic decisions are the general meeting and the supervisory board. In the general meeting, each of the Notifying Parties have voting rights according to their shareholding.⁴ [DECISION MAKING PROCESS]. Reserved matters, however, require a unanimous vote of either the general meeting or the supervisory board. These reserved matters include strategic decisions considered reflective of veto rights, typical for a situation of joint control, including [...].⁵ Due to the JV's governing structure, the Notifying Parties will acquire joint control of the JV.
- (10) The JV will have sufficient resources, including financial resources and suitable cash handling equipment and facilities transferred by the Notifying Parties, to operate independently. It will further have an own management directly employed by the JV. The Notifying Parties provide that the JV will generate a significant part of its turnover, potentially more than [...]%, and in any case not less than [...]%, with sales to third parties.⁶ Sales to the Notifying Parties will be made at market terms.⁷ Lastly, the JV will operate on a lasting basis. Therefore, the JV will be full functional.

3. UNION DIMENSION

- (11) The undertakings concerned have a combined aggregate worldwide turnover of more than EUR 5 000 million (VUB: EUR 36,599 million; Slovenska Sporitelna: EUR 9,920 million; Tatra Banka: EUR 5,195 million; 365.bank: EUR 640 million; CSOB: EUR 11,514 million)⁸. Each of them has a Union-wide turnover in excess of EUR 250 million (VUB: EUR [...] million; Slovenska Sporitelna: EUR [...] million; Tatra Banka: EUR [...] million; 365.bank: EUR [...] million; CSOB: EUR [...] million), but they do not achieve more than two-thirds of their aggregate Union-wide turnover within one and the same Member State. The notified operation therefore has a Union dimension.

4. RELEVANT MARKETS

- (12) The JV will be active in cash handling services and cash in transit (“CIT”) services.

⁴ VUB ([...]), Slovenska Sporitelna ([...]), Tatra Banka ([...]), CSOB ([...]) and 365.bank ([...]).

⁵ The term sheet further provides a deadlock mechanism concerning deadlock situations on reserved matters, which may ultimately result in a call-option to be exercised by the agreeing Parties concerning the shareholdings of the vetoing Party. However, as a deadlock can only be overcome through a complex mechanism after a relatively long duration, and linked to uncertainties, the veto rights of each Notifying Party remain effective, and the JV is controlled by all Notifying Parties post Transaction.

⁶ According to the JV's business plan submitted by the Notifying Parties, the JV is planned to generate [...]% of its total turnover in the first year with services provided to third parties. This share is planned to increase to [...]% in the third year and to [...]% in the fifth year; Form CO, annex 17.

⁷ Form CO, paragraphs 77 et seq.

⁸ Turnover calculated in accordance with Article 5 of the Merger Regulation.

4.1. Cash handling

- (13) Cash handling services comprise a set of services such as sorting of cash, verification of authenticity of notes and coins, decommissioning of damaged cash, counting of cash, packaging of cash and crediting customer accounts.
- (14) Customers for cash handling services include commercial banks, which use it for their branches and ATMs, and corporate customers, primarily in the retail sector (e.g. gas stations or supermarkets), which need cash in the right denomination to provide change to customers, and need incoming cash to be collected.
- (15) The JV will be active in cash handling both for bank customers (the Notifying Parties and other banks) and retail customers.

4.1.1. Product market

4.1.1.1. The Commission's decisional practice

- (16) In its previous decisions, the Commission distinguished separate markets for cash handling and CIT.⁹ The Commission did not assess cash handling in detail in previous cases.

4.1.1.2. The Notifying Parties' view

- (17) The Notifying Parties consider that cash handling is a separate market from CIT and do not indicate a need for any segmentation.¹⁰ The Notifying Parties also submit that cash handling also includes the activity of cash management, which is a set of planning services including (i) monitoring the quantity of cash present in ATMs, branches, or other points of sale; (ii) determining the required replenishments based on a forecast of the future cash demand; and (iii) planning cash orders.¹¹
- (18) Finally, the Notifying Parties' consider that the cash handling market excludes so-called self-supply, which is cash processed by commercial banks for their own needs (e.g. provisioning of branches or ATMs), as these volumes would never have become available to the cash handling market absent the Transaction.¹²

4.1.1.3. The Commission's assessment

- (19) For the following reasons the Commission considers that cash handling constitutes a separate market from CIT services, in line with its previous decisions, While many customers source the two services together, they can also be sourced separately.
- (20) Furthermore, while all independent cash handling / CIT service providers perform both services, all of the Notifying Parties only perform cash handling and not CIT. It is not easy for a cash handler to enter CIT, as it requires equipment (armoured vans),

⁹ See cases M.3396 – *Group 4 Falck / Securicor*, paragraphs 13 and 14; M.5293 – *Banco Santander/Alliance & Leicester*, paragraphs 16-20; and M.9625 – *Banca Comerciala Romana / Raiffeisen Bank / BRD Societe Generale / CIT One*, paragraphs 20-24.

¹⁰ Form CO, paragraph 125.

¹¹ Form CO, paragraph 135-137.

¹² Form CO, paragraph 236.

personnel with the necessary qualifications (*e.g.* gun carry permits, professional certificates, experience in private security) and a license to act as a private security company.

- (21) The Commission's market investigation did not yield indications that cash management services should be considered a separate market from cash handling. In this context, the Commission notes that cash handling is a heterogeneous set of services, and that the exact services provided to a customer depends on its specific needs. The Commission will therefore consider cash management as a service comprised in the market for cash handling.
- (22) Finally, it can be left open whether the market should be further segmented (excluding self-supply from the merchant market), as the Transaction does not raise competitive concerns under either market definition.

4.1.2. *Geographic market*

4.1.2.1. The Commission's decisional practice

- (23) In a previous decision, the Commission considered that cash handling services are at most national in scope, but ultimately left the geographic market definition open.¹³

4.1.2.2. The Notifying Parties' view

- (24) The Notifying Parties consider that the cash handling market is national in scope.¹⁴
- (25) The Notifying Parties submit that the geographic scope is not narrower than national, as conditions of competition do not vary across Slovakia, players have similar national coverage in terms of processing centres and network, and the same regulatory environment applies throughout Slovakia.¹⁵
- (26) The Notifying Parties argue that the geographic scope is not broader than national, as they are provided on basis of a national license and customers predominantly operate a Slovakia-wide network.¹⁶

4.1.2.3. The Commission's assessment

- (27) The Commission considers that cash handling is not broader than national. All Slovakian cash handlers' operations are limited to Slovakia and performing cash handling services requires a national license from the National Bank of Slovakia.
- (28) The geographic market for cash handling services may be further restricted by the time it takes to transport cash to the cash centre, *i.e.* CIT. As set out in Section 4.2.2.3 below, CIT services may be narrower than national in scope. However, all major CIT service providers in Slovakia are active across the country, and market

¹³ See case M.5293 – *Banco Santander/Alliance & Leicester*, paragraphs 19 and 20.

¹⁴ Form CO, paragraph 127.

¹⁵ Form CO, paragraph 127.

¹⁶ Form CO, paragraphs 138-141.

shares do not differ materially across regions. Therefore, the Commission will perform its assessment for cash handling on a national basis.

4.2. CIT

- (29) CIT services concern the physical transportation of cash (coins and bank notes), which usually takes place in armoured vehicles. Cash is usually transported between customer outlets (*e.g.* bank branches, ATMs and retailers) and cash centres, where the cash is stored, sorted and processed, and *vice versa*.
- (30) The JV will not be active in CIT itself, but source this service from existing CIT providers.

4.2.1. Product market

4.2.1.1. The Commission's decisional practice

- (31) As set out in paragraph (16), the Commission has previously identified CIT as a separate market from cash handling services.
- (32) Within CIT, the Commission considered whether the replenishment of remote ATMs should constitute a separate market from traditional CIT services, due to differences in price and specific skills required from operating staff (*e.g.* light maintenance on ATMs). However, the Commission concluded that a separate market for replenishment of remote ATMs is not appropriate as the case in questions focused on traditional CIT services, in which providers of remote ATM services could easily participate as well. However, the Commission noted that it may be difficult for traditional CIT providers to provide remote ATM services, and that the situation could therefore have been different in case of an overlap for remote ATM services.¹⁷
- (33) Finally, the Commission considered whether CIT services performed in-house by banks or retailers should be included in the market for CIT services. The Commission concluded that in-house services should not be included in the market, because there is a clear trend towards outsourcing, and once outsourced, a client cannot credibly threaten to insource CIT activities as it does not have the required personnel and equipment.¹⁸

4.2.1.2. The Notifying Parties' view

- (34) The Notifying Parties submit that CIT is a separate product market from cash handling. The Notifying Parties consider that the Transaction should be assessed on the basis of a CIT market including remote ATM services.¹⁹

4.2.1.3. The Commission's assessment

- (35) For the purposes of the present decision, it can be left open whether remote ATM services constitute a separate market from CIT services. As all major CIT service

¹⁷ See case M.3396 – *Group 4 Falck / Securicor*, paragraph 16.

