



Case M1155G

Acquisition by JTC Group Limited of
Kleinwort Benson (Channel Islands) Fund Services
Limited

Decision

REDACTED

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1. On 28 July 2015 the Guernsey Competition and Regulatory Authority (GCRA) received an application for merger approval from JTC Group Limited (JTC) in respect of its proposed acquisition of Kleinwort Benson (Channel Islands) Fund Services Limited (KBCI). This took the form of a shortened merger application form and request for approval by preliminary review because the parties are engaged in the financial services sector.
2. In accordance with the preliminary review process outlined in *CICRA Guideline 6 – Mergers and Acquisitions*, the GCRA noted its receipt of the application for approval of the proposed acquisition on its website, with a deadline for comments of 4 August 2015. No comments were received.

Details of the parties

3. For the purposes of The Competition (Calculation of Turnover) (Guernsey) Regulations, 2012 (the Turnover Regulations) the seller, Kleinwort Benson Channel Islands Holdings Limited had an applicable turnover of **[REDACTED]** for 2014. The purchaser, JTC Group Limited had an applicable turnover of **[REDACTED]** for 2014. The target, Kleinwort Benson (Channel Islands) Fund Services Limited, a part of Kleinwort Benson Channel Islands Holdings Limited had an applicable turnover of around **[REDACTED]** in Guernsey for 2014.

The transaction

4. JTC will acquire the entire issued share capital of the target (KBCI) which includes separate operating subsidiaries in Guernsey and Jersey and a significant administrative and back office function which is based in South Africa.
5. The transaction has been notified to both the Guernsey Financial Services Commission and Jersey Financial Services Commission, and will be notified on completion to the Financial Services Board of South Africa. Neither party has previously sought merger approval in Guernsey or Jersey and no other competition or regulatory authorities are involved in the transaction.

Need for referral

6. By virtue of the rules for calculating the relevant turnover for financial, insurance or credit institutions¹, each undertaking has a turnover in excess of £2m in Guernsey and a combined turnover in excess of £5m in the Channel Islands. A referral in Guernsey is therefore automatically triggered. In Jersey, neither party holds a share of supply in excess of 25% of the relevant market in Jersey, and the merger will not create a new undertaking with a share of supply of 25% or more, therefore there is no requirement for a merger referral or to seek JCRA approval in Jersey. The Guernsey application for approval through

¹ As set out in the *Calculation of Turnover (Guernsey) regulations 2012*;

preliminary review is granted in accordance with the *Competition (Prescribed mergers and acquisitions) (Guernsey) Regulations 2012*, as the acquirer is a qualifying credit or financial institution.

Effect on competition

7. There are horizontal overlaps between the fund management and trustee services of the target and acquirer. While it is difficult to establish the precise market share of the target and acquirer in each of the relevant markets, there are more than 150 corporate fund and client service providers in Guernsey. The applicants estimate that the post acquisition market share of the merged undertaking will be **[REDACTED]**%.
8. The applicants note that there is competition to provide such services globally, and it is not critical for clients that services are based in any particular jurisdiction, provided that they are able to meet the client requirements, therefore it is arguable that competition for customers is global and the relevant markets are global in scope. Under this analysis, the market share applicable to the merged undertaking would be considerably less than the **[REDACTED]**% attributed above.

Conclusion

9. On the basis of the information provided by the parties, the relatively small market share held by the combined undertakings and the potentially global reach of competition within the market for these services, the GCRA considers that there is unlikely to be a substantial lessening of competition within the market and there is no detriment to consumers or to the economic development and well-being of Guernsey.
10. The GCRA therefore approves the notified acquisition under section 17(1) of *The Competition (Guernsey) Ordinance, 2012*.