¹⁸ See case M.3396 – *Group 4 Falck / Securicor*, paragraph 15.

¹⁹ Form CO, paragraph 129.

providers active in Slovakia provide both services, and segmenting the market therefore does not change the competitive assessment. Furthermore, the JV will not be active in either service itself, and instead source these services from existing Slovak CIT service providers. The relevant market for the Commission's assessment is therefore the **purchase of CIT services market including remote ATM services**.

4.2.2. Geographic market

4.2.2.1. The Commission's decisional practice

(36) In a previous decision, the Commission considered that CIT services are, at most, national in scope, and possibly narrower, based on catchment areas around depots. In the case, the Commission found that the geographic market definition for Luxembourg is national in scope, and left the geographic market definition for the Netherlands and Germany open between national and narrower than national.²⁰

4.2.2.2. The Notifying Parties' view

(37) The Notifying Parties submits that CIT services are national in scope, because the required licence is valid for the entire country of Slovakia and providers often organise transport routes as to cover the whole country.²¹

4.2.2.3. The Commission's assessment

(38) The Commission considers that the CIT services in Slovakia may well be narrower than national in scope. In the Notifying Parties' internal documents and a feasibility study by the Slovak Banking Association that the Notifying Parties submitted to the Commission CIT services are analysed in three Slovak regions: West, Centre and East. Additionally, a CIT service provider explains that serving the entire Slovak territory from one depot would be logistically inefficient and have an impact on fuel costs.²²

(39) However, for the purposes of the present decision, adopting a narrower-than-national geographic market definition would not alter the competitive assessment. All major CIT service providers in Slovakia are active across the country, and market shares do not differ materially across regions.²³ The Commission will therefore perform its assessment for the purchase of CIT services on a national basis.

4.3. Banking services

(40) The Notifying Parties are all commercial banks in Slovakia, active in retail and corporate banking. Banks are customers for cash handling services, and the Transaction therefore gives rise to a vertical relationship between the JV's cash handling services upstream and the Notifying Parties' banking services downstream.

²⁰ See case M.3396 – *Group 4 Falck / Securicor*, paragraph 16.

²¹ Form CO, paragraph 132.

²² Non-confidential minutes of a call with a CIT service provider dated 16 December 2021, paragraph 17.

²³ Reply to question 5 of RFI 11.

4.3.1. Product market

4.3.1.1. The Commission's decisional practice

- (41) For retail banking, the Commission has previously considered several separate product market definitions, such as personal current accounts, savings accounts, lending, private banking services, mutual funds and other investment products. However, ultimately the Commission left the product market definitions open.²⁴
- (42) For corporate banking, the Commission has identified separate product markets for large corporate customers and small and medium enterprises (SMEs). The Commission has also considered and left open the possibility of separate product markets for services such as deposits and savings, loans, domestic payment services / current accounts, foreign payment services and cash management services.²⁵

4.3.1.2. The Notifying Parties' view

- (43) The Notifying Parties submit that the Transaction can be assessed on the basis of markets for retail banking and corporate banking without any further segmentation, because:²⁶
- (a) there is no horizontal overlap for either banking service; and
 - (b) cash handling and CIT services only constitute a minimal share (<2%) of total expenses incurred for providing commercial and retail banking services.

4.3.1.3. The Commission's assessment

- (44) For the purposes of the present Decision, the Notifying Parties' banking services are only affected vertically, as they are downstream from the cash handling services that will be provided by the JV. Therefore, the product market definition should accurately represent the Notifying Parties' share of all cash handling demand by banks in Slovakia for the purpose of the competitive assessment.
- (45) As cash handling is primarily used to provision bank branches and ATMs, the Notifying Parties' share of the total number of Slovak bank branches and ATMs is a good proxy for their downstream market share. Furthermore, the Notifying Parties' share of the total number of Slovak bank branches and ATMs is roughly in line with their combined market share in retail banking and corporate banking.²⁷
- (46) Therefore, the Commission considers that the exact product market definition for retail and corporate banking can be left open. For the purpose of the present Decision, the Commission will use the Notifying Parties' share of Slovakia's bank branches and ATMs to assess the Notifying Parties' market share position

²⁴ See for example cases M.8553 – *Banco Santander / Banco Popular Group*, paragraph 14 and M.5384 – *BNP Paribas / Fortis*, paragraph 9.

²⁵ See for example cases M.8553 – *Banco Santander / Banco Popular Group*, paragraphs 18-19 and M.5384 – *BNP Paribas / Fortis*, paragraphs 11-12.

²⁶ Form CO, paragraph 155.

²⁷ The Notifying Parties' 2020 combined market share for retail banking is [70-80]% and for corporate banking is [70-80]%.

downstream of cash handling services, as banks' cash handling needs are primarily driven by the servicing of ATMs and branches. In any event, the Notifying Parties' share of ATMs and branches in Slovakia is roughly in line with their share in the retail and corporate banking markets, so any plausible market definition would lead to the same competitive assessment.

4.3.2. *Geographic market*

4.3.2.1. The Commission's decisional practice

(47) In past decisions, the Commission has found that retail banking is national or regional in scope. As concerns corporate banking, the Commission found that services provided to SMEs are national in scope, but that services provided to large corporate customers may be broader than national in scope.²⁸

4.3.2.2. The Notifying Parties' view

(48) The Notifying Parties submit that the geographic market definition can be left open, as no competitive concerns arise even under a national market definition.²⁹

4.3.2.3. The Commission's assessment

(49) For the purpose of the present Decision, the geographic market definition can be left open. As the upstream cash handling market in which the JV will be active is limited to Slovakia and conditions of competition are relatively homogenous across the country, any potential effects on the downstream banking markets would be limited to Slovakia. The downstream banking services of the Notifying Parties' will therefore be assessed at national (Slovakia) scope.

5. **COMPETITIVE ASSESSMENT**

(50) The Transaction gives rise to a horizontal overlap in cash handling services, by combining the Notifying Parties' cash handling activities in the JV. While the Notifying Parties are not active in CIT services and the JV will not be active in CIT services, the JV will combine the Notifying Parties' purchases of CIT services. The Commission will assess this as a horizontal effect, pertaining to a market for the purchase of CIT services.

(51) Finally, the Transaction will give rise to a vertical relationship between the JV's cash handling services upstream and the Notifying Parties' retail and corporate banking services downstream.

²⁸ See for example cases M.8553 – *Banco Santander / Banco Popular Group*, paragraphs 16-17 and 21-22.

²⁹ Form CO, paragraph 152.

5.1. Assessment of horizontal overlaps

5.1.1. Legal framework

- (52) The Commission Guidelines on the assessment of horizontal mergers under the Merger Regulation (the “Horizontal Merger Guidelines”) distinguish between two main ways in which mergers between actual or potential competitors on the same relevant market may significantly impede effective competition, namely non-coordinated effects and coordinated effects.
- (53) Non-coordinated effects may significantly impede effective competition by eliminating the competitive constraint imposed by each merging party on the other, as a result of which the merged entity would have increased market power without resorting to coordinated behaviour. The Horizontal Merger Guidelines list a number of factors³⁰ which may influence whether or not significant non-coordinated effects are likely to result from a merger. These include the large market shares of the merging firms, the fact that the merging firms are close competitors, the limited possibilities for customers to switch suppliers, or the fact that the merger would eliminate an important competitive force. Not all of these factors need to be present for significant non-coordinated effects to be likely. The list of factors, any one of which is not necessarily decisive, is also not an exhaustive list.

5.1.2. Cash handling

5.1.2.1. Market structure

- (54) Cash handling services in Slovakia are provided by two types of companies. *Firstly*, commercial banks are active in cash handling to cover their own cash-handling demand, as well as to offer cash handling services to external customers, often their corporate banking clients. All of the Notifying Parties except for [ONE OF THE PARTIES], as well as other commercial banks in Slovakia, provide cash handling services for internal and external demand. *Secondly*, external providers offer cash handling services often in combination with CIT services. The two main external providers are Loomis and Bonul, with Lama being a significantly smaller third external provider.
- (55) Table 1 below shows the Notifying Parties’ estimate of cash handling market shares in Slovakia, including self-supply (in-house cash handling services by banks for their own use, e.g. provisioning of own ATMs and branches). Table 2 below shows the Notifying Parties’ estimate of cash handling market shares in Slovakia excluding self-supply.

³⁰ Horizontal Merger Guidelines, paras 24 *et seq.*

Table 1: The Notifying Parties' estimate of cash handling services market shares in Slovakia (including self-supply, by volume).

	Volume of cash processed (in millions of coins and banknotes)			Market share		
	2018	2019	2020	2018	2019	2020
VUB	[...]	[...]	[...]	[10-20]%	[10-20]%	[10-20]%
Slovenska Sporitelna	[...]	[...]	[...]	[0-5]%	[0-5]%	[0-5]%
Tatra Banka	[...]	[...]	[...]	[5-10]%	[5-10]%	[0-5]%
365.bank	[...]	[...]	[...]	[0-5]%	[0-5]%	[0-5]%
CSOB	[...]	[...]	[...]	[5-10]%	[0-5]%	[5-10]%
Combined	[...]	[...]	[...]	[30-40]%	[30-40]%	[30-40]%
Loomis	[...]	[...]	[...]	[20-30]%	[20-30]%	[30-40]%
Bonul	[...]	[...]	[...]	[20-30]%	[20-30]%	[20-30]%
Lama	[...]	[...]	[...]	[0-5]%	[0-5]%	[5-10]%
Other commercial banks	[...]	[...]	[...]	[10-20]%	[10-20]%	[5-10]%
Total	[...]	[...]	[...]	100%	100%	100%

Source: The Notifying Parties

Table 2: The Notifying Parties' estimate of cash handling services market shares in Slovakia (excluding self-supply, by volume).³¹

	Volume of cash processed (in millions of coins and banknotes)			Market share		
	2018	2019	2020	2018	2019	2020
VUB	[...]	[...]	[...]	[10-20]%	[10-20]%	[10-20]%
Slovenska Sporitelna	[...]	[...]	[...]	[0-5]%	[0-5]%	[0-5]%
Tatra Banka	[...]	[...]	[...]	[0-5]%	[0-5]%	[0-5]%
365.bank	[...]	[...]	[...]	[0-5]%	[0-5]%	[0-5]%
CSOB	[...]	[...]	[...]	[0-5]%	[0-5]%	[0-5]%
Combined	[...]	[...]	[...]	[10-20]%	[10-20]%	[10-20]%
Loomis	[...]	[...]	[...]	[20-30]%	[30-40]%	[40-50]%
Bonul	[...]	[...]	[...]	[30-40]%	[30-40]%	[20-30]%
Lama	[...]	[...]	[...]	[5-10]%	[5-10]%	[5-10]%
Other commercial banks	[...]	[...]	[...]	[10-20]%	[10-20]%	[5-10]%
Total	[...]	[...]	[...]	100%	100%	100%

Source: The Notifying Parties

(56) Based on the Notifying Parties' estimates, the JV will have an expected market share of [30-40]% including self-supply, and [10-20]% excluding self-supply (based on 2020 data). Of the individual banks that contribute their cash handling activities to the JV, the large majority comes from [NAME OF THE RESPECTIVE PARTY].

³¹ As explained in paragraph (54), Loomis, Bonul and Lama provide cash handling services as external competitors, often in relation to CIT services. Contrary to banks, those competitors do not have material in-house demand for cash handling, and volumes therefore do not differ compared to Table 1.

[NAME OF THE RESPECTIVE PARTY] and [NAME OF THE RESPECTIVE PARTY] are only minimally active in the provision of cash handling activities to external customers, and [NAME OF THE RESPECTIVE PARTY] and [NAME OF THE RESPECTIVE PARTY] mainly perform cash handling for internal needs.

- (57) Table 3 below shows the Notifying Parties' estimate of the value-based market shares for cash handling in Slovakia. The value-based market shares exclude self-supply, as no revenue is associated with self-supply volumes.

Table 3: The Notifying Parties' estimate of cash handling services market shares in Slovakia (excluding self-supply, by value).³²

	Cash handling revenues (EUR thousand)			Market share		
	2018	2019	2020	2018	2019	2020
VUB	[...]	[...]	[...]	[20-30]%	[10-20]%	[20-30]%
Slovenska Sporitelna	[...]	[...]	[...]	[5-10]%	[5-10]%	[5-10]%
Tatra Banka	[...]	[...]	[...]	[0-5]%	[0-5]%	[0-5]%
365.bank	[...]	[...]	[...]	[0-5]%	[0-5]%	[0-5]%
CSOB	[...]	[...]	[...]	[5-10]%	[10-20]%	[5-10]%
Combined	[...]	[...]	[...]	[30-40]%	[30-40]%	[30-40]%
Loomis	[...]	[...]	[...]	[20-30]%	[20-30]%	[30-40]%
Bonul	[...]	[...]	[...]	[20-30]%	[30-40]%	[20-30]%
Lama	[...]	[...]	[...]	[5-10]%	[5-10]%	[5-10]%
Total	[...]	[...]	[...]	100%	100%	100%

Source: The Notifying Parties

- (58) In addition to the Notifying Parties self-supply cash handling business and cash handling business on behalf of third parties, the Notifying Parties also have needs for internal cash handling that are currently outsourced to independent cash handlers (Loomis, Bonul and Lama). To the extent that these volumes will be transferred to the JV post-Transaction, they would have an impact on the JV's and its competitors' future market shares. This primarily concerns servicing the Notifying Parties' ATMs by Loomis, Bonul and Lama.
- (59) According to the Notifying Parties' estimates, the following cash handling business is outsourced to third party cash handlers on behalf of the Notifying Parties:
- (a) In terms of volume, [...] pieces of coins and bank notes were outsourced to third parties, representing [10-20]% of the total market.
 - (b) In terms of value, EUR [...] million of cash handling business is outsourced to third parties, representing [30-40]% of the total market.
- (60) In case of a scenario in which the JV were to insource all the parents' demand that is currently outsourced to third parties, the JV's market share as estimated by the Notifying Parties would increase to [40-50]% (by volume) and [70-80]% (by value).

³² The Notifying Parties were not able to give an estimate for the value-based cash handling market share of other commercial banks.

However, as will be set out in section 5.1.2.3, this is an unlikely scenario and this contribution to the JV's market share would fully consist of the Notifying Parties' demand, not directly affecting external customers, whose choice of alternative suppliers would not be reduced by the Notifying Parties' decision to source more from the JV. Furthermore, the Commission considers that the value share is overstated, as the Notifying Parties did not allocate a value share to commercial banks other than themselves, and the revenue numbers for the Notifying Parties are not in line with their (comparatively lower) volumes, as they likely include the revenue from other services that are provided together with cash handling.

5.1.2.2. Notifying Parties' view

- (61) The Notifying Parties submit that the Transaction does not lead to the creation or strengthening of a dominant position in cash handling.³³
- (62) *First*, as concerns market structure, the Notifying Parties consider volume-based market shares the more precise measure for market structure, as the cash handling market is not very homogenous. Furthermore, the Notifying Parties submits that banks (such as the Notifying Parties) often view cash handling as an ancillary service, and therefore may price it very differently from dedicated cash handlers. Banks often offer cash handling as part of a package of services, meaning that price setting can be arbitrary. The Notifying Parties additionally do not exclude that in some cases, their revenue data include the full package of services rather than cash handling alone, inflating the revenue share. Finally, the market size in terms of volume was provided by the National Bank of Slovakia, while the value-based market size is an estimate.³⁴
- (63) *Second*, the Notifying Parties consider that the JV's market share is moderate, namely – according to the Notifying Parties' estimate – [30-40]% including self-supply and [10-20]% excluding self-supply. The Notifying Parties consider that the appropriate market definition excludes self-supply.
- (64) *Third*, the Notifying Parties submit that the Transaction will not eliminate efficient competition, and the JV will still face three long standing and established cash handling competitors with significant market shares. Furthermore, these competitors have a substantial competitive advantage over the JV, as they are able to provide CIT services, which are a necessary input for the provision of cash handling services.³⁵
- (65) *Fourth*, the Notifying Parties consider that there are no significant barriers to entry to the Slovak cash handling market, and that it may be entered by cash handlers that are active outside of Slovakia. To illustrate this point, the Notifying Parties submit that the JV is set up as a new cash handling entrant, and that this is expected to be achieved with a total cost of EUR [...] million.³⁶
- (66) *Last*, the Notifying Parties consider that the Slovak cash handling market would be less competitive if the JV were not established. The Notifying Parties consider that

³³ Form CO, paragraph 235.

³⁴ Reply to question 2a of RFI 12 and question 1 of RFI 13.

³⁵ Form CO, paragraph 238.

³⁶ Form CO, paragraphs 239-242.

the Slovak cash handling market is currently rather uncompetitive and stagnant in nature. It considers that Loomis is currently the strongest active player, and in the future may become dominant and raise its prices. The Notifying Parties consider that the establishment of the JV will create competition and innovation in the Slovak cash handling market.³⁷

5.1.2.3. The Commission's assessment

- (67) Post-Transaction, the JV will become a significant competitor in the market for cash handling services in Slovakia, with the external providers Bonul and Loomis being the main alternative suppliers, and Lama as a smaller fourth competitor. The JV will likely be a far more credible competitor in cash handling than the Notifying Parties individually. While the Notifying Parties, as commercial banks, offered cash handling services separately pre-Transaction, competitors point out that there are limitations on the services they are able to offer. For example, contrary to independent cash handlers, they do not work around the clock (24/7), meaning they may not be able to pick up cash from retail customers in the evening and prepare “floats” of cash (change) for the stores in the morning. Furthermore, banks do not offer forecasting services. One competitor therefore indicated: “*At this moment [the company] does not truly see them as competitors, because of their activities in the past and their capacities.*”³⁸
- (68) As detailed in section 5.1.2.1 of this decision, the market shares to be attributed to the JV post-Transaction are composed of two elements, namely (i) own cash handling demand of the Notifying Parties (self-supply); and (ii) cash handling services currently provided by the Notifying Parties to external commercial customers (e.g. supermarkets). Regardless of whether volumes currently handled internally by the Notifying Parties would be attributed to the overall market size and to the JV's market shares post-Transaction or not, a number of other cash handlers with substantial market shares would be present in the market.
- (69) Considering volume-based market shares including self-supply, the JV would reach a significant market share level of approximately [30-40]% post-Transaction. However, as shown in Table 1 above, Loomis would remain the market leader with [30-40]% market share, and Bonul would be a second strong competitor to the JV with a market share of [20-30]%. In addition, Lama would constitute a fourth option for customers, with a significantly smaller, but non-negligible market share of [5-10]%. Considering volume-based market shares excluding self-supply, the JV would have a moderate market share of [10-20]%, leading to no horizontally affected market for cash handling in Slovakia, which would likely exclude competition concerns from the outset.³⁹ As presented in Table 2 above, Loomis ([40-50]%) and Bonul ([20-30]%) would reach significantly higher market share levels as the JV, and Lama ([5-10]%) would constitute a smaller, but non-negligible third alternative to the JV.

³⁷ Form CO, paragraphs 244-246.

³⁸ Minutes of calls with competitors dated 16 December 2021 and 13 January 2022.

³⁹ Horizontal Merger Guidelines, paragraph 18.

- (70) Furthermore, value-based market shares are only available excluding self-supply, as the Notifying Parties do not generate turnover with self-supply cash handling services. Considering value-based market shares, the JV would reach a market share level of approximately [30-40]%. As presented in Table 3 above, Loomis ([30-40]%) and Bonul ([20-30]%) would remain as strong competitors to the JV, and Lama ([5-10]%) would be a smaller, but non-negligible alternative. As set out in paragraph (60), the Commission considers that the provided value shares of the Notifying Parties are likely overstated.
- (71) Based on the above, the Commission concludes that in any event, a number of credible providers of cash handling services would remain in the market to constrain the JV, regardless whether volume-based market shares (including or excluding self-supply) or value-based market shares are considered for the assessment. Customers would therefore have, post-Transaction, at least three or even four credible suppliers to source cash handling services.
- (72) The Commission notes that, to some extent, cash handling service demand of the Notifying Parties that is currently outsourced to third party providers (*i.e.* Loomis, Bonul and Lama), which could potentially be insourced post-Transaction, may contribute to the JV's market share post-Transaction.
- (73) In a scenario of total insourcing of cash handling demand of the Notifying Parties that is currently outsourced to third-party providers, the JV would have a higher market share.⁴⁰ However, the Commission considers a complete insourcing scenario to be unlikely, for the reasons explained below in paragraphs (77) to (81). Furthermore, this contribution to the market share would only concern insourcing the own demand of the Notifying Parties, and therefore would not reduce the choice of potential suppliers by other customers.⁴¹
- (74) In the course of the Commission's investigation, two competitors raised concerns regarding the Transaction, pointing at alleged problems stemming from the potential insourcing of Notifying Parties' cash handling demand by the JV. Both competitors indicated that, in case they would lose all cash handling business currently provided for the JV, they would lose a significant proportion of their overall cash handling turnover. One competitor explained that this might ultimately lead to the market exit of the company: *"The proposed transaction involves the top-5 banks, controlling more than 85% of the banking sector, talking to cooperate together. So [the competitor] will immediately lose its turnover with them. In addition, [the competitor] may lose the retail customers because of the JV' partners' power and presence. This may force [the competitor] out of the market and lead to a monopoly"*.⁴² A second competitor also points at significant losses in cash handling

⁴⁰ In such event, the JV would have market shares between [40-50]% (volume-based market shares including self-supply), and possibly higher when considering value-based market shares, as explained above in paragraph (60) of this decision

⁴¹ The only scenario under which the insourcing of the Notifying Parties' demand could theoretically affect the choice of other customers, is if it would lead to market exit of competing suppliers. However, as will be set out in paragraphs (82)-(83) below, it is unlikely that the Notifying Parties' decision to source more from the JV would lead to the exit from the market of the JV's competitors, who would therefore remain available to supply other customers.

⁴² Minutes of a call with a competitor of 16 December 2021, paragraph 24.

turnover in the event it would lose all its business currently provided to the Notifying Parties. Contrary to the other complainant, however, this competitor would not foresee an immediate market exit, even if the JV would insource all of the Notifying Parties' current cash handling demand.⁴³

- (75) The Commission notes that such concerns are primarily based on a complete insourcing scenario by the JV. However, it considers that such scenario is unlikely to materialise in the foreseeable future post-Transaction.
- (76) *First*, and most importantly, the Notifying Parties do not have an interest in driving competitors out of the market. The business model of the JV crucially depends on services provided by the companies that also provide cash handling services as third parties, *i.e.* Loomis, Bonul and Lama. While the JV will offer CIT services to external customers, it will not perform such services itself, but outsource those parts of their business to contractual partners.⁴⁴ The only current providers of CIT services in Slovakia are Loomis, Bonul and Lama.⁴⁵ Therefore, the Notifying Parties have an incentive not to drive competing cash handlers out of the market, as the JV remains dependent on them for the sourcing of related CIT services.
- (77) *Second*, the JV would likely not have the capacity to handle all cash handling demand by the Notifying Parties. Even though the JV combines existing cash handling capabilities of the Notifying Parties, it needs to take several steps to become operational as a newly formed entity. These steps include the obtaining of licences, building of the IT infrastructure, the transfer and hiring of employees and the tendering of CIT services to transport cash handled by the JV. To increase the capacity of the JV further, to where it could potentially supply the whole of the currently outsourced cash handling demand, the Notifying Parties provide that the JV would need to hire further employees and further optimise its operational processes. The Notifying Parties estimate the JV would therefore not be able to insource the currently outsourced cash handling demand for a period of approximately two to four years after the Transaction.⁴⁶ Furthermore, the Commission does not see indication that insourcing by the JV after such period of two to four years is certain.
- (78) *Third*, a complete insourcing strategy may not be in the economic interest of the Notifying Parties. The Commission notes that four of the five Notifying Parties⁴⁷ already now have significant in-house capabilities for cash handling. Nevertheless, all of those banks currently outsource considerable cash handling volumes to third party providers. This indicates that the outsourcing of cash handling activities may be the preferable option even in cases where a commercial bank has internal cash handling capabilities. This adds credibility to the Notifying Parties' claim that they may still outsource significant shares of their cash handling demand to third party competitors, as post-Transaction, the Notifying Parties will still have the economic

⁴³ Minutes of a call with a competitor of 13 January 2022, paragraphs 28 and 31.

⁴⁴ Form CO, paragraph 31.

⁴⁵ Form CO, Schedule 2.

⁴⁶ Response to RFI 15, paragraphs 1 et seq.

⁴⁷ [NAMES OF THE PARTIES].

motivation to choose the most efficient cash services provider for each purpose.⁴⁸ The Commission notes that the main rationale for the JV is not the insourcing of currently outsourced cash handling demand, but the optimisation of internal processes by combining the Notifying Parties cash handling capabilities, as well as providing such services to external customers.⁴⁹

- (79) *Fourth*, in addition to this economic incentive, internal procurement rules may require the Notifying Parties not to treat the JV preferentially over third party cash handlers when they provide a better offer in a tender.⁵⁰ The Commission acknowledges that at least three of the Notifying Parties, [NAMES OF THE PARTIES], have a history of regularly awarding cash handling business through competitive tenders.⁵¹ In the view of the Commission, this adds credibility to the claim of the Notifying Parties that their internal outsourcing and procurement guidelines would prevent them from contractually engaging with a company on other grounds than the best commercial offer.⁵² ⁵³ While internal guidelines and the Notifying Parties' tendering history do not exclude insourcing as such, it adds credibility to the Notifying Parties claim that third party cash handlers would have the ability to win cash handling business in competition to the JV from the Notifying Parties.
- (80) Those arguments are supported by internal documents of the Notifying Parties. In a presentation to CEOs of the Notifying Parties, dating 17 July 2021, it is clearly indicated that, at the rollout, the JV would need "*ensuring the capacity to take over the "internal" volume (not the outsourced volume)*". The document further indicates, regardless of timing and not limited to the rollout phase, that for business currently outsourced, the procurement procedures of the banks apply, meaning that the JV would have to participate in the usual tender.⁵⁴ This is in line with the Notifying Parties' claim that it is in no way certain that all or even some of the internal needs of the Notifying Parties will be automatically transferred to JV.⁵⁵ Furthermore, a status report on the Transaction to the board of directors of [ONE OF THE PARTIES] of 12 October 2021 stresses that the banks guidelines on outsourcing of services would also apply to the JV, which stipulates a competitive

⁴⁸ In the Form CO, the Notifying Parties point, *inter alia*, at a competitive advantage of third party cash handlers due to their capability to provide services along with CIT services; Form CO, paragraph 238.

⁴⁹ Form CO, paragraph 5.

⁵⁰ The Notifying Parties provide that guidelines on procurement exist for all parent companies, see Form CO, annexes 29 to 33. The Notifying Parties further point at Guidelines on outsourcing by the European Banking Authority (EBA), providing that "*where institutions and payment institutions intent to outsource important or critical functions to entities within the same group, they should ensure that the selection of a group entity is based on objective reasons and that the conditions of the outsourcing arrangement are set at arm's length and explicitly deal with conflicts of interests that such an outsourcing arrangement may entail.*" See EBA/GL/2019/02, paragraph 28.

⁵¹ Response to RFI 15, Schedule 3.

⁵² Form CO, paragraph 230.

⁵³ However, the Commission notes, that insourcing of some services currently provided by third party cash handlers may be likely, as the Notifying Parties explain the rational of the Transaction *inter alia* with "*efficiencies are expected from the inclusion of the processing activities that are currently being provided for by the independent cash handlers*"; Form CO, paragraph 107.

⁵⁴ Response to RFI 14, annex 1b.

⁵⁵ Response to RFI 9, paragraph 2.

tender based on objective criteria such as efficiency, innovations, new services and digitalisation.⁵⁶

- (81) Taking into account all elements detailed above, the Commission considers that, on balance, a complete insourcing of all the Notifying Parties' current cash handling demand is unlikely and appears to be a rather extreme scenario. Therefore, while the JV may insource some cash handling, the Commission considers that full insourcing is implausible, and that a scenario in which the JV would only insource part of its parent volume to be more likely. That scenario would lead to market shares of the JV of up to [30-40]%, as explained in section 5.1.2.1 of this decision, potentially with the addition of some insourced business currently placed by the Notifying Parties with external cash handling providers. As explained in paragraphs (67) to (71) above, a number of competitors with significant market shares would remain in the market in this scenario.
- (82) Furthermore, even in the unlikely event that the JV would insource very significant or all cash handling demand of the Notifying Parties, it is questionable whether the corresponding loss of business would make third party cash handlers less competitive, or would even lead to market exit of one or more third party providers. In the market investigation, the Commission received mixed indication concerning the importance of economies of scale in the provision of cash handling services. One competitor indicated that cash handling would entail a high share of fixed costs, and that the share of variable costs would only be "*leaving small space for optimisations. Their contraction will not mitigate the impact [of significant loss of business], resulting in a nose-dive drop in terms of gross margin*".⁵⁷ However, a second competitor indicated that economies of scale would only exist to a minor extent in cash handling.⁵⁸ This would suggest that third party cash handling providers would be able to provide services to competitive terms even in the event of a significant reduction of their total business.⁵⁹ In this respect, the Commission notes the presence of Lama on the market, which is able to operate as a cash handling competitor at significantly smaller scale than Loomis and Bonul. As explained in paragraph (74) above, competitors have differing views whether insourcing of the JV, and the loss of business currently provided to the Notifying Parties, would force them out of the cash handling market.⁶⁰
- (83) Last, the Commission notes that, even in the event that one third party cash handling provider would exit the market due to the potential loss of business currently provided to the Notifying Parties, customers would still have two or even three credible alternatives (the JV and the two remaining third party competitors of

⁵⁶ Response to RFI 14, annex 2b.

⁵⁷ Reply by a competitor to question 1.f. of the Commission's questionnaire to competitors.

⁵⁸ Reply by a competitor to question 6 of the Commission's questionnaire to competitors.

⁵⁹ The Notifying Parties provide that economies of scales would exist in the provision for cash handling services, but only up to a minimum level of business operations, and that once a cash handler would surpass a certain level of cash handling volumes, economies of scales would not be substantial; Form CO, paragraphs 272 et seq.

⁶⁰ In this respect, the Commission notes that for one of the independent cash handling competitors – Lama – the proportion of business performed on behalf of the Notifying Parties is in any event very limited.

Loomis, Bonul and Lama) to choose from.⁶¹ Such market structure may not be significantly different in the view of some cash handling customers. While customers responding to the market investigation generally considered all Notifying Parties to be credible suppliers of cash handling services pre-Transaction,⁶² other customers indicated that they currently do not consider the five Notifying Parties separately as suitable alternatives.⁶³ As set out in paragraph (67), competitors consider that the individual banks face limitations as cash handling competitors.

- (84) Based on the above, the Commission concludes that it is not likely that the Transaction will negatively impact the structure of the cash handling market in Slovakia, as (i) this would only be realistic if the JV would insource all or very significant cash handling business currently outsourced by the Notifying Parties, which appears unlikely, (ii) even significantly insourcing by the JV may not necessarily force current competitors out of the market, and (iii) even if one third party cash handling provider would be forced to leave the market, customers would still have two to three credible alternatives, which some market participants who do not consider the Notifying Parties separately as credible competitors regard as a similar market structure compared to pre-Transaction.
- (85) On the other hand, it appears unlikely that, excluding the entry of the JV, an additional new entrant would timely enter the Slovak cash handling market, due to rather high barriers of entry. Competing cash handlers point at significant investments that entry would require, for example in cash machines, buildings with the necessary security levels, as well as in finding and hiring qualified personnel. One competitor provides that it is not aware of any market entry in the Slovak cash handling market in the past 15 years. Competitors also consider that entry into cash handling alone would likely not be viable, but that a new entrant likely would have to provide other services, such as CIT services, in combination.⁶⁴
- (86) Finally, Slovak customers of cash handling services are largely unconcerned about the Transaction. Most customers responding to the market investigation indicate that the Transaction would have a neutral impact on its business and on the cash handling market in Slovakia. A significant share of respondents even foresee a positive impact on their business, and a very significant proportion of respondents do so for the cash handling market.⁶⁵ ⁶⁶ One customer explains that the *“creation of the JV would lead*

⁶¹ Customers of cash handling services indicate that they can rather easily switch their cash handling provider without significant costs and in a short time frame. Most customers responding to the market investigation further indicate that they would choose their cash handling provider via competitive tenders, which, in the view of the Commission, provides them with a certain degree of bargaining power vis-à-vis cash handling providers; replies to question 9 and 13 of the questionnaire to cash handling customers.

⁶² Replies to question 10 of the questionnaire to cash handling customers. The Commission places a certain degree of caution on the responses to this question, as a majority of respondents consider 365.bank as suitable provider for cash handling services, albeit the fact that 365.bank currently does not provide such services to a noticeable extent to third parties (see Form CO, paragraph 25).

⁶³ Minutes of a call with a customer of 16 December 2021, paragraph 16.

⁶⁴ Minutes of a call with a competitor of 16 December 2021, paragraph 21, and of a call with a competitor of 13 January 2022, paragraph 19 et seq.

⁶⁵ Replies to question 14 of the questionnaire to cash handling customers.

⁶⁶ In addition to feedback from third party customers such as retailers, the Commission also contacted competing banks, who also source cash handling services either in-house or typically from external providers. While also retail banks provided a rather neutral view on the Transaction, one retail bank

to a broader options of cash handling, e.g. it would be possible to handle cash also in branches of banks in which we do not have accounts.”⁶⁷ ⁶⁸ Only very few customers indicated in the market investigation that the Transaction may negatively impact their business of the cash handling market in Slovakia.

- (87) Based on the above, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market due to horizontal non-coordinated effects in relation to the provision of cash handling services in Slovakia.

5.1.3. Purchase of CIT services

5.1.3.1. Market structure

- (88) There are three companies providing CIT services in Slovakia: Loomis, Bonul and Lama. Table 4 shows the Notifying Parties’ estimates of the CIT market shares of each player.

Table 4: The Notifying Parties' estimate of CIT services market shares in Slovakia.

	Value (in thousands of EUR)			Market share		
	2018	2019	2020	2018	2019	2020
Loomis	[...]	[...]	[...]	[40-50]%	[40-50]%	[40-50]%
Bonul	[...]	[...]	[...]	[40-50]%	[40-50]%	[40-50]%
Lama	[...]	[...]	[...]	[5-10]%	[5-10]%	[5-10]%
Total	[...]	[...]	[...]	100%	100%	100%

Source: the Notifying Parties

- (89) Table 5 shows the Notifying Parties estimate of their purchasing share in the Slovak CIT market.

Table 5: The Notifying Parties' estimate of their CIT purchasing share in Slovakia.

	Value (in thousands of EUR)		
	2018	2019	2020
Total CIT market	[...]	[...]	[...]
Notifying Parties’ CIT purchases	[...]	[...]	[...]
Share of total	[40-50]%	[40-50]%	[50-60]%

Source: the Notifying Parties

- (90) The Notifying Parties are major purchaser of CIT services in Slovakia. Other purchasers include other banks than the Notifying Parties and non-bank purchasers, such as retail-outlets (e.g. supermarkets and gas stations).

competitor (and customer of cash handling services) raised concerns regarding the Transaction. Those are discussed in section 5.2.2. of this decision, assessing potential vertical effects between cash handling (upstream) and banking services (downstream).

⁶⁷ Reply to question 14.1.1. of the questionnaire to cash handling customers.

⁶⁸ Some customers nevertheless point at a significant market position the JV would have post-Transaction and potential risks that this would entail, such as an increase in price. Nevertheless, those customers still indicated that the Transaction would have a neutral or even positive impact.

- (91) The Notifying Parties' purchasing share in 2020 was [50-60]%. However, the Notifying Parties consider that 2018 and 2019, in which the purchasing share was slightly lower, is more representative, as 2020 was a year in which the COVID-19 pandemic led to a period of effective closures of cash-heavy industries and increased use of cashless transactions.⁶⁹

5.1.3.2. Notifying Parties' view

- (92) The Notifying Parties consider that the Transaction will not bring about a change in the Slovak CIT market from the perspective of CIT suppliers. The Notifying Parties consider that the only structural change is that the JV will "intermediate" an estimated [40-50]% of CIT services post-Transaction (based on 2019 data).⁷⁰
- (93) The Notifying Parties submit that the JV will choose CIT service providers in a non-discriminatory manner, based on criteria such as price, quality and other commercial terms. The JV will also not engage in any exclusive contracts or tie-in practices, meaning that CIT suppliers are free to provide their services to customers without intermediation of the JV and the Notifying Parties are free to contract CIT suppliers without JV intermediation. Therefore, any attempt by the JV to increase prices would be met by end-customers (the Notifying Parties or other customers) contracting CIT suppliers directly.⁷¹
- (94) The Notifying Parties indicate that the JV will tender CIT services regularly and will not engage with a single CIT supplier only.⁷²

5.1.3.3. The Commission's assessment

- (95) Post-Transaction, the JV will represent a large percentage of the total demand for CIT services in Slovakia – around [40-50]% (based on 2019 data) to [50-60]% (based on 2020 data). Depending on the success of the JV in offering its services to third-party customers (other banks than the Notifying Parties, retail customers such as supermarkets and banks), it may 'intermediate' that CIT demand as well.
- (96) However, the extent of buyer power enjoyed by the JV, and its ability to play off CIT services providers against each other is limited. No single CIT provider in Slovakia is able to support the JV's entire demand for CIT services.⁷³ Current CIT service providers are aware of this situation, with one explaining to the Commission: "*Competitors do not have the capacity to absorb each other's volumes, concerning both cash handling and CIT services.*"⁷⁴
- (97) Therefore, the JV is not only planning to outsource parts of its CIT demand to different CIT providers, it will in fact have to do so, considering that there is no single CIT service provider that is able to support the JV's full demand. This situation is known to CIT service providers, which are therefore not at risk of losing

⁶⁹ Reply to question 2 of RFI 11.

⁷⁰ Form CO, paragraph 323.

⁷¹ Form CO, paragraphs 324-325.

⁷² Form CO, paragraph 326.

⁷³ Replies to question 3c of the Commission's questionnaire to competitors.

⁷⁴ Non-confidential minutes of call with a CIT / cash handling service provider, 16 December 2021.

the entirety of the Notifying Parties' business. This will limit the possibility that one or more of existing CIT service providers will be driven out of business, which would create a CIT market concentration with detrimental effects for customers, particularly customers other than the JV.

- (98) Expanding CIT capacity requires meaningful time and investment, namely in armoured vehicles, and because of the need to attract personnel with the right qualifications, such as private security experience, gun carry permits and other professional certificates.⁷⁵ CIT service providers are therefore unlikely to be able to extend their capacity to meet the JV's full demand in the short term, and the situation described above is likely to persist.
- (99) Besides the practical impossibility to outsource all of the JV's demand to a single provider, doing so would most likely not be in the Notifying Parties' interest. Having a sole provider for CIT service would make the JV dependent on the selected supplier, and threatening the continuity of other CIT services providers would risk creating a structural dependence, eliminating the JV's buyer power.
- (100) One competitor voiced an explicit concern on the JV's post-Transaction CIT purchasing share, indicating that the JV would represent a significant share of all Slovak CIT demand, and that in case this demand would be allocated through a single tender, winning the CIT tender by the JV would be decisive for CIT operators.⁷⁶ However, as set out above, the JV is unlikely to be able to buy all its CIT demand through a single tender, and therefore the scenario described in the concerns is unlikely to materialise.
- (101) Based on the above, the Commission considers that the Transaction does not give rise to serious doubts as to its compatibility with the common market because of horizontal non-coordinated effects in the market for the purchase of CIT services.

5.2. Assessment of vertical relationships

5.2.1. Legal framework

- (102) According to the Commission's Guidelines on the assessment of non-horizontal mergers under the Council Regulation on the control of concentrations between undertakings ("Non-horizontal Merger Guidelines"), foreclosure effects may occur where actual or potential rivals' access to supplies or markets is hampered or eliminated as a result of the merger, thereby reducing these companies' ability and/or incentive to compete.⁷⁷
- (103) In assessing the likelihood of an anticompetitive *input* foreclosure scenario, the Commission examines, first, whether the merged entity would have, post-merger, the ability to substantially foreclose access to inputs, second, whether it would have the incentive to do so, and third, whether a foreclosure strategy would have a significant detrimental effect on competition downstream.⁷⁸ These three conditions are

⁷⁵ Non-confidential minutes of call with a CIT / cash handling service provider, 16 December 2021.

⁷⁶ Non-confidential minutes of call with a CIT / cash handling service provider, 13 January 2022.

⁷⁷ Non-horizontal Merger Guidelines, paragraph 18.

⁷⁸ Non-horizontal Merger Guidelines, paragraph 32.

cumulative so that the absence of any of them is sufficient to rule out the likelihood of anti-competitive input foreclosure.⁷⁹

- (104) In assessing the likelihood of an anticompetitive *customer* foreclosure scenario, the Commission examines, first, whether the merged entity would have the ability to foreclose access to downstream markets by reducing its purchases from its upstream rivals, second, whether it would have the incentive to reduce its purchases upstream, and third, whether a foreclosure strategy would have a significant detrimental effect on consumers in the downstream market.⁸⁰

5.2.2. *Cash handling (upstream) and banking services (downstream)*

5.2.2.1. Market structure

- (105) The Notifying Parties are each commercial banks with banking operations in Slovakia. As the provision of banking services require the handling of cash volumes, for example to supply bank branches or ATMs, cash handling can be considered as being an input for banking services. The Transaction therefore creates a vertical link between the JV's cash handling business upstream and the Notifying Parties' banking activities downstream.
- (106) As detailed in Table 1, Table 2 and Table 3 above, and as further explained in section 5.1.2.1 of this decision, the JV's market shares in cash handling may exceed 30%, reaching [30-40]% to [30-40]% considering the Notifying Parties' combined current cash handling activities, and reaching [40-50]% (and possibly higher when considering value-based market shares) when assuming a complete insourcing of cash handling demand of the Notifying Parties. Based on these market share levels, the Commission has assessed whether the Transaction entails the risk of **input foreclosure**.
- (107) The Notifying Parties represent a very significant proportion of the banking market in Slovakia. As discussed in Section 4.3.1.3, cash handling is an input for banking activities that involve the use of cash, which may be the case in relation to both retail and corporate banking. Therefore, the Commission will assess the Notifying Parties' downstream market share on basis of its share of the total number of Slovak bank branches and ATMs as the most suitable proxy for cash handling demand of banks,⁸¹ as detailed in Table 4 below. The Notifying Parties' share of the total number of Slovak bank branches and ATMs is broadly in line with their combined market share in retail banking ([70-80]%), personal current accounts ([70-80]%) and corporate banking ([70-80]%).⁸² Considering those market shares would therefore not change the assessment.

⁷⁹ Case T – 370/17 KPN v Commission, EU:T:2019:354, paragraph 119.

⁸⁰ Non-horizontal Merger Guidelines, paragraph 59.

⁸¹ As explained further below in this section, the overall demand for cash handling services also includes customers other than banks, for example supermarkets.

⁸² Form CO, Schedules 8, 9 and 10.

Table 6: The Notifying Parties' estimate of their share of Slovak bank branches and ATMs.

	Bank branches		ATMs	
	Number	Share	Number	Share
VUB	[...]	[10-20]%	[...]	[20-30]%
Slovenska Sporitelna	[...]	[20-30]%	[...]	[20-30]%
Tatra Banka	[...]	[10-20]%	[...]	[10-20]%
365.bank	[...]	[5-10]%	[...]	[5-10]%
CSOB	[...]	[10-20]%	[...]	[10-20]%
Combined	[...]	[70-80]%	[...]	[80-90]%
Others	[...]	[20-30]%	[...]	[10-20]%
Total	[...]	100%	[...]	100%

Source: The Notifying Parties

(108) As shown in Table 4 above, the Notifying Parties account for the large majority of the bank branches [70-80]% and ATMs [80-90]% in Slovakia, very significantly exceeding market share levels of 30%. The Commission has therefore also assessed **customer foreclosure**.

5.2.2.2. Notifying Parties' view

(109) The Notifying Parties submit that the Transaction does not give rise of any input or customer foreclosure concerns.⁸³

(110) As concerns **input foreclosure**, the Notifying Parties argue that they will not have the **ability or incentive** to engage in input foreclosure and that such a strategy would not have a significant **impact** on the market, for the following reasons:

- (a) Post-Transaction, sufficient credible and well-established cash handling competitors remain in the market: Loomis, Bonul and Lama.⁸⁴
- (b) The Transaction does not lessen competition but instead adds a credible competitor to the Slovak cash handling market.⁸⁵
- (c) There are virtually no switching costs for customers when switching cash handlers.⁸⁶
- (d) The JV will provide cash handling services to customers other than the Notifying Parties on a non-discriminatory basis, *i.e.* under the same conditions. Furthermore, the economic rationale for establishment of the JV is not domination of the market, but rather profitable and most importantly stable and high-quality provision of cash handling services.⁸⁷

⁸³ Form CO, paragraphs 261 and 297.

⁸⁴ Form CO, paragraph 299.

⁸⁵ Form CO, paragraph 300.

⁸⁶ Form CO, paragraph 301.

⁸⁷ Form CO, paragraphs 302 and 304-305.

- (e) If the JV were to attempt to deteriorate competitive conditions on the Slovak cash handling market, this would create a strong incentive for foreign cash handlers to enter the market.⁸⁸
 - (f) Considering the limited importance of cash handling for the downstream banking services, there would be no clear way in which the Notifying Parties would benefit from an input foreclosure strategy, while the JV would be sure to lose a considerable amount of business.⁸⁹
- (111) As concerns **customer foreclosure**, the Notifying Parties argue that they will not have the **ability or incentive** to engage in customer foreclosure and that such a strategy would not have a significant **impact** on the market, for the following reasons:
- (a) The Notifying Parties are bound by their internal policies to opt for the most competitive offers, even if this is another cash handling supplier than the JV. Therefore, the Notifying Parties cannot prefer the JV as a supplier.⁹⁰
 - (b) There are sufficient alternative cash handlers in the Slovak market. As there is a general trend to outsource more cash handling activities, these competitors will likely have a growing amount of business to compete over.⁹¹
 - (c) There are no significant economies of scale or scope – which would make adopting a customer foreclosure strategy more attractive – in the cash handling sector, and cash handling is not characterised by network effects.⁹²
 - (d) The JV will be dependent on the existing cash handling competitors for the sourcing of CIT services. Therefore, foreclosing these competitors would endanger the existence of the JV.⁹³
 - (e) The Notifying Parties are not allowed to coordinate their behaviour, such as by engaging in customer foreclosure, as it could amount to a prohibited anticompetitive practice. Therefore, the Notifying Parties will select their cash handler based on the most competitive offer.⁹⁴
 - (f) The entry of the JV will increase competition in the market. The Notifying Parties consider that the current level of competition in the market is low and that the competitive pressure that the JV will exercise may move them to make offers that are more competitive.⁹⁵
 - (g) Not all competitors would be affected by a customer foreclosure strategy: Lama SK only performs very limited cash handling for the Notifying Parties

⁸⁸ Form CO, paragraph 303.

⁸⁹ Form CO, paragraphs 307-309.

⁹⁰ Form CO, paragraphs 262-265.

⁹¹ Form CO, paragraphs 266-271.

⁹² Form CO, paragraphs 272-275.

⁹³ Form CO, paragraph 281.

⁹⁴ Form CO, paragraph 282-283.

⁹⁵ Form CO, paragraphs 288-294.

and therefore would only experience a minimal effect in case of customer foreclosure.⁹⁶

5.2.2.3. The Commission's assessment

- (112) As explained in section 5.2.2.1 above, the JV would have market shares potentially exceeding 30% on the upstream market for cash handling, making **input foreclosure** a potential concern. However, for the following reasons the Commission considers that the Notifying Parties would likely not have the ability and the incentive to engage in input foreclosure, and such strategy would likely not have an impact on downstream customers.
- (113) *First*, the Notifying Parties are unlikely to have the **ability** to engage in an input foreclosure strategy post-Transaction. As explained in section 5.1.2.3 above, the JV will have an upstream market share of [30-40]% to [30-40]%, which indicates the existence of significant alternative sources for cash handling services in the market. As set out in section 5.1.2.3, downstream banking customers could still source from two significant competing cash handlers, Loomis and Bonul, as well as from Lama as a smaller third provider. Any attempt to engage in input foreclosure would therefore likely be met with customers switching to those other cash handling suppliers.
- (114) As further explained in section 5.1.2.3 above, market shares of the JV would reach [40-50]% and possibly higher in a scenario in which the JV would insource all cash handling demand currently outsourced to third party providers. However, as explained in the same section, such scenario appears to be unlikely to materialise. Furthermore, insourcing would only concern the Notifying Parties' own demand for cash handling services. Whether the Notifying Parties source cash handling for its own banking operations internally or from external providers does, as such, not change the ability to foreclose downstream competitors from cash handling services as an input. This is particularly the case as, pre-Transaction, competitors in the downstream retail market source cash handling services predominantly from third party providers such as Loomis, Bonul and Lama, and not from one of the Notifying Parties.⁹⁷ A combination of the Notifying Parties' cash handling businesses would therefore not increase its ability for input foreclosure.⁹⁸
- (115) *Second*, the Notifying Parties are unlikely to have the **incentive** to engage in an input foreclosure strategy for cash handling. While the primary objective of the JV is to create cost savings by bundling the Notifying Parties' cash handling needs in one – more efficient – supplier, for the Notifying Parties to enjoy the full benefits on the JV, they expect it to generate revenues from external customers as well. The business plan of the JV, as provided by the Notifying Parties, indicates considerable turnover projections from external customers, which may be retail customers such as

⁹⁶ Form CO, paragraphs 295-298.

⁹⁷ Replies to questions 2 and 3 of the questionnaire to banking competitors, as well as minutes of a call with a banking competitor of 16 December 2021, paragraph 5.

⁹⁸ In the market investigation, one downstream banking competitor raised concerns that the JV may drive other competitors out of the market, which would leave other banks with no or only less competitive alternatives to source cash handling services from. This concern is discussed in paragraphs (117) et seq. concerning potential customer foreclosure.

supermarkets, but also other commercial banks.⁹⁹ This is further substantiated by an internal report to the supervisory board of [NAME OF THE PARTY], dating 9 June 2021, indicating that *“the idea is that JV will/should be open to offer these services [cash processing services] to all other banks and corporate customers.”*¹⁰⁰ Engaging in an input foreclosure strategy would therefore be contrary to the business case of the JV as planned by the Notifying Parties.

- (116) *Third*, an input foreclosure is unlikely to have an **impact** on downstream banking competitors. For the provision of such services, cash handling constitutes only a very small cost factor of around 2%.¹⁰¹ Even in the unlikely event of an increase in prices for cash handling services, this would unlikely significantly impact downstream competitors’ ability to compete in the provision of banking services. In line with this, downstream banking competitors responding to the market investigation took a rather neutral view concerning the Transaction, or did not form a substantiated view in their response.¹⁰²
- (117) As explained in section 5.2.2.1 above, the Notifying Parties combine a very significant share of [70-80]% of all bank branches and [80-90]% of all ATMs in Slovakia, with shares at comparable level for retail and corporate banking, making **customer foreclosure** a potential concern. However, the Notifying Parties would likely not have the ability and the incentive to engage in customer foreclosure, and such strategy would likely not have an ultimate impact on downstream customers.
- (118) In the market investigation, two competitors raised the concern that they would lose a significant share of their cash handling revenues in case the JV would insource all current business the Notifying Parties currently obtain from third party providers. One competitor provided that, as a result, *“it will lose a large part of turnover”* in cash handling. In addition, the company may lose its retail customers because of the Notifying Parties’ connection with those clients as providers of corporate banking services. *“This may force [the company] out of the market and lead to a monopoly.”* A second competitor similarly indicates that the loss of cash handling business currently provided to the Notifying Parties would be significant. However, this customer does not foresee that it would need to exit the market in the foreseeable future even in such case.¹⁰³ In addition, one downstream banking competitor raised similar concerns indicating that the cash handling market *“may be disrupted or disappear totally due to entry of the new dominant player. All current competitors may be forced to cease their operation from the Slovak market and there would be only one new monopoly provider left in the market.”* Even if other competitors would remain in the market, they would lose economies of scale and therefore only provide services to less competitive terms.¹⁰⁴

⁹⁹ Form CO, annex 17.

¹⁰⁰ Form CO, annex 23.

¹⁰¹ Based on estimates by the Notifying Parties, Form CO, paragraph 338.

¹⁰² Replies to questions 6 and 7 of the questionnaire to banking competitors, as well as minutes of a call with a banking competitor of 16 December 2021, paragraph 23.

¹⁰³ Minutes of a call with a competitor of 16 December 2021, paragraphs 22 et seq., and minutes of a call with a competitor of 13 January 2022, paragraphs 28 et seq.

¹⁰⁴ Reply to questions 6 of the questionnaire to banking competitors.

- (119) Nevertheless, *first*, it is unlikely that the Notifying Parties will have the **ability** to engage in a customer foreclosure strategy. As explained in section 5.1.2.3 above, it is unlikely that the JV will insource all of the cash handling business currently sourced from third party cash handlers and thereby foreclose competitors from a significant part of their customer base. Moreover, while the Notifying Parties – as five of the main commercial banks in Slovakia – represent a meaningful share of Slovak cash handling demand, the overall demand for cash handling is not limited to banks alone. In addition to banks other than the Notifying Parties, there are non-bank customers such as supermarkets, gas stations, casinos and others that require cash handling services. By their own estimates, the Notifying Parties put together represent approximately [30-40]% of cash handling demand in Slovakia in terms of volumes of coins and banknotes in 2020 (as set out in paragraph (59), this proportion could be higher when considering value-based shares).¹⁰⁵ Moreover, the Commission notes that, by the Notifying Parties’ estimates, most of those volumes, namely [...] pieces, are already handled by the Notifying Parties internally, and only additional [...] pieces, or around [10-20]% of the total market, could be additionally foreclosed.¹⁰⁶ The Commission considers such demand share levels as unlikely to provide the Notifying Parties with the ability to foreclose upstream competitors of a significant share of the customer base.¹⁰⁷ The Commission notes that any loss of business for third party cash handlers would presume that the JV would insource a very significant proportion, or even all of the Notifying Parties business, which appears unlikely for the reasons explained in section 5.1.2.3 of this decision.
- (120) As concerns **incentive** to engage in a customer foreclosure strategy, it is worth noting that post-Transaction the JV will be dependent on the competing independent cash handlers, Loomis, Bonul and Lama, for the sourcing of CIT services. Therefore, a customer foreclosure strategy that threatens the continuity of these companies is likely to damage the Notifying Parties as well.
- (121) *Third*, it is unlikely that any customer foreclosure strategy by the Notifying Parties would have **impact** on the upstream cash handling market and ultimately on the downstream market for retail banking. As explained cash handling constitutes only a very small cost factor for the provision of banking services of around 2%.¹⁰⁸ It is therefore unlikely that an increase in prices for cash handling services would significantly impact downstream competitors’ ability to compete in the provision of banking services.

¹⁰⁵ The Notifying Parties provide that its combined in-house cash handling demand (self-supply) would amount to [...] million pieces in 2020 (see Form CO, schedule 3). A further cash handling demand of [...] million pieces is currently outsourced to third party cash handling providers (see response to RFI 7, annex 1). The total cash handling demand of the Notifying Parties is therefore [...] million pieces, which constitutes [30-40]% of the total cash handling market size of [...] million pieces, as indicated in schedule 1 of the Form CO.

¹⁰⁶ When deducting the [...] million pieces of current self-supply of the Notifying Parties from the overall market size of [...] million pieces, the currently outsourced cash handling demand of the Notifying Parties would amount to approx. [10-20]% of the reduced overall market.

¹⁰⁷ The Commission acknowledges that some companies may service the Notifying Parties to a larger degree, and may therefore be more impacted by a potential customer foreclosure strategy in the short term.

¹⁰⁸ Based on estimates by the Notifying Parties, Form CO, paragraph 338.

- (122) One downstream competitor in retail banking raised the concern that, in case the JV would drive all other cash handling competitors out of the market, other retail banks would be forced to source cash handling services either from their direct competitors or not at all: *“Banks participating in the JV may choose not to provide services to other banks, which will leave non-JV banks with limited or no choice of supplier at all, and when providing services to other banks, factor of discretion and discrimination cannot be omitted. The founding of JV and its operation will be direct threat to the existence of other key players in the retail banking market, mainly because there will be no alternative for cash handling services.”*¹⁰⁹ However, for the reasons detailed in section 5.1.2.3 of this decision, it is questionable if the loss of current business with the Notifying Parties would force cash handling competitors to exit the market, and appears unlikely that all third party cash handling providers would exit the market as a consequence of potential customer foreclosure. In line with this, other downstream banking competitors responding to the market investigation took a rather neutral view concerning the Transaction, or did not form a substantiated view in their response.¹¹⁰
- (123) Based on the above, the Commission considers that the Transaction does not give rise to serious doubts as to its compatibility with the common market due to non-horizontal non-coordinated effects in the markets for cash handling (upstream) and banking services (downstream) resulting from potential input foreclosure and potential customer foreclosure.

5.3. Assessment of possible spill-over effects

- (124) Pursuant to Article 2(4) of the Merger Regulation, in case of the creation of a joint venture that has the objective or effect of coordinating the competitive behaviour of undertakings that remain independent, the Commission shall assess whether such coordination (“**spill-over effects**”) is compatible with the common market.
- (125) In its appraisal, the Commission shall take into account:¹¹¹
- (a) Whether the parent companies retain significant activities in the same market, an up- or downstream market, or a neighbouring market to that of the joint venture.
 - (b) Whether coordination resulting from the joint venture creates the possibility of elimination competition for the markets in question.
- (126) In the current case, the Notifying Parties do not retain meaningful activities in the same market as the JV. However, all Notifying Parties are commercial banks, and therefore retain significant activities in a market that is downstream from the cash handling market in which the JV is active.
- (127) However, cash handling is not a particularly important input for banking services. Cash handling services only constitute a minimal fraction of the overall costs

¹⁰⁹ Reply to questions 8 of the questionnaire to banking competitors.

¹¹⁰ Replies to questions 6 and 7 of the questionnaire to banking competitors, as well as minutes of a call with a banking competitor of 16 December 2021, paragraph 23.

¹¹¹ Article 2(5) of the Merger Regulation.

relating to the provision of banking services (less than 2%). The turnover of the JV will also represent a very small part of the overall business of the Notifying Parties, namely 0-5%. Additionally, as set out in section 5.1.2.3 of the present decision, the cash handling market remains competitive post-Transaction.

- (128) In order to comply with applicable regulations, the JV will also adopt strict policies that prevent sharing commercially sensitive information between the parent companies (the Notifying Parties).
- (129) Based on the above, the Commission considers that the Transaction does not give rise to serious doubts as to its compatibility with the common market because of spill-over effects.

6. CONCLUSION

- (130) 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
Executive Vice-President